NORTHEAST BUSINESS CENTER

COLUMBUS, OHIO

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

September 1, 1988

NORTHEAST BUSINESS CAMPUS
TWO-STORY OFFICE BUILDING
(NEBC #5)

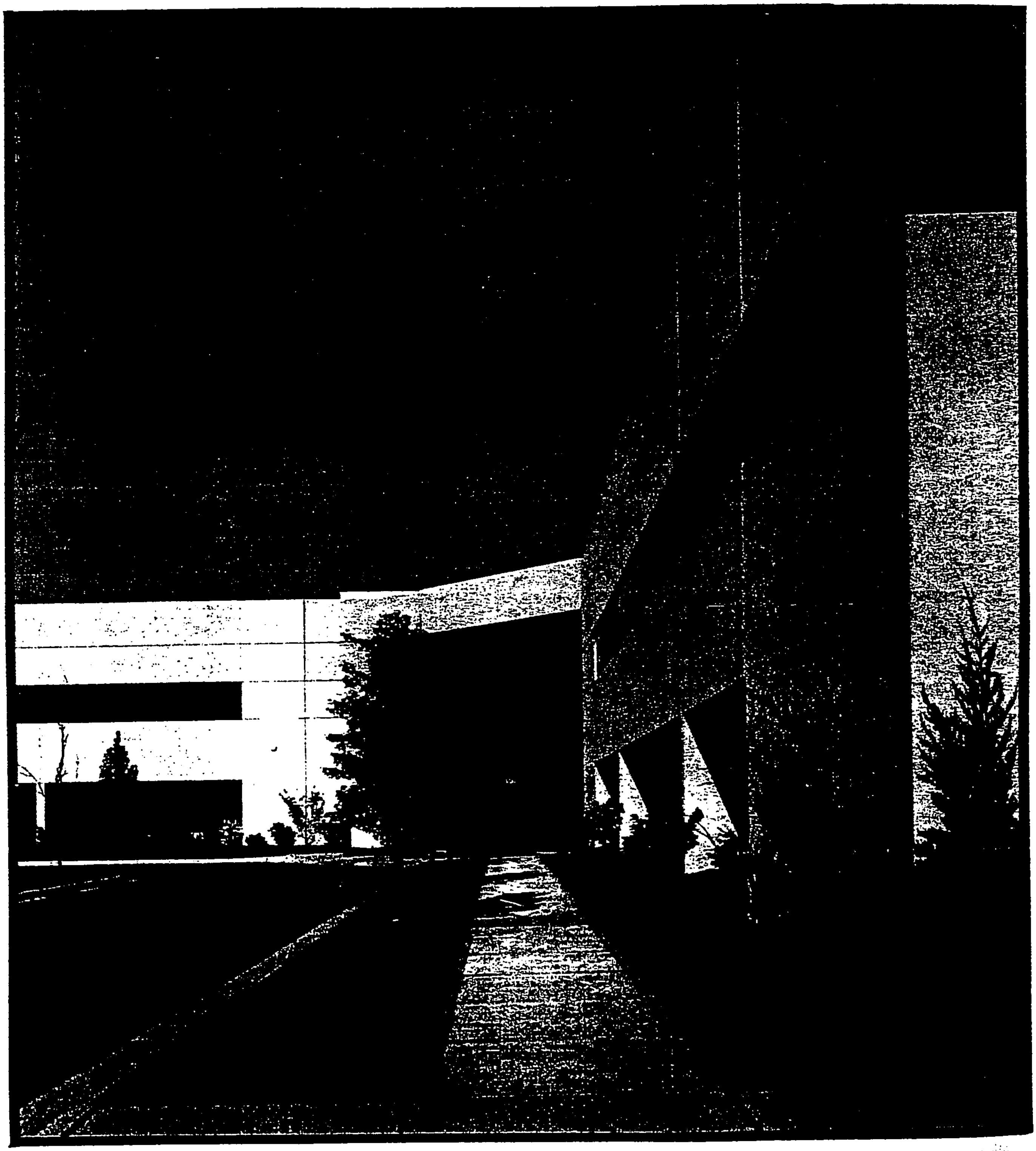


TABLE OF CONTENTS

I. INTRODUCTION

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

September 1, 1988

Property Acquisition Committee
USF&G/Legg Mason Realty Partners
100 Light Street
Baltimore, Maryland 21202

Re: **Northeast Business Campus (NEBC)**
Columbus, Ohio

Dear Committee Members:

Enclosed for your review is an Investment Report for the Northeast Business Campus located in Columbus, Ohio. The proposed transaction is for the purchase of a five building complex consisting of a two-story office building, two one-story office buildings and two service center buildings, containing 180,200 rentable square feet, in aggregate. The purchase price of the subject property is $13,430,000 and reserves to lease the currently vacant space of $670,000 have been established to result in an investment basis of $14,100,000.

The Property

NEBC is located in northeastern Columbus at the intersection of Westerville Road (State Route 3) and S.R. 161, less than one mile from the S.R. 161/Interstate 270 Beltway intersection. Both Westerville Road and S.R. 161, to the west of the subject property, are developing retail corridors, offering tenants of NEBC a full complement of shops, services and restaurants. This location also provides the subject property with convenient access to executive communities, a large clerical labor base, the Port Columbus International Airport and, upon completion of Interstate 670 in 1989, Downtown. Additionally, northeastern Columbus, a residential growth area, has limited opportunities for future competitive commercial development with comparable freeway access and visbility.

The NEBC Portfolio consists of the following buildings:

Name	Type	Floors	Size	Year Built	Occupied
NEBC #1	Office	1	31,100	1981	48%
NEBC #2	Office	1	31,000	1981	82%
NEBC #3	Service Center	1	23,500	1981	48%
NEBC #4	Service Center	1	23,500	1981	93%
NEBC #5	Office	2	71,000	1984	96%
			180,200		79%

The office buildings feature dryvit panels over steel frame construction and are accentuated with bands of insulating bronze glass. The two-story office building incorporates a lush two-level atrium complete with balconies and skylights. The service center buildings are constructed of masonry block and brick. The entire project is of a functional and uniform design that offers tenants an economical alternative to the newer and more expensive office buildings in the suburban Columbus market. Current tenants of NEBC are primarily national and regional firms which include Abbot Laboratories, Texas Instruments, Automated Data Processing (ADP), Kraft and Horizon Health Care.

The Market

The Westerville/Northeast area, in which NEBC is located, is the emerging office market in north Columbus. In addition to being conveniently located, this area does not have the traffic congestion common to other suburban Columbus office markets. The vacancy in the Westerville/Northeast market is 14 percent, but should decrease in the next 12 months due to (1) increasing absorption and (2) limited introduction of new office product. In the long term, this market should remain strong as the neighboring residential communities develop and the limited supply of undeveloped commercial land is built-out. Furthermore, the Westerville/Northeast market should continue to be dominated by a few major developers (i.e. Galbreath-Huff, Continental, Linclay and Allstate) and be built-out in a predictable and consistent manner.

NEBC competes very effectively with other projects in the competitive market area as it is the only one that can offer a northeastern location, good access, a selection of product types (i.e. one-story office, mid-rise office or service center) and an economical rental rate structure. Furthermore, the project will be aggressively marketed by the proposed property manager, Galbreath-Huff, due to an incentive provision that has been structured as part of this transaction. Galbreath-Huff is an experienced leasing agent and property manager and is one of the largest and most successful developers in suburban Columbus. Based on current market conditions, it is anticipated that NEBC will achieve stabilized occupancy at proforma within 12 months of the tentative October 1, 1988 closing.

Risk/Return

The proposed acquisition has been structured to provide USF&G/Legg Mason with an opportunity to purchase NEBC based on a 9.25 capitalization rate on existing net operating income (which excludes all income from leases that will expire prior to September 1, 1989). Since the property is 79 percent occupied, NEBC has the ability for generating significantly more cash flow as the currently vacant space is leased. Additionally, this investment will allow USF&G/Legg Mason to participate in the potential appreciation that will occur as the Westerville/Northeast market continues to expand. The risk associated with this transaction is substantially mitigated by (1) the degree of leasing to quality tenants, (2) the low investment basis in the subject property, (3) the high growth orientation of the local area and (4) the locational and economical attributes of the project. Additionally, Galbreath-Huff is a motivated and experienced property manager that will operate NEBC in an institutional fashion.

The purchase of NEBC is projected to provide USF&G/Legg Mason an unleveraged internal rate of return of 14.9 percent. This return increases to 18.8 percent when the property is 50 percent leveraged. Although the annual cash return of the property is expected to stabilize at 10.6 percent 12 months after closing, the actual cash on cash returns will range from 7.8 percent to 12.1 percent during the five-year investment horizon. This fluctuation is due to a large reserve account that will be established for capital improvements and the costs associated with the expiration of current leases and subsequent releasing of space. Piedmont Realty Advisors believes that USF&G/Legg Mason will receive a return that more than adequately compensates for its investment risk and recommends that the Property Acquisition Committee approve the $14,100,000 equity commitment to purchase the Northeast Business Campus.

Sincerely,

Bruce N. Dorfman
Regional Acquisition Manager

BND:ar

Exhibit I-1
APPLICATION LETTER

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

415-433-4100

August 11, 1988

Vantage Companies
c/o Thomas Boltres
100 E. Campus View Blvd.
Suite 100
Columbus, Ohio 43085

Re: **Northeast Business Campus (NEBC)**
Columbus, Ohio

Gentlemen:

This letter ("Letter") summarizes the terms on which Piedmont Realty Advisors (the "Advisor") will recommend to its client, United States Fidelity & Guaranty Company ("Buyer"), to acquire from you, Vantage Companies, (the "Seller") the "Property" (as herein defined).

1. Property

The Property consists of certain tracts of land improved with office/service center buildings which are located in the southeast quadrant of the intersection of State Route 161 and Westerville Road in Columbus, Ohio and are more particularly described in Exhibit A attached hereto (the "Property").

2. Purchase Price

The total purchase price (the "Total Purchase Price") shall be $13,430,000 subject to verification by the Advisor of the financial data presented by the Seller to the Advisor and the assumptions underlying such data.

3. Management and Leasing Agreement

At the closing, the Buyer and the Galbreath-Huff Company will enter into a renewable Management and Leasing Agreement granting to the Galbreath-Huff Company the right to lease and manage the Property for a 12-month period commencing at closing. The terms and conditions of the Management and Leasing Agreement shall be acceptable to the Buyer and Galbreath-Huff Company. The Buyer will be responsible for the costs of tenant improvements and leasing commissions per the leasing guidelines as detailed in Exhibit B, for the spaces detailed in Exhibit C and within the budgets detailed in Exhibit A.

4. Earnest Money

The Buyer will deposit with an escrow agent as earnest money the sum of $268,600 upon execution and delivery of the "Purchase Contract" (as herein defined) by or at the discretion of the Buyer. In the event of the default by the Buyer under the contract, only the earnest money on deposit shall, as the sole and exclusive remedy of the Seller, be retained by the Seller as liquidated damages.

5. Closing

The closing will take place on or by October 15, 1988 or such later date to which the parties will mutually agree.

6. Closing Costs and Prorations

The Seller will be responsible for the payment of the applicable State of Ohio, County of Franklin and the City of Columbus real estate transfer taxes due in connection the sale of the Property, the cost of title insurance, and the cost of the survey. The parties will each respectively be responsible for all other costs incurred by them, including their respective attorney's fees. All ad valorem taxes on the Property, rents, utility charges, and charges under any service contracts which remain in effect after the closing, and all other items of revenue and expense customarily prorated between sellers and purchasers of similar properties would be prorated as of the date of the closing. The Buyer will receive at closing from the Seller a credit against the purchase price equal to the aggregate of all security deposits and other entitlements due the tenants under leases.

7. Broker

Seller shall pay or cause to be paid to Hank Dickerson and Company ("Broker") a brokerage commission in accordance with a separate agreement between Seller and Broker, which brokerage commission shall be paid at closing from the proceeds due Seller.

8. Closing Conditions

(a) Title

The Seller will convey to the Buyer fee simple title to the Property free and clear of all liens, claims, leases, easements, or other encumbrances, except such matters which may be accepted by the Buyer. The Seller will, at the expense of the Seller, furnish prior to the closing a title insurance commitment and a survey, both of current date, covering the Property. Prior to the closing, the Buyer may examine the title insurance commitment and survey and have the Property re-inspected and notify the Seller of any objections, other than any title exceptions permitted in the contract. The Seller will have the opportunity to correct such objections and, if they are not corrected, then the Buyer will have the option of terminating the contract.

(b) Casualty or Condemnation

If there is any material casualty damage to the Property or any taking or threatened taking of any of the Property by eminent domain, then the Buyer will have the option of (i) terminating the Purchase Contract and receiving the refund of the earnest money or (ii) closing the transaction and receiving the insurance proceeds or condemnation award.

(c) Board Approval

The Buyer's obligation to purchase is conditioned upon the Buyer obtaining the approval by its Investment Committee for the purchase of the Property on or before September 1, 1988 ("Approval Date"). The Buyer will issue a Purchase Contract within ten (10) business days of Investment Committee approval. If the Buyer is unable to obtain such approval prior to September 1, 1988, then this Letter shall be of no further force or effect.

(d) Engineering/Environmental Inspection

Within fifteen (15) business days after the Approval Date, the Buyer, its employees, agents and independent contractors will have the right to enter the Property at any time, and from time to time, for the purpose of conducting studies and inspections pertaining to the soil, structure and condition of the Property, including all components and systems thereof. All costs associated with the engineering/environmental inspection will be the responsibility of the Buyer. The Seller will have the opportunity to cure all defects, if any, determined from such inspections, to the satisfaction of the Buyer and in a time frame and manner approved by the Buyer.

(e) Due Diligence Contingency

(i) Within a five (5) day period after the execution of the Purchase Contract, the Seller will furnish or cause to be furnished to the Buyer or the counsel to the Buyer the documents set forth on attached Exhibit D (collectively, the "Property Documents").

(ii) The Buyer shall complete its due diligence within the period ending thirty (30) days after receipt of the last of the Property Documents (said period being herein referred to as the "Contingency Period") which shall occur no later than September 15, 1988. At the Buyer's option, the Seller shall have the opportunity to cure to the satisfaction of the Buyer any issues raised during the contingency period. If the Buyer does not give the Seller notice to proceed, the Purchase Contract would terminate and the Seller and the Buyer will be released and discharged from all further obligation and liability under the Purchase Contract, and the earnest money shall be refunded to the Buyer.

(f) Employee Relations/Building Management

It will be agreed that no employee of the Seller will become an employee of the Buyer by virtue of the transaction hereby contemplated and the Buyer will not be under any obligation to offer employment to any employee of the Seller.

9. Leasing

A total of 38,560 net rentable square feet in the Property are (1) currently vacant, (2) encumbered by a month-to-month tenancy or (3) encumbered by a lease that will expire within 12-months of closing. The Seller will not enter into any lease which does not comply with the leasing guidelines established in Exhibit B after the execution of this Letter unless approved by Buyer.

10. Additional Terms and Conditions

The contract will contain the foregoing provisions, with such deviations therefrom and such other and additional terms and conditions, including representations and warranties, as may be mutually satisfactory to the Buyer and Seller.

The foregoing is merely a brief summary statement of our present intent and does not constitute an offer or agreement to purchase the Property and is not binding on either the Buyer or the Seller. However, if the terms outlined above are generally acceptable to the Seller, please so indicate by signing in the space provided below. We will then commence with the process of receiving Investment Committee approval to pursue the purchase of the subject property.

Sincerely,

PIEDMONT REALTY ADVISORS

Bruce N. Dorfman
Regional Acquisition Manager

Attachments

Acknowledged and Accepted

VANTAGE COMPANIES

By: _______________

Its: VANTAGE Co. V.P.

Exhibit A

NEBC BUILDING SUMMARY

	Rentable	Land Area	% Occupied	Sq. Ft. Vacant	Maximum Budgeted TI/SF	Maximum Budgeted TI	Existing Income	Projected Net Rent Sq. Ft.
NEBC #1 One-Story Office	31,100	3.29	48%	16,187	$9.00	$145,688	$146,212	$ 9.50
NEBC #2 One-Story Office	31,000	3.54	82%	5,478	9.00	49,302	206,916	9.50
NEBC #3 Flex	23,500	1.85	48%	12,221	5.00	61,105	89,637	7.36
NEBC #4 Flex	23,500	1.89	93%	1,723	5.00	8,615	157,069	7.36
NEBC #5 Two-Story Office	71,000	9.38	96%	2,951	9.00	26,559	639,358	11.50
	180,200	19.95	79%	38,560		$291,264	$1,239,192	

Exhibit B

NEBC LEASING STANDARDS

All leases for space in the Property shall conform with the conditions set forth below (the "leasing standards") or upon such other terms as the Buyer may reasonably accept:

1. The primary term of any lease shall be for a term of not fewer than thirty-six (36) months nor more than sixty-six (66) months; however, up to 20% of the net rentable area can be leased for a period not to exceed one hundred and twenty months (120).

2. The leases may include rights and options to renew the term thereof at the then prevailing market rental for a period not to exceed sixty (60) months.

3. During the twelve (12) months following the initial disbursement date (the "lease-up period"), the leases shall provide for an equivalent annual triple-net base rent for the Property at a rate not less per square foot of net rentable area of space than those specified in Exhibit A.

4. All gross leases shall provide that tenants shall pay all taxes and operating expenses in excess of a Buyer approved "expense stop".

5. The standard form of lease, including those standard modifications previously approved by the Buyer shall not be materially altered or amended without the prior written consent of the Buyer.

6. All leases shall be duly authorized and properly executed and forwarded to the Buyer.

7. Amounts allocated for tenant finish work to each tenant, shall not be greater than those Budgets specified in Exhibit A per square foot of net rentable area.

8. The term of any executed lease must commence within nine (9) months of the signing of such lease.

9. Free rent or early occupancy agreement may not exceed 10% of the primary lease term (e.g. 6 months on a 5-year lease).

Lease conforming to the above standards shall be deemed automatically approved. All other leases shall be subject to the Buyer's reasonable approval <u>to be given within ten (10) business days</u>.

Exhibit C

NEBC VACANT SPACE SUMMARY

Building	Suite	Vacant Rentable Sq. Ft.
NEBC #1	100	2,232
	101	1,573
	102	2,122
	103	1,672
	104	1,362
	105	1,902
	106	2,308
	106A	602
	108	2,414
Subtotal		16,187
NEBC #2	101	1,733
	102	2,671
	104	1,074
Subtotal		5,478
NEBC #3	3685	1,644
	3687	2,506
	3695	5,673
	3699	2398
Subtotal		12,221
NEBC #4	3711	1,723
Subtotal		1,723
NEBC #5	113	1,099
	117	1,852
Subtotal		2,951

Exhibit D

PROPERTY DOCUMENTS

1. Copies of all the leases, licenses, concessionaire agreements and other agreements for use or occupancy, including without limitation all riders, exhibits, amendments and supplements thereto (the same, together with all oral tenancies and rights for use or occupancy, being herein collectively referred to as "Leases and Tenancies").

2. A certified rent roll, as of a date not more than thirty (30) days prior to the date of acceptance of the Purchase Contract by Seller, setting forth all pertinent financial and business terms, in summary form, of all the Leases and Tenancies, including without limitation: the name of each tenant; the space occupied; the rents and other sums and charges payable by each tenant and the date through which such rents and other sums and charges have been paid; the date of expiration of the term of each of the Leases and Tenancies; options to renew or extend the Leases and Tenancies and all the terms thereof, including rents and terms; the security and other deposits held under or pursuant to the Leases and Tenancies; options to purchase all or any part of the Properties; any delinquencies and defaults by tenants under the Leases and Tenancies and the nature and amounts thereof; and any notices of bankruptcy, insolvency or other impairment of credit in respect of tenants under the Leases and Tenancies.

3. Copies of all service, maintenance, utility, scavenger, management and other similar contracts and agreements including without limitation, all riders, exhibits, amendments and supplements thereof, related or pertaining to the operation, maintenance and management of the Property, other than "Labor Agreements" (as such term is defined in paragraph 4 below), all such contracts and agreements, other than Labor Agreements, being herein referred to as "Operating Contracts."

4. Copies of all payroll records and of all union, employment, compensation and other similar contracts and agreements, including without limitation all riders, exhibits, amendments and supplements thereto (all such contracts and agreements being herein referred to as "Labor Agreements").

5. Copies of all mortgages and other instruments of lien or security interest for borrowed money, all evidences of indebtedness thereby secured and all other documents and instruments securing, guaranteeing, or perfecting the security interest therein created to secure such borrowed money, including without limitation all renewals, extensions, amendments and supplements thereto (collectively, the "Existing Financing Documents").

6. Financial statements of the operation of the Properties for the calendar years 1985, 1986, and 1987, showing in reasonable detail all income and expenses of the Property for each of the aforementioned periods, prepared by certified public accounts together with copies of the 1985, 1986 and 1987 real estate tax bills, the most current statements for water and sewer, and all policies of insurance.

7. Copies of all certificates of occupancy or use and all other permits, licenses, consents and authorizations required or held in connection with the ownership, use, occupancy and operation of the Property.

8. Copies of all warranties, guarantees and agreements relating or pertaining to the Property.

9. Reproductions of all drawings, plans, specifications and renderings in respect to the Property.

10. A copy of the most recent policy of title insurance and of the most recent plat of survey covering the Properties.

11. Copies of all notices, complaints, answers, interrogatories, depositions and other papers and documents filed in or pertaining to any suit, action or proceeding by or against the Property, the Seller, or any of the partners thereof in respect of or affecting the Property.

12. Copies of all notices, citations and other papers from any Federal, state or local government authority or agency, or from any insurer or underwriter's fire, safety, environmental, health or other laws, ordinances, rules, regulations or requirements or of rules or requirements for insurance coverage, in respect of the Property, its operations, leasing, maintenance, use and management, whether or not heretofore corrected or otherwise resolved.

13. Conditions, covenants and restrictions covering the Property and all undeveloped or unbuilt sites in Northeast Business Campus.

II. THE PROPERTY

II. THE PROPERTY

A. INTRODUCTION

The Northeast Business Campus (NEBC) package consists of five existing buildings, including one two-story office building, two one-story office buildings and two service center buildings. The package contains 180,200 rentable square feet and is 79 percent leased, in aggregate, to a mix of national and regional firms. The buildings are located on approximately 20 acres of land in a master-planned business park in Columbus, Ohio.

NEBC is located at the intersection of State Route (S.R.) 161 and Westerville Road (S.R. 3) in northeastern Columbus (see Exhibit II-1). Commonly referred to as the Westerville/Northeast submarket, this is one of the fastest growing areas in Metropolitan Columbus. NEBC also benefits from its proximity to the intersection of two major thoroughfares, S.R. 161 and Interstate 270, which provides easy access to decision makers, an expanding labor base and the Port Columbus International Airport.

B. LOCATION

1. Neighborhood Demographics

Columbus has been the only city in the northeastern portion of the nation that has had constant annual population increases since 1970 and is currently the 28th largest metropolitan area in the United States. From 1978 to 1986, local employment growth was 12.9 percent, which compares very favorably to both the national and Ohio growth rates of 10.9 percent and -0.2 percent, respectively. During this same period the unemployment rate in Metropolitan Columbus averaged 6.9 percent, nearly one percent below the national average and two percentage points below that of the State of Ohio. Several statistical forecasts predict that this economic performance will continue into the 1990's. The real estate research department of Salomon Brothers recently determined that Columbus was a "hot" growth city due to its "tremendous success in attracting new business, especially major new manufacturing plants, financial institutions and research organizations."

NEBC is located in Columbus' high growth area and has excellent access to both executive housing and a large administrative labor base (see Exhibit II-2). The growth of the Columbus population and economy, especially in the service, research and government sectors, has resulted in an expansion of the professional, managerial and administrative work force. Correspondingly, the established upscale neighborhoods of Bexley and Upper Arlington have been joined by a number of new affluent communities (e.g. Dublin, Worthington and Westerville) due to the increase in the size of both the middle and upper socio-demographic tiers. This residential growth has primarily occurred to the north of the City along the I-270 corridor. Additionally, a significant amount of new higher density housing is located inside the I-270 Beltway and to the east and north of the subject property. Future growth areas will be located east of the subject property where Leslie Wexner, founder and chairman of the Limited, has purchased 4,000 acres of farmland. He intends to develop this parcel into the most exclusive residential community in Metropolitan Columbus over the next 10 to 15 years. The City's Growth Statement of 1988 concluded that ". . . the entire northern tier, including North Columbus, Westerville, Northeast Columbus and Gahanna, is projected to have high growth rates even for growth areas."

2. Accessibility

NEBC has excellent access to the entire Metropolitan Columbus area due to its location near the intersection of I-270 and S.R. 161. Specifically, the subject property is located at the Westerville Road/S.R. 161 intersection, a four-way interchange that is less than one mile from the I-270 Beltway (see Exhibit II-3). The I-270 Beltway provides access to the executive communities of Worthington and Dublin, which are 6 and 12 miles west of NEBC and to the Port Columbus International Airport, which is six miles south of the subject property. State Route 161 connects NEBC with the large administrative labor base residing inside the beltway in northeast Columbus and to the residential growth areas to the east. Westerville Road is a major commercial thoroughfare for commuters linking S.R. 161 to the upscale community of Westerville to the north. In addition, the commercial development along Westerville Road and S.R. 161 provides tenants of the subject property with access to a number of restaurants and retail centers. Although downtown Columbus is currently a 25-minute drive from NEBC, this commute will be reduced to 15 minutes upon completion of Interstate 670 in 1989 (see Exhibit II-3).

One Executive Parkway is also situated to provide for easy access and good visibility from S.R. 161 (see Exhibit II-4). In particular, the on and off ramps for eastbound S.R. 161 lead directly onto Corporate Drive, providing tenants with direct access to I-270. Also the signalized intersection of Corporate Drive and Westerville Road offers visitors from westbound S.R. 161 a controlled turn to the property.

3. Adjacent Land Uses

NEBC is a 35 acre master-planned business park which currently contains seven completed buildings, five of which are included in the package and two properties which are used by their owners (Frito-Lay and a local firm). There is one remaining site at NEBC containing approximately 8 acres on which 60,000 rentable square feet of one-story office or flex-space is planned. The owner of this site is marketing it for a build-to-suit tenant or for sale to an owner-user.

The majority of the area surrounding NEBC is residential, with the exception of the commercial corridor along Westerville Road. Also, the 75 acre parcel adjoining the southern boundary of NEBC recently received a zoning change which allows for the development of a business park (Appleseed Corporate Center). The owner of this parcel is currently marketing sites for sale to owner-users, but has yet to commence construction on the roadway and utility infrastructure. Additionally, strong protest from neighboring residential communities has resulted in lower densities and severe zoning and use restrictions for the proposed park.

C. THE SITE

NEBC is located on 19.95 acres of land (see Exhibit II-5). The relatively level site is landscaped with grass, trees and bushes which surround both the perimeter of the buildings and the site. The eastern boundary of the site features the wooded banks of Alum Creek, on which a nature and jogging path is planned. Surface parking is provided for 758 full-sized cars. The indicated parking ratio is 4.8 spaces per 1,000 rentable square feet for the office buildings and 2.5 spaces per 1,000 rentable square feet for the service center buildings. Both of these ratios are very desirable for this market.

D. THE IMPROVEMENTS

The NEBC package consists of five buildings with the following characteristics (see Exhibits II-6 through II-8):

Building Type	No. of Buildings	Year Built	Square Footage
One-story office	2	1981	31,100/Building
Service center	2	1981	23,500/Building
Two-story office	1	1984	71,000
Total	5		180,200

Construction throughout the project features dryvit panels over a steel frame, with the exception of the service center buildings which are masonry block and brick. All buildings are highlighted with bands of insulating bronze glass. The campus has consistently been maintained in an institutional manner and although some of the interior common areas are dated, these will be upgraded as detailed below in the Project Budget Section. The functional and uniform design of NEBC offers tenants an economical alternative to the newer and more expensive office buildings in the Westerville/Northeast submarket.

The two-story office building (NEBC #5) is 96 percent leased to such national and regional tenants as Ross Labs, Abbott Laboratories, Horizon Health Care and Peer Review Systems. The building features a two level atrium, complete with balconies, planters and an elaborate staircase (see Exhibit II-9). This property is an expansion site for Abbott Laboratories, which has absorbed all of the office space that has become available contiguous to it's existing suites.

The one-story office buildings (NEBC #1 and NEBC #2) are 48 percent and 82 percent leased, respectively. The owner of the property has successfully consolidated all of the NEBC #1 vacant space (approximately 16,000 square feet) in anticipation of future Abbott expansion or to lease to another large tenant. This space can also be divided into offices as small as 500 rentable square feet. Tenants in this building include Texas Instruments, BOCA and Ryan Homes. NEBC #2 is primarily leased to Automated Data Processing (ADP) which has an option to lease all of the remaining space in the building.

The two service center buildings (NEBC #3 and NEBC #4) are 48 percent and 93 percent leased, respectively, and have identical layouts and design. Each of the buildings has rear loading capabilities provided by six dock-high truck doors and two grade-level overhead doors adjacent to a concrete truck court. The tenants in this portion of NEBC include Kraft, AESA and AM International. The vacancies in the buildings are primarily located in non-contiguous 1,500 to 2,500 rentable square foot suites and include 50 percent to 70 percent existing office buildout.

E. PROJECT BUDGET

The project budget is outlined in Exhibit II-10. NEBC will be purchased for $13,430,000 which is based on capitalizing the cash flow (after eliminating any income generated from leases that will expire within one year of closing) at a 9.25 capitalization rate. A tenant improvement budget for the existing vacant space of $300,000 has been allocated $9.00 per rentable square foot for the office buildings and $5.00 per square foot for the service center buildings. Piedmont Realty Advisors has concluded that this tenant improvement budget is adequate to refit the vacant space as well as to refinish the common areas in NEBC #1. A leasing commission budget of $100,000 has been established to lease the currently vacant space in NEBC and this budget will support an above market commission structure (7.5 percent; equal to one and one-half commissions). A leasing incentive holdback of $120,000 has been provided and can be earned by the proposed manager of the property, Galbreath-Huff, based on achieving full occupancy in NEBC at proforma. Also, a contingency fund of $150,000 has been allocated to cover closing costs and general improvements to the landscaping and buildings. Assuming that all of these budgeted amounts are earned and disbursed, USF&G/Legg Mason's total direct investment in the property will be $14,100,000 which will equate to a 10.6 cash return on cost based on stabilized net operating income.

F. MANAGER AND LEASING AGENT

Galbreath-Huff will be the property manager of the proposed investment. This firm was formed through the merger of two of the largest developers in the Midwest, the John W. Galbreath Company and Ron Huff, the former manager of Vantage Companies' Ohio operations. Galbreath-Huff has over 100 employees that focus on all aspects of suburban development including design, construction, development, leasing and property management. This firm currently manages over 4.5 million square feet of office, industrial and warehouse space in Metropolitan Columbus. It has succeeded in capturing over 25 percent of suburban Columbus' net annual office absorption from 1983 through 1987 even though it controls less than ten percent of the total suburban office inventory. Piedmont Realty Advisors anticipates that Galbreath-Huff will be properly motivated to successfully lease and manage NEBC by the leasing incentive holdback.

G. ENGINEERING AND ENVIRONMENTAL DUE DILIGENCE

It should be noted that arrangements will be made prior to closing for the seller to cure any deferred maintenance items discovered during the inspection period. Upon approval of this investment by USF&G/Legg Mason, Piedmont Realty Advisors will engage an architectural/engineering consultant and an environmental engineering firm to conduct extensive investigations of (1) the physical condition of the subject property, (2) all mechanical, electrical and structural systems, (3) compliance with plans, specifications and local building ordinances, (4) maintenance records to determine the operating history of NEBC and if routine maintenance schedules have been followed, and (5) the current presence of any toxic surface or subsoil condition. Depending on the extent of the findings, Piedmont will pursue either an adjustment to the purchase price or the establishment of an escrow account to insure that the defects are properly remedied.

H. CONCLUSIONS

NEBC is a well-conceived project for a number of reasons. First, the project is well-situated between the high growth areas to the east of Columbus and the upscale areas to the north. Second, the property has very good visibility and access to the freeway infrastructure. Third, NEBC offers a diversified portfolio of property types and can accommodate warehouse, service center and office users. Finally, the proposed basis in the investment will provide for an immediate 9.25 percent cash on cost return which will increase to over 11 percent when the project is fully leased.

EXHIBIT II-1
REGIONAL LOCATION MAP

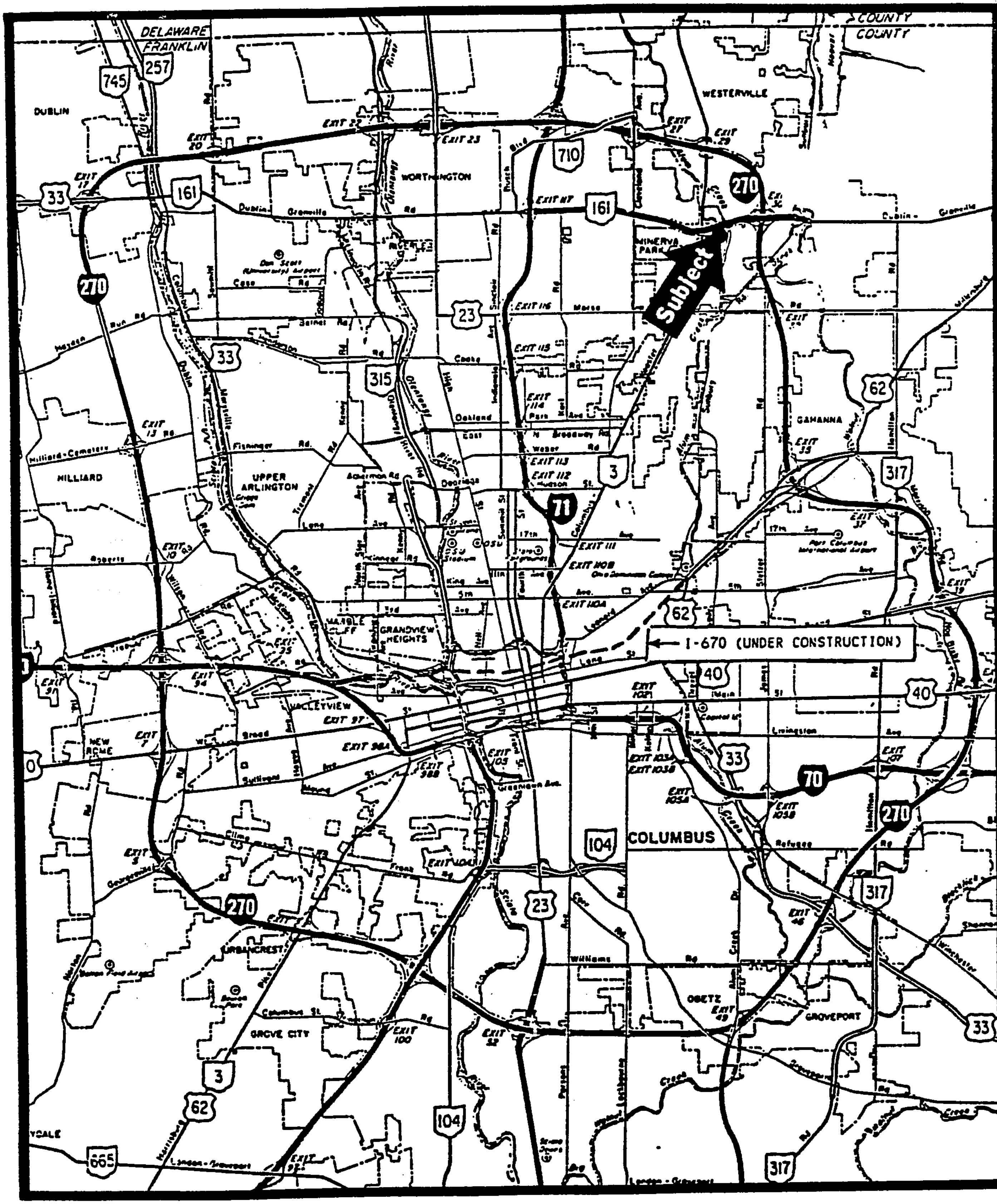
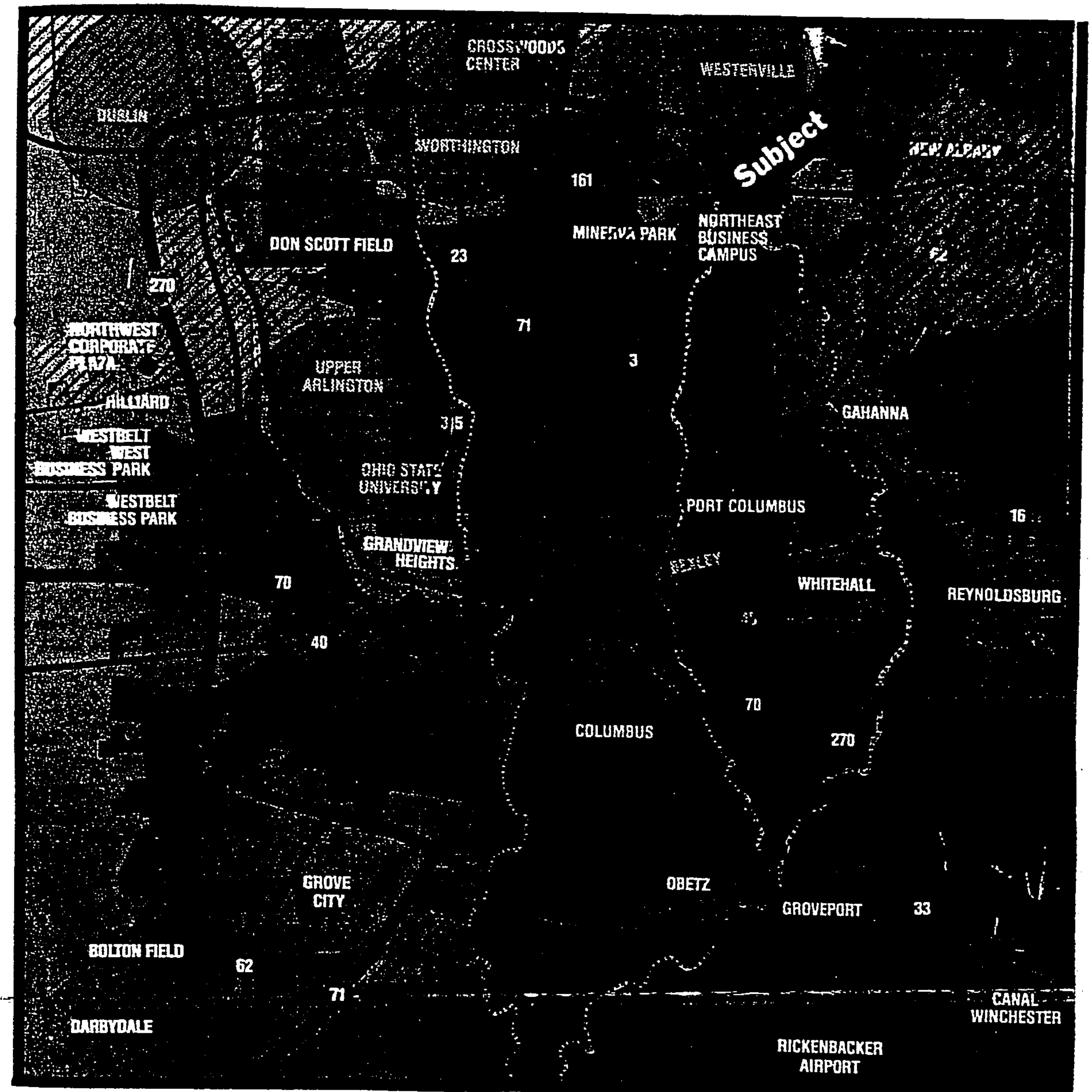


EXHIBIT II-2
SITE VICINITY MAP



■ **VANTAGE PROPERTIES**
// **GROWTH AREAS**
○ **HIGH INCOME AREAS**

EXHIBIT II-3
SITE ACCESS MAP

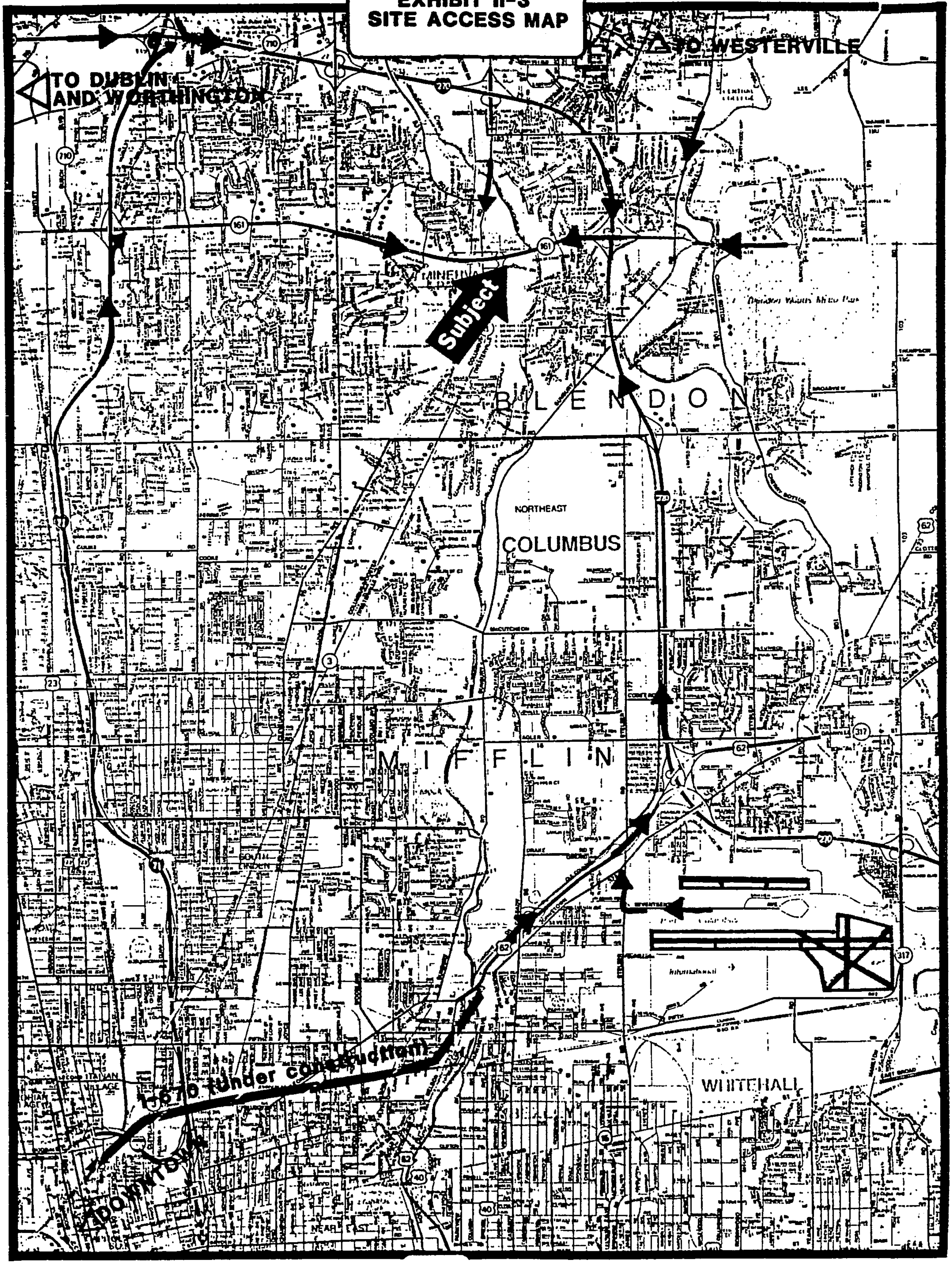


EXHIBIT II-4
SITE ACCESS MAP

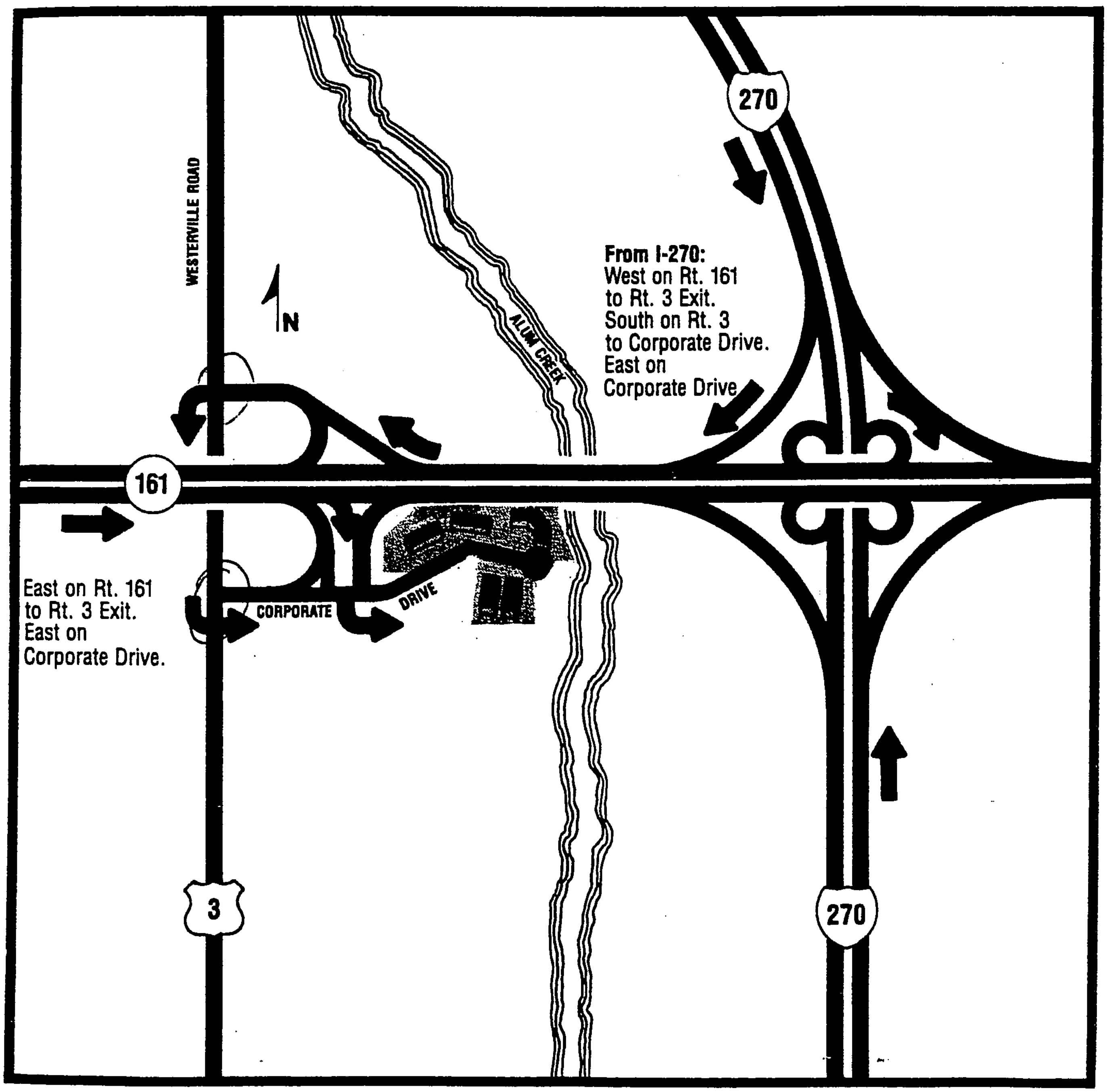
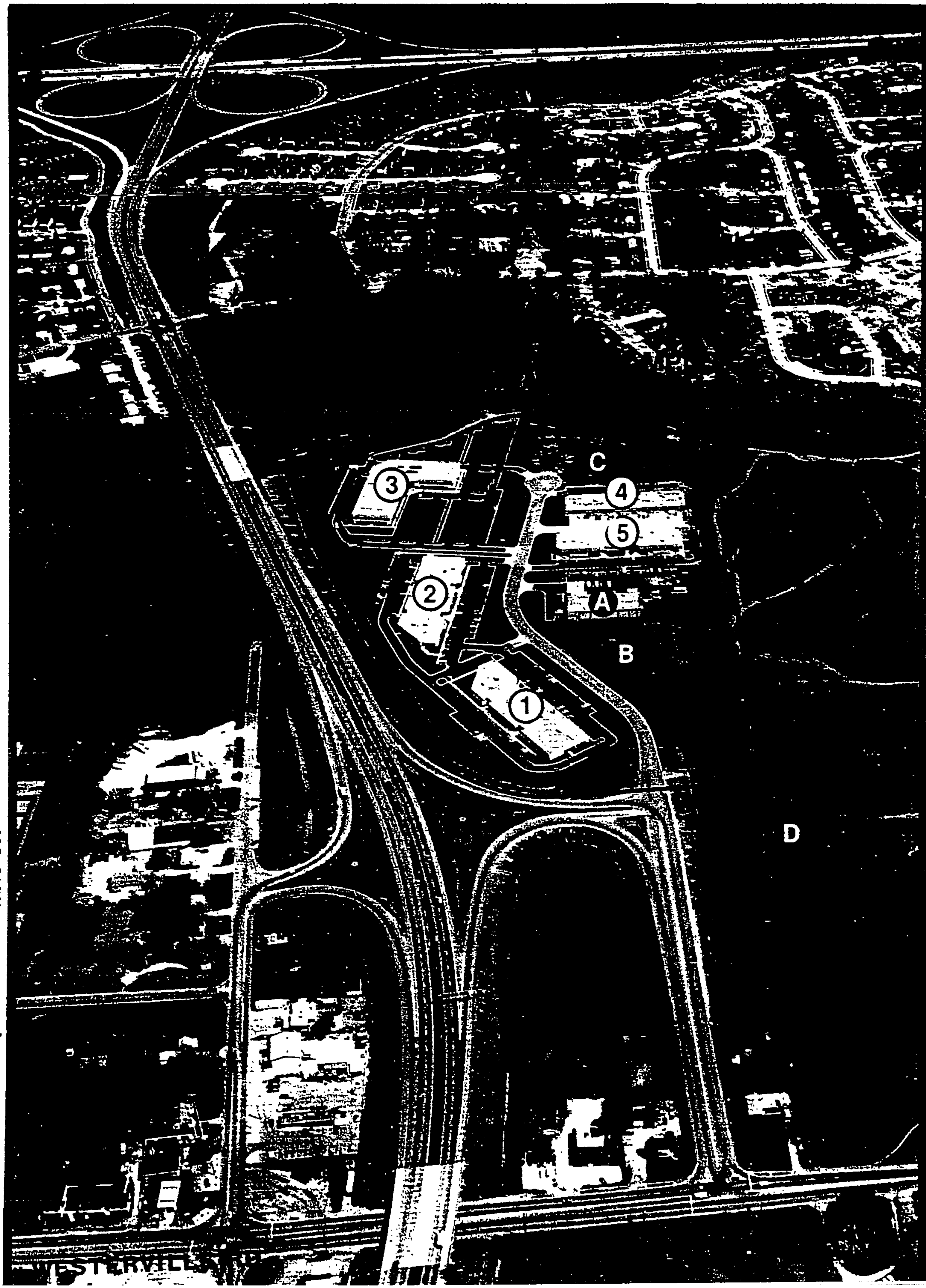


EXHIBIT II-5
AERIAL PHOTOGRAPH



1-5 and A-D correspond to Exhibit 5A

Exhibit II-5A

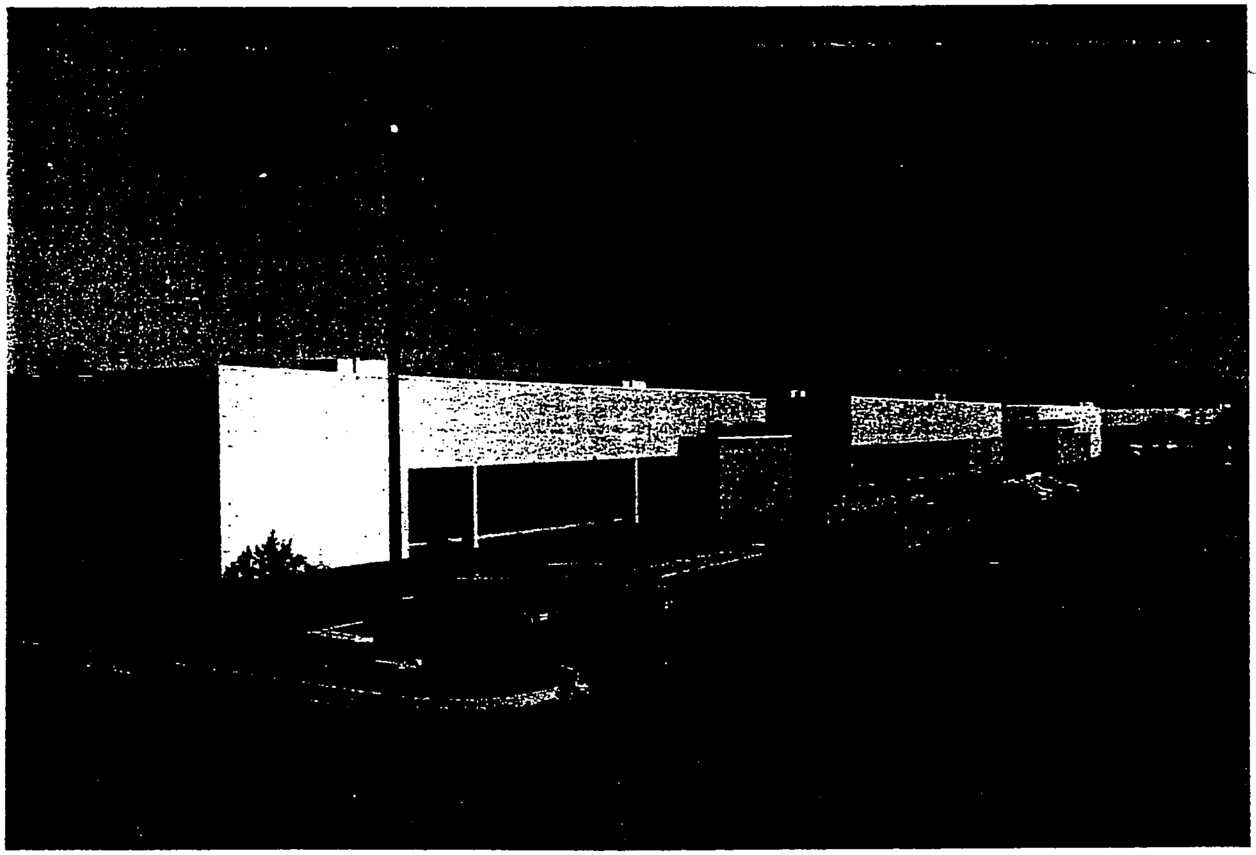
The NEBC Portfolio includes:

1	NEBC #1 - One-Story Office Building
2	NEBC #2 - One-Story Office Building
3	NEBC #5 - Two-Story Office Building
4	NEBC #3 - Service Center Building
5	NEBC #4 - Service Center Building

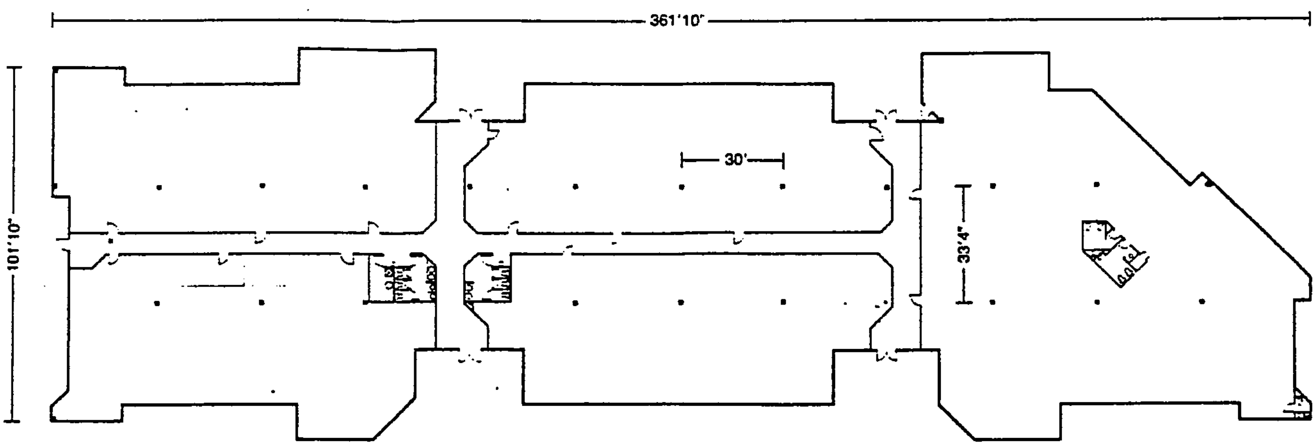
The following are not included in the NEBC Portfolio:

A	Frito Lay Regional Offices & Distribution Facility
B	Existing one-story building owned by local firm (built since aerial was taken)
C	Undeveloped 8 acre parcel
D	Appleseed Corporate Center

EXHIBIT II-6
NEBC 1 and NEBC 2

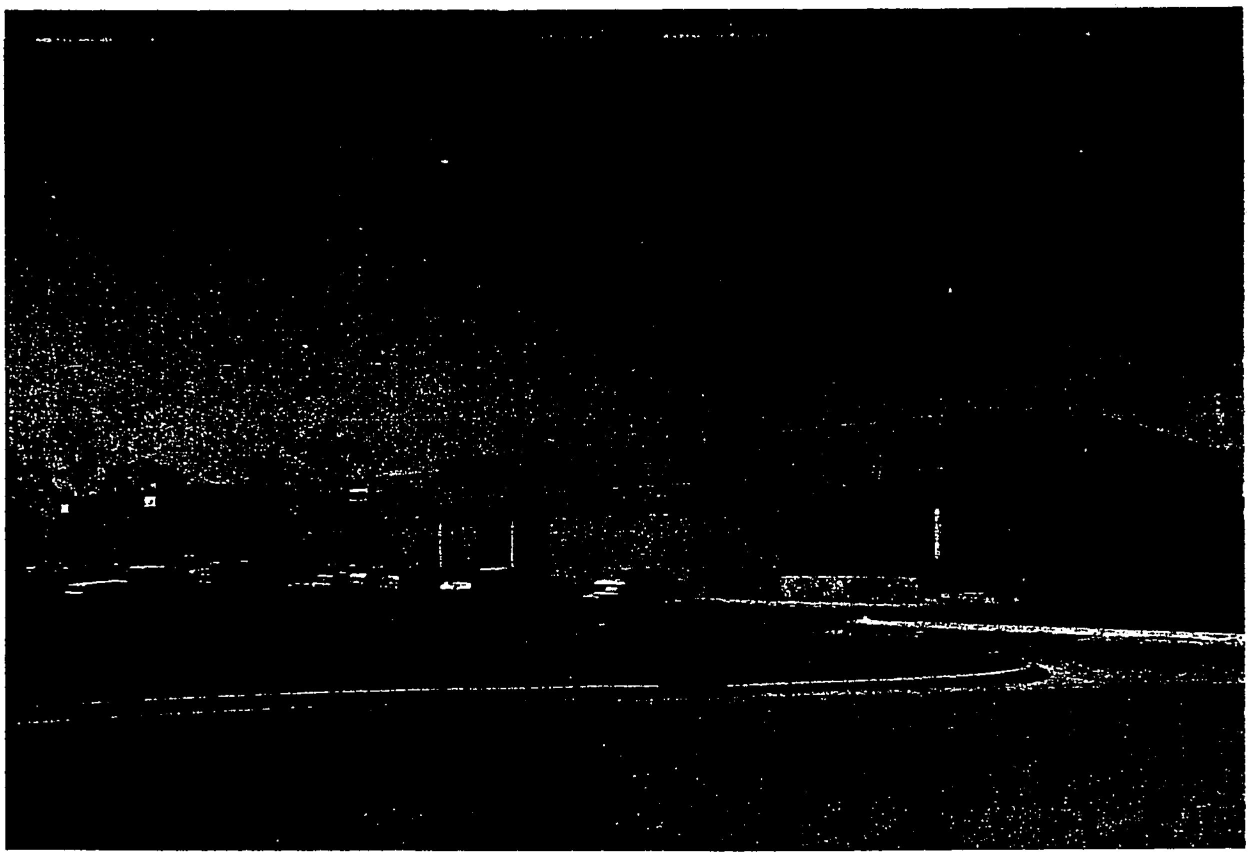


Building elevation

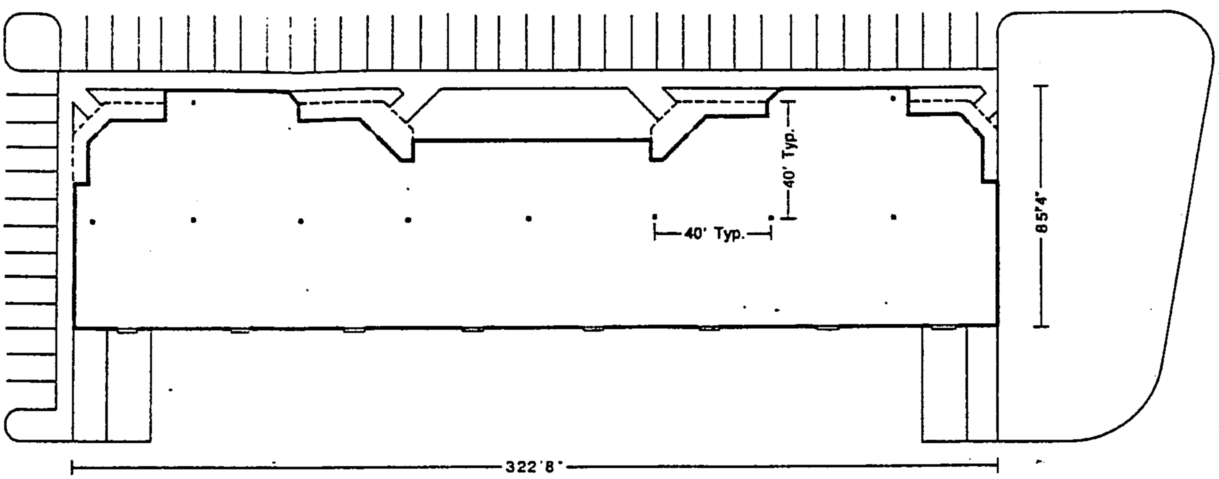


Typical building floor plan

EXHIBIT II-7
NEBC 3 AND NEBC 4



Building elevation



Typical building floor plan

Exhibit II-8
FLOOR PLAN
NEBC 5

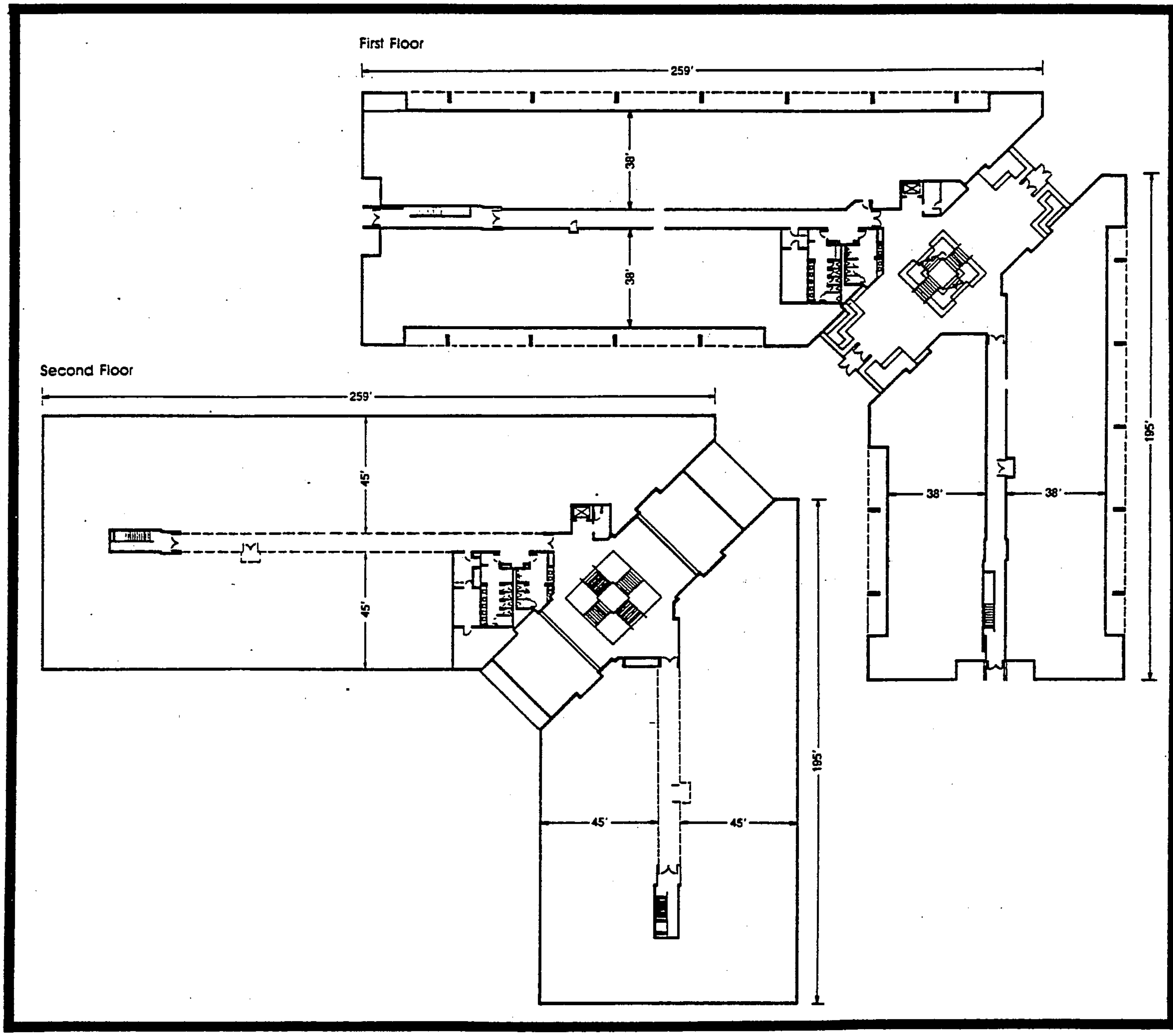


EXHIBIT II-9
ATRIUM IN NEBC 5

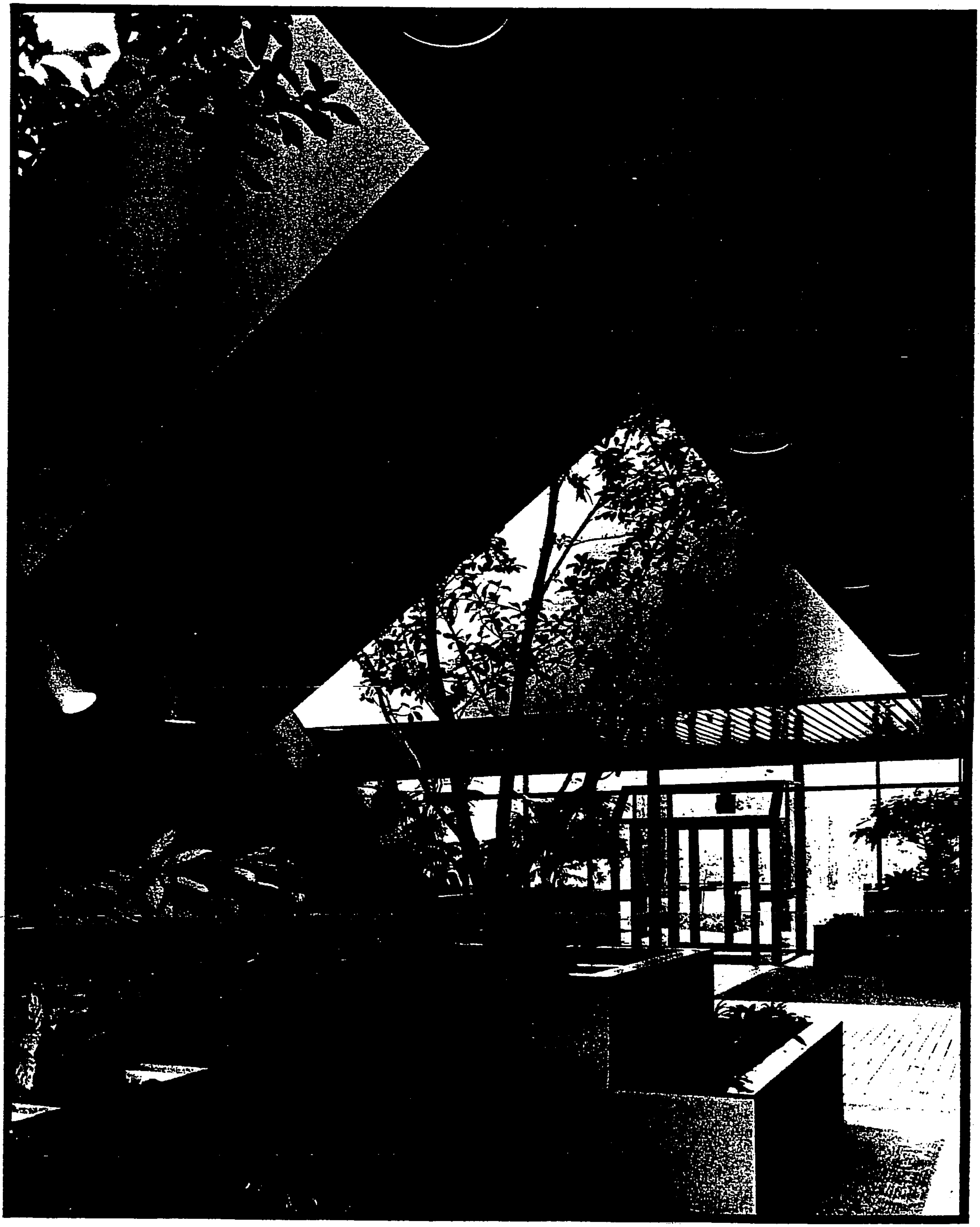


Exhibit II-10

PROJECT BUDGET
NORTHEAST BUSINESS CAMPUS

Purchase Price	$13,430,000
Holdbacks:	
a) Tenant Improvements	300,000
b) Leasing Commissions	100,000
Leasing Incentive Holdback	120,000
Contingency Fund *	150,000
Total Investment Basis	$14,100,000

* For closing costs and general improvements to the property and landscaping.

Source: Piedmont Realty Advisors.

III. THE MARKET OVERVIEW

III. THE MARKET OVERVIEW

A. INTRODUCTION

The economy of Metropolitan Columbus has consistently remained strong over the past two decades due to its diversity. Unlike other midwestern cities, Columbus has never been solely a "manufacturing town", but one that has had a balance among its expanding service, government, education and retail-trade sectors (see Exhibit III-1). Columbus is the home of Ohio State University, one of the largest college campus' with 52,434 students and one of the foremost research centers in the Nation, as well as several leading financial institutions, which has promoted the development of a strong technology sector. This has resulted in continued economic growth and has caused a consistent demand for office space. Between 1983 and 1987, Columbus experienced 4.2 million square feet of net office absorption, while only 4.4 million square feet of office space was constructed.

Three major trends have occurred in the Metropolitan Columbus office market during the past decade that have stimulated office growth. First, corporations have moved administrative and data processing staffs from more expensive downtown offices with limited functional flexibility to newer space capable of supporting extensive computer usage by tenants. Second, national and regional corporations, such as American Electric Power, Borden and Warner Communications, have relocated to Columbus because of the lower costs of operating a business and its central location. Third, the substantial movement of population to northern Columbus, which has grown by over 25 percent since 1980, has created increased demand for quality suburban office space. Thus Northeast Business Campus, a portfolio of functional multi-tenant buildings located in north Columbus, is well positioned to further capture these trends.

B. MARKET

1. Overview

The Metropolitan Columbus office market is composed of four major submarkets: Downtown and three northern suburban submarkets along the I-270 corridor (see Exhibit III-2). Downtown is currently the strongest office market with a vacancy rate of 12.5 percent while the suburban office markets are experiencing much higher vacancy rates from 14.2 percent in Westerville/Northeast to 26.2 percent in Dublin/Northwest (see Exhibit III-3). The primary reasons for the high vacancy rates in the suburban office markets have been (1) the introduction of nearly 1.9 million square feet of space in 1986 and 1987 while net absorption was only 1.6 million square feet and (2) the trend to upgrade from lower quality, poorly located product to Class A buildings along I-270. In response to the current oversupply, development activities have slowed considerably in north Columbus and only 160,000 square feet of quality space is scheduled to be introduced in 1988. Furthermore, the three suburban office markets that previously acted in unison are beginning to act independently of one another as traffic congestion and location become major tenant concerns. Thus, the large vacancy in the Dublin/Northwest market has not had significant impact on the Westerville/Northeast market in which NEBC is located.

2. The Westerville/Northeast Office Market

The Westerville/Northeast market is an emerging office market that has better access to the airport and less traffic congestion than the other suburban office markets. The majority of its 1.4 million square feet of institutional quality office space has all been built during the past five years. Since Linclay's introduction of the first phase of Corporate Exchange in late 1983, the quality office market has had an average annual absorption of 200,000 square feet and in 1987 experienced absorption of over 400,000 square feet of space. Additionally, Linclay, Galbreath-Huff and Continental have developed 95 percent of the quality office product in this market and have controlled both the introduction of new space as well as the market rent levels. In the near term, the supply of office space will continue to be controlled by Linclay and Galbreath-Huff as well as by Allstate Insurance Company's development arm, which has proposed a ten-year, one million square foot project on the last significant developable parcel in this market.

3. The Westerville/Northeast Service Center Market

The service center product is a combination of office and warehouse space contained within a single suite. This space is oriented towards users that have generally smaller operations and desire the efficiency of having both office functions and warehouse/workspace facilities at a single location. Typical tenants include local distributors, suppliers, equipment/machine assemblers, service facilities and high tech firms. The primary features that attract these tenants to service center space in Columbus are (1) accessibility, (2) rental rate and (3) location. The percentage of office space usually ranges from ten percent to 100 percent depending upon the user, with 50 percent office buildout being common in northern Columbus. It should be noted that the rental rate for service center space increases proportionally with the percentage of office buildout. However, due to design and structural limitations, 100 percent buildout office buildout of service center space is frequently of inferior quality relative to one-story buildings designed strictly for office use.

The service center product at NEBC faces minimal competition in the Westerville/Northeast service center market due to its superior access, economical rental rate structure and overall building amenities (e.g. dock-high and grade level loading, office/warehouse flexibility). The overall lack of competitive product in this area is primarily the result of the increasing demand for office space, which has caused the conversion of well-located service center space into pure office usage. The majority of the remaining service center space in this market is either poorly located, exposed to significant congestion or more expensive due to the increasing land values in this market. Thus Piedmont Realty Advisors expects the 13,900 square feet of vacant service center space in NEBC to fully lease at the projected rate of $7.36 per square foot within 12 months of closing.

C. COMPETITIVE MARKET AREA

The competitive market area (CMA) consists of quality one-story and mid-rise office projects along the I-270 Beltway in the Worthington and Westerville/Northeast markets (see Exhibit III-4). Although properties in the Worthington market compete with both the Westerville/Northeast and Dublin/Northwest markets, tenants will infrequently consider both the Dublin and Westerville markets due to their different locational characteristics. The CMA contains 2.4 million square feet and has a vacancy rate of 12.3 percent, indicating the successful performance of quality buildings in this area. Furthermore, the net absorption in the CMA of 600,000 square feet represents nearly 98 percent of the total net absorption of 615,000 square feet that occurred in suburban Columbus in 1987.

The Worthington market is considered the prestige office address in Metropolitan Columbus and tenants pay a $0.50 to $1.00 premium to locate in this area ($13.00 to $14.00 per square foot triple net). The majority of the space in this market is accessed via High Street (U.S. 23) which causes significant congestion at peak commute times. Vantage's Crosswoods Business Park has the premiere location in this market north of the I-270/High Street freeway intersection. The other competitive projects in the Worthington market are located south of I-270 in heavily congested areas or in areas with poor accessability. The majority of these projects are considered Class B projects due to their age, location, and construction quality. Rent levels in the Worthington Class B market vary from $11.50 to $13.50 per rentable square foot on a triple-net basis.

The competitive mid-rise projects in the Westerville/Northeast market include Linclay's Corporate Exchange Office Park and Vantage's One Executive Parkway. The Corporate Exchange project consists of four existing buildings containing 400,000 square feet with a fifth building under construction and scheduled for completion by mid-1989. Additionally, Linclay is planning to construct 200,000 square feet in Corporate Exchange over the next five years. This project has excellent visibility and accessability from the Beltway. Linclay is marketing space from $13.00 to $13.50 per rentable square foot on a triple-net basis while offering two months free per lease year, which is typical in this market. This project offers comparable quality to NEBC, but a much lower parking ratio (3.75 versus 4.80 for NEBC). Vantage's One Executive Parkway project contains 120,000 rentable square feet and is nearly 95 percent leased. Current asking rents are $13.00 per square foot and the standard tenant improvement allowance is $12.00 per square foot on first generation space. This project offers excellent visibility, accessibility and construction quality and an inferior parking ratio of 3.5 spaces per 1,000 square feet of rentable area. A second phase of this development containing 80,000 square feet is scheduled for introduction in late 1989. Projected rent levels are $14.00 per square foot (triple net).

Continental's Brooksedge development is a prime example of a quality service center project converting to strictly office use. The development of Brooksedge was started in 1978 and is now 95 percent built-out with over 30 single story buildings. Tenants in this project experience severe congestion, especially at peak rush hours because of indirect access to the site, even though Brooksedge is located on I-270 near the Cleveland Road interchange. The base rental rate for the service center buildings with a 50 percent office buildout is $9.00 per rentable square foot on a triple net basis. The majority of the space is leasing for $10.00 to $10.50 per rentable square foot on a triple-net basis reflecting 100 percent office buildout. The standard tenant improvement package for office space ranges from $9.00 to $11.00 per square foot and the project is underparked at 2.8 spaces per 1,000 square feet of rentable area. One of the major reasons for the success of this project has been the continual expansion of its prime tenant, Bank One.

D. CONCLUSIONS

The Westerville/Northeast area is the emerging office market in north Columbus. It is conveniently located near Columbus' residential growth corridor and existing affluent neighborhoods, a large administrative labor base, the Port of Columbus Airport and upon the completion of I-670, Downtown Columbus. Additionally, the area surrounding the site has not experienced the traffic congestion common to the Worthington and Dublin areas. Although the vacancy in this market is 14 percent, the Westerville/Northeast office market should firm considerably in the next 12 months due to (1) increasing absorption and (2) limited introduction of new office product. In the long-term, this market should remain strong as the neighboring residential communities develop and the limited supply of undeveloped commercial land is built-out. Furthermore, the Westerville/Northeast market should continue to be dominated by a few major developers and be built-out in a predictable and consistent manner.

NEBC competes very effectively with other projects in the CMA as it is the only project that combines a northeast location, good freeway access and a very competitive rental rate structure. Furthermore, NEBC is the only project that can accommodate tenants ranging from warehouse operations to general office use. Piedmont Realty Advisors concludes that the vacant space in the one story office buildings should lease up to stabilized occupancy within 12 months at a rental rate of $9.50 per square foot triple net using a concession budget of two months per lease year. The vacant space in the service center buildings should also lease up within 12 months at a rental rate of $11.50 per square foot triple net using a concession budget of one month per lease year. Additionally, the $9.00 per square foot tenant improvement budget is generous, considering all of the vacant space in NEBC has already been built-out. At the proposed pricing and concession levels, NEBC will be a very competitive property in an improving market.

Exhibit III-1
LARGEST EMPLOYERS
METROPOLITAN COLUMBUS AREA

Rank	Employees	Employer
1	19,968	The State Ohio Government
2	15,200	The Ohio State University Higher education; excludes 10,554 student employees
3	7,639	Columbus Public Schools Public school system
4	7,500	AT&T Communications Co./AT&T Bell Labs Telecommunications
5	6,500	City of Columbus Government
6	6,500	Rockwell International/North American Aircraft Operations Assembly of major aerospace and military components
7	6,000	Nationwide Insurance Company Insurance
8	5,092	Defense Construction Supply Center Military Organization
9	4,853	Franklin County Government
10	4,451	Riverside Methodist Hospital Hospital
11	4,200	F & R. Lazarus & Company Retail
12	4,200	Sears, Roebuck & Company Retail
13	4,175	Honda of America, Inc. Manufacturer of motorcycles and automobiles
14	4,000	Big Bear/Hart Stores Retail supermarket/discount store
15	4,000	The Kroger Company Retail supermarket
16	3,711	Battelle Memorial Institute Research and development
17	3,700	The Limited, Inc. Women's specialty retail, catalog and distribution
18	3,622	United States Postal Service Government
19	3,592	Bank One of Columbus Financial institution
20	3,564	J.C. Penney Company Retail, distribution and insurance
21	3,400	BancOhio National Bank Financial institution
22	3,200	Mt. Carmel Health Hospital
23	3,057	Ohio Bell Telecommunications
24	3,000	Catholic Diocese of Columbus Catholic Church
25	3,000	K-Mart Corporation Retail
26	2,800	Fisher Guide Division/GMC Manufacturing-automotive body hardware

Exhibit III-1 (cont'd)

Rank	Employees	Employer
27	2,655	**The Aerospace Guidance & Metrology Center** Air Force aeronautical repair depot
28	2,527	**The Huntington National Bank** Financial institution
29	2,361	**Wendy's International, Inc.** Fast service restaurants
30	2,350	**Gold Circle Stores** Retail
31	2,289	**Anchor Hocking Corporation** Manufacturer of glass products, packaging products
32	2,200	**American Electric Power Service Corporation** Utility
33	2,200	**Owens-Corning Fiberglass Corp.** Building Products
34	2,116	**McDonald's Corporation** Fast service restaurants
35	2,100	**Children's Hospital** Hospital
36	2,000	**Cardinal Industries Incorporated** Manufacturer of modular shelter products
37	2,000	**United Parcel Service** Package carrier
38	1,966	**Borden, Inc.** Manufacturer of food and chemical products
39	1,874	**Grant Medical Center** Hospital
40	1,850	**Community Mutual Blue Cross & Blue Shield** Insurance
41	1,600	**Doctors Hospital** Hospital
42	1,546	**Consolidated Stores Corporation** Retail
43	1,513	**South-Western City School District** Public School System
44	1,500	**Liebert Corporation** Manufacturer of computer support systems
45	1,500	**Ross Laboratories** Manufacturer of health care products
46	1,466	**Chemical Abstracts Service** Publisher of chemical information
47	1,424	**Saint Anthony Medical Center** Hospital
48	1,400	**Columbus Southern Power** Utility
49	1,400	**Worthington Industries, Inc.** Manufacturer of metal and plastic products
50	1,380	**Columbia Gas of Ohio, Inc.** Utility

Source: Columbus Regional Information Service;
The Columbus Area Chamber of Commerce;
Piedmont Realty Advisors.

EXHIBIT III-2
COLUMBUS OFFICE SUBMARKET
LOCATION MAP

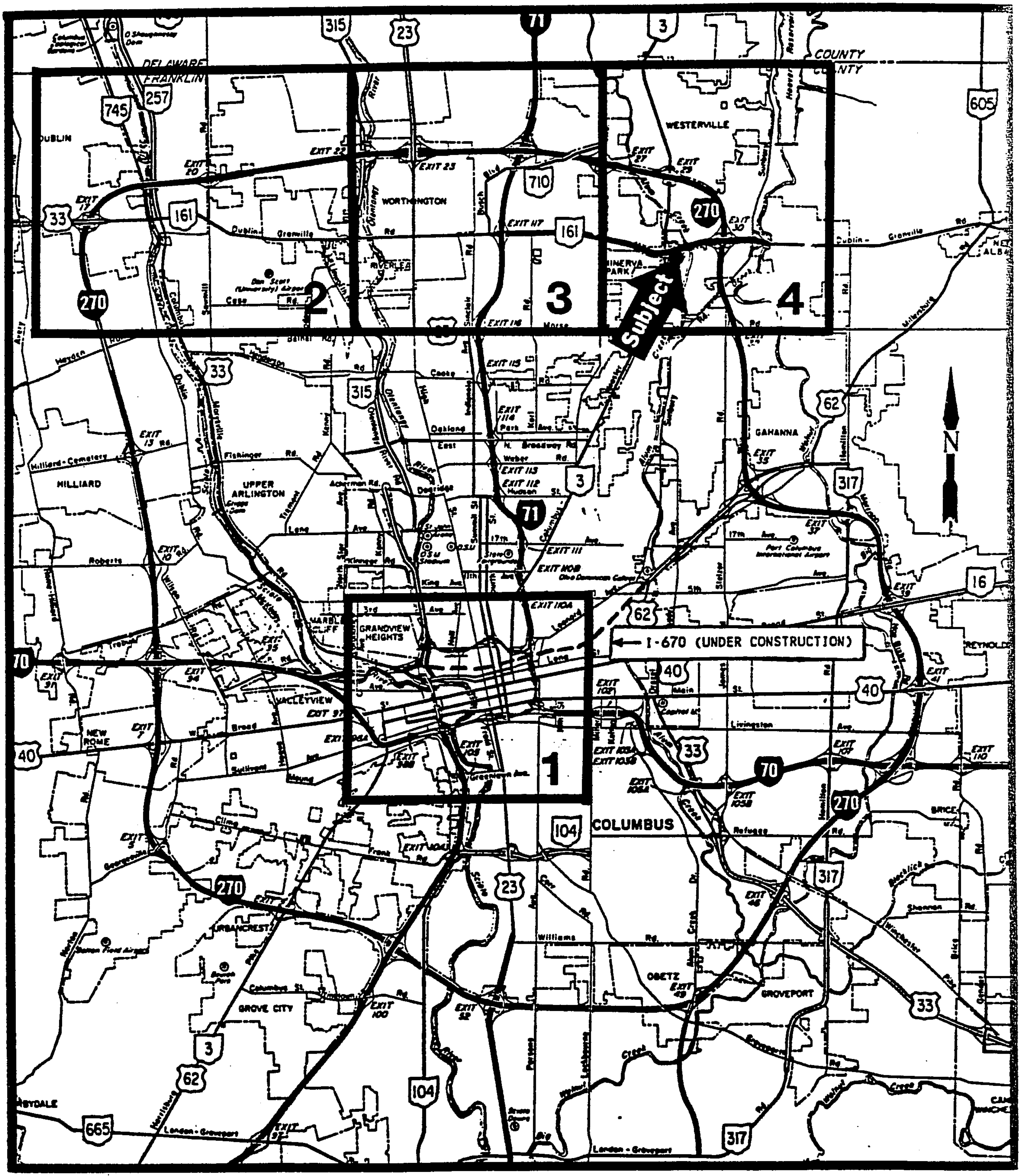


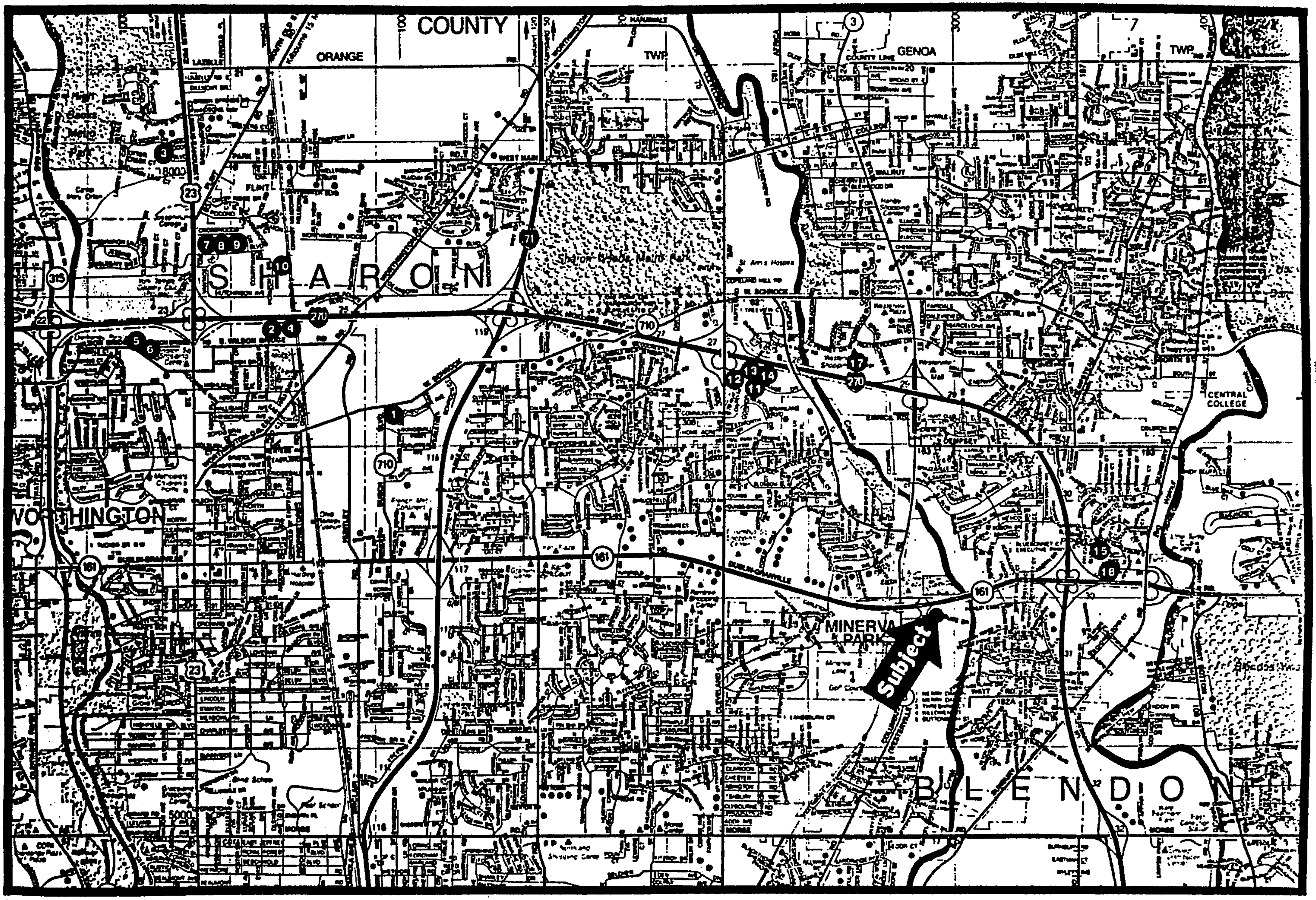
Exhibit III-3

METROPOLITAN COLUMBUS OFFICE MARKET
SUMMER, 1988

Map No.	Submarket	Projects	Inventory (Sq. Ft.)	Vacant (Sq. Ft.)	Vacancy Rate	Planned for Introduction 1988	Planned for Introduction 1989
1	Downtown	53	8,589,743	1,077,543	12.5%	650,000	2,487,000
2	Dublin/Northwest	32	2,017,807	528,456	26.2%	0	320,000
3	Worthington	45	3,579,610	871,210	24.3%	100,000	240,000
4	Westerville/Northeast	25	2,040,105	289,544	14.2%	60,000	310,000
Subtotal - Suburban Markets		102	7,637,522	1,682,210	22.1%	160,000	870,000
	Total	155	16,227,265	2,766,753	17.1%	810,000	3,917,000

Sources: Coldwell Banker;
Business First;
Piedmont Realty Advisors.

Exhibit III-4
COMPETITIVE PROPERTY LOCATION MAP



(Corresponds To Exhibit III-5)

Exhibit III-5

COMPETITIVE OFFICE MARKET SUMMARY

Map No.	Building Name	Developer	Year Constructed	Rentable Sq. Ft.	Leased Sq. Ft.	Vacancy Rate	Rental Rate (1)	Comments
Worthington								
1	6480 Busch Building	Busch Properties	1981	111,800	103,800	7.16%	$11.50	Poor access.
2	Cascade IV	Banning/Pickett	1981	68,000	68,000	0.00%	$12.00	Poor access, dated architecture.
3	Center at Northwoods	Linclay	1987	114,000	114,000	0.00%	$13.50	Well located, quality building.
4	Conquest Center I	PCS	1986	41,786	6,322	84.87%	$13.00	Lower quality, poor access.
5	Corporate Hill III	Linclay	1983	100,000	100,000	0.00%	$13.25	Good visibility and location.
6	Corporate Hill IV	Linclay	1986	90,800	88,566	2.46%	$13.50	Good visibility and location.
7	One Crosswoods Center	Vantage	1984	136,500	129,675	5.00%	$12.50	Well located, quality building.
8	Two Crosswoods Center	Vantage	1985	138,400	134,670	2.70%	$12.75	Well located, quality building.
9	Three Crosswoods Center	Vantage	1986	115,200	115,200	0.00%	$13.50	Quality build-to-suit.
10	Horizon Court	Vantage	1987	115,000	39,874	65.33%	$14.00	Well located, quality building.
Westerville/Northeast								
*	NEBC One Stories	Vantage	1981	62,200	40,535	34.83%	$ 9.50	Good visibility and access.
*	Atrium at Northeast	Vantage	1984	70,971	69,873	1.55%	$11.50	Good visibility and access.
11	Corporate Exchange I	Linclay	1983	105,000	84,366	19.65%	$13.00	Excellent visibility and access.
12	Corporate Exchange II	Linclay	1984	89,000	70,881	20.36%	$13.00	Excellent visibility and access.
13	Corporate Exchange III	Linclay	1986	90,800	86,200	5.07%	$13.00	Excellent visibility and access.
14	Corporate Exchange IV	Linclay	1986	91,400	66,213	27.56%	$13.50	Excellent visibility and access.
15	One Executive Parkway	Vantage	1987	119,900	108,954	9.13%	$12.50	Well located, quality building.
16	Kroger Building	R.J. Solove	1987	84,000	84,000	0.00%	$11.00	Lower quality build-to-suit.
17	Brooksedge Corporate Ctr.	Continental	1978-1988	650,000	589,540	9.30%	$10.00 - $10.50	Well located, quality one-story office.
		Totals		2,394,757	2,100,669	12.28%		

Sources: Coldwell Banker;
Kohr, Royer, Griffith;
Business First;
Vantage Companies;
Piedmont Realty Advisors.

---

(1) When required, adjusted to reflect a triple-net rental rate.

IV. RISK AND RETURN

IV. RISK AND RETURN

A. DEAL STRUCTURE

1. Introduction

The proposed transaction provides USF&G/Legg Mason Realty Partners (USF&G/Legg Mason) an opportunity to acquire a 79 percent leased project and receive an immediate cash on cost return exceeding 9.25 percent. Additionally, as current vacant space in NEBC is leased, the Buyer's return will increase significantly. USF&G/Legg Mason will also have the opportunity to participate in the potential appreciation attributable to the continued growth of the Westerville/Northeast office market which should result in increased values for institutional grade property.

The acquisition of NEBC is structured for USF&G/Legg Mason to purchase the subject property based on a 9.25 capitalization rate applied to the net operating income as of September 1, 1989. Leasing commission and tenant improvement reserves have been established to lease the vacant space in the property and funds have been allocated for general improvements to both the buildings and property's landscaping. Also, a leasing and management incentive holdback has been negotiated with the proposed property manager to encourage superior performance in operating NEBC. Assuming that full funding of the aforementioned budgeted items occurs, the subject property will yield a stabilized 10.6 percent cash on cost return.

2. Special Deal Features

The proposed transaction is structured as a conventional fee simple purchase, but two features have been incorporated in this investment to (1) ensure that all deferred maintenance is addressed prior to closing and (2) encourage prompt leasing of the currently vacant space. First, upon USF&G/Legg Mason approval of this acquisition, Piedmont Realty Advisors will retain independent environmental and engineering consultants to conduct inspections of the subject property. Their reports will indicate the extent and nature of any deferred maintenance or latent defects in NEBC. USF&G/Legg Mason will then have the option of establishing an escrow account to allow the Seller to correct these problems or reduce the purchase price to reflect the cost of such items. Second, a leasing incentive holdback has been established which will allow the proposed property manager and leasing agent, Galbreath-Huff, the opportunity to earn up to $120,000 for leasing NEBC at proforma to full occupancy within 12 months of closing. These funds will be disbursed upon physical and rent paying occupancy of tenants on a lease-by-lease basis. This disbursement structure is based on both a lease's economic value as well as the increase in NEBC's net operating income. Subsequently, this holdback also encourages effective property management as any movement of tenants out of the subject project adversely impacts Galbreath-Huff's ability to realize this earnout.

3. Investment Basis

USF&G/Legg Mason's basis in NEBC at closing will be $13,430,000 or $75 per rentable square foot. As the current vacant space in the property is leased, improvements are made to the project and tenants take physical and rent paying occupancy, USF&G/Legg Mason will disburse the funds budgeted for tenant improvements, leasing commissions, building improvements and the leasing incentive holdback. These disbursements could increase the Buyer's investment basis by $670,000 resulting in a total investment of $14,100,000 in the subject property. Assuming that (1) the currently vacant space is leased to proforma within one year of closing and (2) all budgeted amounts are disbursed, USF&G/Legg Mason basis in NEBC will be $78 per rentable square foot.

B. VALUE ESTIMATE

1. Current Rent Roll

NEBC is significantly leased to a number of national and regional credit tenants (see Exhibit IV-1). All of the leases in the property are either triple net with a complete pass through of all expenses or feature expense stops and thereby minimize the owner's risk related to increasing taxes, utilities or common area maintenance costs. It should be noted that several of the tenants currently in occupancy have leases that will expire prior to September 1, 1989. As previously mentioned, any income generated from these respective leases were not used in calculating the subject property's purchase price. However, USF&G/Legg Mason will receive the income from these leases until their expiration which should add $31,027 to the net cash flow.

2. Proforma Income and Expenses

NEBC should attain stabilized occupancy within 12 months of closing. Based on Piedmont's analysis of the subject property's competitive market the vacant space in the service center buildings, one-story office buildings and two-story office building should lease at rates of $7.36, $9.50 and $11.50 per rentable square foot, respectively. A very conservative reserve account of $0.40 per square foot of rentable area, or approximately 4.5 percent of net cash flow, has been set aside due to the buildings' age and materials used in the construction. Stabilizing the net cash flow at 95 percent occupancy would provide USF&G/Legg Mason a cash on cost return of 10.6 percent as illustrated in Exhibit IV-2.

3. Preliminary Valuation Estimate

Piedmont Realty Advisors estimated the preliminary value of NEBC by comparing it to eight other property sales that have occurred in suburban Columbus during the past three years. These sales included service center, one-story office and mid-rise office buildings. Based on this information it was determined that the value of NEBC would range from $14,900,000 to $15,600,000 as detailed in Exhibit IV-3. The proposed investment basis at stabilized occupancy is therefore 90.4 percent to 94.6 percent of value.

C. RETURN

1. Cash Flows

Piedmont Realty Advisors estimated the property's income to calculate the expected cash flow to USF&G/Legg Mason during an investment holding period of five years. Income figures were based on the rent roll in Exhibit IV-1 for existing tenants and the assumptions outlined in Exhibit IV-4 for vacant space. It is anticipated that USF&G/Legg Mason will disburse 100 percent of its $14,100,000 equity commitment by the end of the first operating year (see Exhibit IV-5). The unleveraged cash flow to USF&G/Legg Mason is expected to be 9.2 percent in the first year and then fluctuate between 7.8 percent and 12.1 percent for the remaining years of the Partnership. This fluctuation is attributable to refit costs as existing leases expire and the associated space is released.

2. Returns at Sale

The net residual value of the property was calculated by capitalizing the sixth year's net operating income at 9.75 percent and deducting the sum of (1) two percent selling expenses and (2) releasing costs for space rolling over in year six. The gross estimated selling price for NEBC of $19.45 million is approximately $108 per square foot and represents 4.9 percent to 6.1 percent average annual increase over Piedmont's preliminary value estimate.

3. Yield Analyses

USF&G/Legg Mason's base case internal rate of return for NEBC is 14.9 percent on an unleveraged basis and 18.8 on a 50 percent leveraged basis (see Exhibit IV-6). Based on current financial market conditions, it was assumed that a five-year bullet loan rate of 10.25 percent could be obtained for the latter scenario. Piedmont evaluated other alternative investment scenarios including a sensitivity analysis to determine how NEBC would perform under various leveraging assumptions. Additionally, these scenarios were analyzed in conjunction with various terminal capitalization rates ranging from 10.25 percent to 9.25 percent. As shown in Exhibit IV-7, USF&G/Legg Mason's unleveraged internal rate of return on its investment in NEBC varies between 13.9 percent and 15.8 percent and between 15.1 percent and 27.9 percent on a leveraged basis.

D. RISK

The risks involved with the project are outlined below:

Risks:	Mitigating Factors:
Market	
(1) The suburban office market in Metropolitan Columbus is oversupplied.	Although the three northern submarkets are experiencing a 22 percent vacancy rate in aggregate, the increased congestion on Interstate 270 during peak commute hours is resulting in each of the submarkets developing its own identity and tenant type. The emerging Westerville/Northeast submarket is the strongest of the three with a vacancy rate of 14 percent and, due to the limited amount of office space currently available or under construction, should experience declining vacancy rates for the next several years. This submarket is very attractive to the expanding service economy in Columbus, especially sales organizations and "back-office" operations of banks and insurance companies, due to its proximity to both the Port Columbus Airport and a growing labor base.
(2) The Westerville/ Northeast submarket is emerging.	This area has grown considerably over the past five years and it is projected to continue growing. Factors contributing to this trend are the completion of I-670 linking this submarket to Downtown, and the completion of a number of neighboring executive communities, which will allow the tenant base to expand and include more service and professional firms. Overall vacancy should continue to remain lower in this submarket than in the other northern Columbus markets because unlike the Dublin/Northwest and Worthington submarkets, the Westerville/Northeast area has not experienced excessive development and the supply of office product has been much more in line with demand. Moreover, remaining development opportunities are limited.

(3) There are a number of new projects planned in the Northeast/Westerville submarket.

Due to the increased interest in the Northeast/Westerville submarket, the proposed projects are all oriented towards higher end tenants and are expected to be priced at least 20 percent to 45 percent above the most expensive space at NEBC. Additionally, this proposed space will be introduced in a controlled manner as it is being developed by institutional developers. In particular, Allstate's 85 acre, one million square foot project at the S.R. 161/I-270 interchange, which is the last significant freeway accessible parcel in this market, is scheduled to be developed over the next ten years. Asking triple-net rent for the first phase is $16.00 per square foot and is scheduled for an early 1990 introduction. The other major speculative project is Galbreath-Huff's second Sunbury Woods project, a 70,000 square foot three-story building, to be completed in 1990. Asking rents will range from $14.00 to $15.00 per square foot triple net. By comparison, office space rents at NEBC are $9.50 to $11.50 per square foot triple net.

(4) NEBC is not located on I-270.

The lack I-270 freeway intersections has resulted in a limited supply of easily accessible, freeway adjacent sites. Additionally, the access characteristics of NEBC are superior to many sites along I-270 because the project has direct access to the State Road 161 on-ramp.

(5) The construction quality in NEBC is inferior to other competitive properties.

Although this is true, office space at NEBC is priced accordingly. This allows the NEBC office product the "price sensitive" niche in the Westerville/Northeast submarket. There is minimal competition in this niche due to the higher prices of developable sites.

Building

(1) The buildings are dryvit construction, older and may need repairs.

First, the purchase of the property will be contingent on the curing of all deferred maintenance items specified in reports prepared by USF&G/Legg Mason consultants. Second, a contingency fund retained of $150,000 and a generous tenant improvement budget have been established to refit common areas, replace landscaping and make general improvements as required. Last a large reserve account and considerable second and third generation tenant improvement budgets have been illustrated in the proforma to contemplate above standard property maintenance costs.

Rent Roll

(1) Nearly all the leases will have to be renewed in the next two to four years.

This is a source of significant upside in the project as the majority of the leases are below market. Combined with the limited introduction of new space in the submarket, it is expected that office rents will continue to increase during the investment period.

E. CONCLUSIONS AND RECOMMENDATIONS

The proposed acquisition of Northeast Business Campus has been structured to provide USF&G/Legg Mason with (1) an immediate cash return on its investment of 9.25 percent, (2) an opportunity to significantly increase its return based on the leasing of current vacant space and (3) the ability to participate in the long-term appreciation for institutional grade property as the Westerville/Northeast market matures. The risk associated with this purchase is mitigated by the structure of this investment as well as by the growth characteristics of the immediate submarket and of Metropolitan Columbus. The proposed property manager and leasing agent of NEBC, Galbreath-Huff, has also proven itself capable of managing properties in an effective and institutional fashion and is properly motivated to aggressively lease this project. Therefore, Piedmont Realty Advisors recommends that the USF&G/Legg Mason Realty Partners Property Acquisitions Committee approve the $14,100,000 equity commitment for the purchase of Northeast Business Campus.

Exhibit IV-1
LEASE SUMMARY
NORTHEAST BUSINESS CAMPUS

Building	Suite #	Tenant	Square Feet	Lease Start	Lease End	Rent Sq. Ft.	Annual Rent	Stops	Comments
NEBC #1	106 A	Dow Jones & Company, Inc.	602	01-May-84	29-Apr-89	$12.50	$7,525.00	$2.50	3-Year Option at Market
	107	Bldg Officials & Code Admin	2,212	23-Nov-87	22-Nov-92	9.50	21,014.00	Net	None
	109	Ryan Homes	3,000	16-Apr-87	15-Apr-90	13.50	40,500.00	2.50	None
	112	Entrepreneurship Institute	2,818	01-Aug-88	31-Jul-91	9.50	26,771.00	Net	Bumps: Mos. 1-3 @ $5.87, Mos.4-36 @ $9.50
	113	Texas Instruments	670	01-Aug-88	30-Jun-90	13.50	9,045.00	4.00	None
	114	Mid East United Dairy Indus.	6,217	16-Mar-87	15-Mar-92	13.00	80,821.00	3.50	None
		Vacant	15,585	--	--	9.50	148,057.50	Net	
		Total	31,105				$333,734		
NEBC #2	103 & 3660	Automatic Data Processing	25,627	06-Nov-81	05-Jul-91	$9.30	$238,331.10	$1.25	5-Year Option at Market
		Vacant	5,478	--	--	9.50	52,041.00	Net	
			31,105				$290,372		
NEBC #3	3681	Diehl Office Equipment Co.	2,222	07-Jan-85	31-May-91	$9.10	$20,220.20	$0.55	None
	3683	Vantage Realty Services, Inc.	2,818	01-May-88	30-Apr-91	9.16	25,812.88	1.80	3-Year Option at Market
	3689	Kraft, Inc.	4,264	23-Oct-86	22-Oct-91	8.80	37,523.20	0.55	5-Year Option at 135% of Base
	3697	Profit Freight System/dct	2,000	30-Sep-86	29-Sep-89	8.16	16,320.00	0.80	None
	3699	AM International	2,398	15-Jul-85	14-Jul-89	7.91	18,968.18	0.55	None
		Vacant	9,823	--	--	7.36	72,297.28	Net	
			23,525				$191,142		
NEBC #4	3717	Telecom Plus of Ohio, Inc.	5,643	26-Feb-87	25-Feb-90	$8.54	$48,191.22	$0.55	3-Year Option at Market
	3721	Asea Autoclave	16,159	01-Aug-85	31-Jul-90	7.76	125,393.84	0.83	Right to Cancel with Penalty
	3711	Vacant	1,723	--	--	7.36	12,681.28	Net	
			23,525				$186,266		
NEBC #5	100	Abbott Laboratories	10,786	02-Nov-87	01-Nov-90	$11.00	$118,646.00	$3.50	Bumps: Mos. 1-24 @ $11.35, Mos.25-36 @ $15.00 (1)
	101	Ross Labs	1,372	01-Aug-88	30-Jul-91	11.50	15,778.00	Net	None
	105	Fritz Company	4,848	23-Dec-87	22-Jul-91	11.50	55,752.00	Net	None
	109 & 200	Abbott Laboratories	23,078	14-Dec-87	13-Dec-90	12.83	296,090.74	3.50	Bumps: Mos. 1-3 @ $11.25, Mos.4-24 @ $12.86, Mos. 25-36 @ $16.62 (1)
	112	Maven Corporation	2,000	06-Dec-86	11-Sep-89	13.25	26,500.00	3.50	None
	114	Abbott Labs	2,492	01-May-88	13-Dec-90	15.00	37,380.00	3.50	None
	115	Duplex Products, Inc.	908	18-Jul-86	17-Jul-91	13.25	12,031.00	3.50	None
	117	AM Wick	1,852	27-Jun-86	27-Jun-89	13.25	24,539.00	3.50	None
	122	Horizon Health Care	3,446	05-Apr-87	04-Sep-90	11.50	39,629.00	Net	None
	126	Peer Review System	2,381	01-Jul-88	30-Jun-91	15.00	35,715.00	3.50	5-Year Option at $17.70
	250	Peer Review System	16,738	29-Jun-87	28-Jun-93	14.00	234,332.00	3.50	Bumps: Mos.25-92 @ $15.00
		Vacant	1,099	--	--	11.50	12,638.50	Net	
			71,000				$909,031		
		TOTAL SQUARE FOOTAGE	180,260				$1,910,545		

(1) Termination provision during months 25 through 29 with a penalty of 6 mos rent, months 30 through 36 with 3 months rent.

Source: Galbreath-Huff Companies;
Hank Dickerson & Company;
Piedmont Realty Advisors.

Exhibit IV-2

PROFORMA INCOME AND EXPENSES
NORTHEAST BUSINESS CENTER

Annual Rental Income:	
a) Existing Leases	$1,623,221
b) Currently unoccupied space	
1) NEBC #1 and NEBC #2 (1)	205,818
2) NEBC #3 and NEBC #4 (2)	102,628
3) NEBC #5 (3)	33,937
Gross Potential Income	$1,965,604
Less: Vacancy (5%)	98,280
Effective Gross Income	$1,867,324
Less: Expense Stops	295,069
Less: Reserves (4)	72,080
Net Cash Flow	$1,500,175
Cash on Cost Return	10.6%

(1) 21,665 rentable square feet at an average $9.50 triple-net.
(2) 13,944 rentable square feet at an average $7.36 triple-net.
(3) 2,951 rentable square feet at an average $11.50 triple-net.
(4) 180,200 rentable square feet at $0.40.
(5) Assumes an equity investment of $14,100,000.

Source: Galbreath-Huff Companies;
Hank Dickerson & Company;
Piedmont Realty Advisors.

Exhibit IV-3

VALUE ESTIMATE
NORTHEAST BUSINESS CAMPUS

Piedmont Realty Advisors reviewed fifteen office and service center building sales which occurred in suburban Columbus since late 1985. Eight comparable sales were chosen based on product type, construction quality and location within each comparable sale's respective submarket (see Exhibit IV-3A and IV-3B). All eight sales were adjusted by the actual change in the CPI to calculate an October, 1988 time adjustment. The sale comparables were then ranked in order of quality and the following value range for Northeast Business Campus was estimated at stabilized occupancy:

	Minimum	Maximum
NEBC #5	$ 7,455,000	$ 7,810,000
NEBC #1 and NEBC #2	4,852,000	5,100,000
NEBC #3 and NEBC #4	2,585,000	2,726,000
	$14,892,000	$15,636,000

Say: **$14,900,000 - $15,600,000**

Source: Piedmont Realty Advisors.

Exhibit IV-3A

COMPARABLE SALES RANKING
NORTHEAST BUSINESS CAMPUS

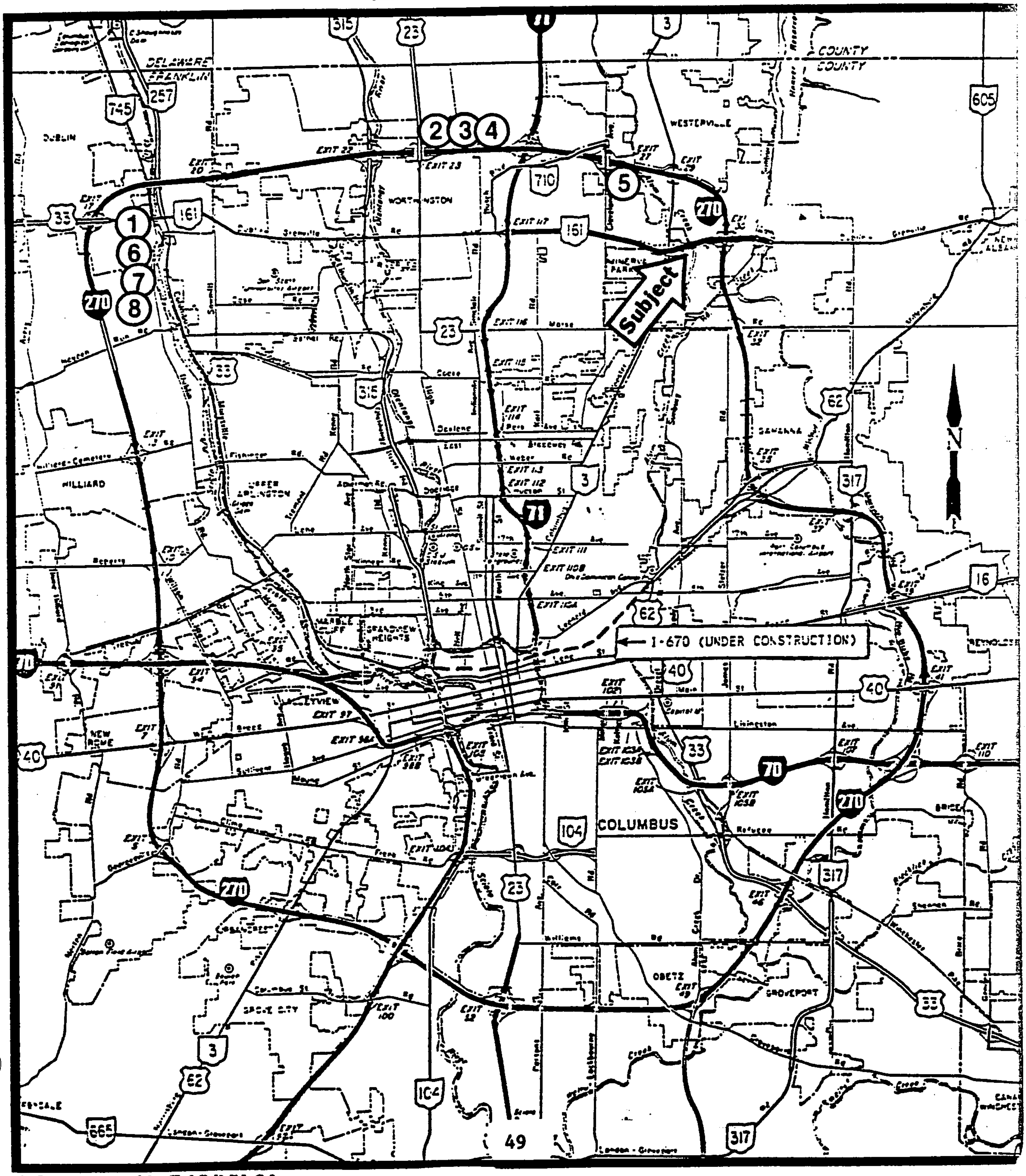
No.	Building Name	Year Completed	No. of Stories	Rentable Sq. Ft.	Sale Date	Price Sq. Ft. (1)	Percent Leased at Sale	Comments
1	Office at Metro Center	1987	3	92,000	02/88	$142 (2)	70%	Class A building with good location and prestige address. Sold by Linclay to New York Life.
2	Three Crosswoods	1986	3	115,200	10/86	$145	100%	Sold by Vantage to Equitable. Class A building with good location.
3	Two Crosswoods	1985	3	138,400	12/85	$124 (2)	40%	Sold by Vantage to Equitable. Class A building with good location.
4	Crossgate Center	1986	2	80,000	07/87	$130 (2)	65%	Sold by Vantage to State Teachers Retirement System. Class A building with good location.
5	Corporate Exchange IV	1986	3	90,800	10/86	$114	20%	Class A/B building with good location and visibility in an established office park but inexpensive finishes.
*	NEBC #5	1984	2	71,000	10/88	$105-$110	96%	Subject Property; Two-story office building.
6	Metro Center I	1981	4	73,000	10/87	$115	96%	Dated architecture, Class B building but good location and prestige address.
7	Dublin Techmart	1986	1	125,800	07/87	$90	94%	One-story office project with prestigious address but poor accessibility.
*	NEBC #1 and NEBC #2	1981	1	62,200	10/88	$78-$82	65%	Subject Property; One-story office buildings.
8	Anatec Building	1983	1	85,000	12/86	$61	100%	Service center project with prestigious address but poor accessibility and 44 percent office buildout.
*	NEBC #3 and NEBC #4	1981	1	47,000	10/88	$55-$58	70%	Subject property; Service center buildings.

Note: The sales are ranked on quality and comparability to the subject. Sales number three and four were the most comparable to the subject, sales number one and two were superior, and sale number five was inferior.

(1) All sales prices were adjusted for time of sale by applying the actual change in the CPI to the actual net sales price.
(2) Master-leased by seller to 95 percent occupancy for one year.

Sources: The Robert Weiler Company;
Kohr Royer Griffith, Inc.;
Galbreath-Huff Companies;
Piedmont Realty Advisors.

Exhibit IV-3B
COMPARABLE SALES MAP



1-8 correspond to Exhibit IV-3A

Exhibit IV-4

DEAL ASSUMPTIONS
NORTHEAST BUSINESS CAMPUS

		Project Assumptions		
A.	**INITIAL LEASE-UP**			
		Indust.	One-Story	Two-Story
1.	Funding Date		10/01/88	
2.	Net Rentable Area		180,200	
3.	Market Contract	$7.36	$9.50	$11.50
4.	Rental Concessions (Free Rent)	1 mos/yr	2 mos/yr	2 mos/yr
5.	Other Concessions		None	
6.	Market Effective	$6.75	$7.91	$9.58
7.	Inflation Rate		5%	
8.	Inflation Start Date (Rents)		Year 2	
B.	**SPECULATIVE SPACE ASSUMPTIONS**			
1.	Lease-Up Period (Months)		12 Months	
2.	Lease Terms:			
	(a) % 3 Year		50%	
	(b) % 5 Year		50%	
	(c) % 10 Year		0%	
3.	Rental Rate ($/SF or Market)		Market	
4.	% of Leases Renewed		50%	
5.	% of Leases Relet		50%	
C.	**LEASE RENEWAL AND OPERATING ASSUMPTIONS**			
1.	Lag Time on Relet Space		3 Months	
2.	Rental Concessions		None	
3.	Lease Term on Relet/Renewal		60 Months	

DEAL ASSUMPTIONS (cont'd)

		Indust.	One-Story	Two-Story
			Project Assumptions	
4.	New Rental Rate:			
	(a) Market (Yes/No)		Yes	
	(b) % of Original Rate		------	
	(c) Specified Amount ($)		------	
5.	Lease Bumps:			
	(a) Frequency		Flat	
	(b) Market (Yes/No)		N/A	
	(c) % of Original Rate		-----	
	(d) Specified Amt. ($)		-----	
6.	Leasing Commissions:			
	(a) Initial Lease-Up		$100,000	
	(b) 2nd Generation (% of lease value)		3.75%	
	(c) 3rd Generation (% of lease value)		3.75%	
7.	Tenant Improvements:			
	(a) Initial Lease-Up		$300,000	
	(b) 2nd Generation ($/SF)	$4.00	$6.00	$6.00
	(c) 3rd Generation ($/SF)	$8.00	$12.00	$12.00
8.	Vacancy Rate		5%	
9.	Operating Expenses ($/SF)		Net	
10.	Reserves ($/SF)		$.40/SF	
11.	Mgt. Fee (% of Effective Gross Income)		Net	
12.	Operating Term		5 Year	

DEAL ASSUMPTIONS (cont'd)

	Project Assumptions
D. SALE ASSUMPTIONS	
1. Cap Rate at Sale	9.75%
2. Selling Commissions	2%
3. Subtract out LC's and TI's (Yes/No)	Yes
4. Lag Time included in Final Year NOI (Yes/No)	No

All Equity Fully Owned ($670,000 Holdbacks)	$14,100,000
LC's	$100,000
Tenant Improvements	$300,000
Leasing Incentive Holdback	$120,000
Contingency	$150,000

Exhibit IV-5
UNLEVERAGED PROFORMA
NEBC

							OPERATING YEAR				
				1	2	3	4	5	6	SALES CALCULATION	
OUTSTANDING EQUITY BALANCE				13,755,000	14,100,000	14,100,000	14,100,000	14,100,000	14,100,000		
GROSS POTENTIAL INCOME											
Rental Income				1,734,560	2,017,827	2,067,940	2,154,987	2,199,518	2,272,594		
Reimbursements				0	12,953	26,555	40,836	55,831	71,576		
Free Rent / Lag				(139,124)	(116,651)	(224,575)	(70,945)	(9,785)	0		
Subtotal				1,595,436	1,914,130	1,869,919	2,124,878	2,245,664	2,344,270		
LESS: VACANCY	5.00%			0	(95,706)	(93,496)	(106,244)	(112,283)	(117,213)		
EFFECTIVE GROSS INCOME				1,595,436	1,818,423	1,776,423	2,018,634	2,133,381	2,227,056		
LESS OPERATING EXPENSES:											
Cash Reserves	$0.40 /SF			(72,104)	(75,709)	(79,495)	(83,469)	(87,643)	0		
Expenses				(259,069)	(272,022)	(285,624)	(299,905)	(314,900)	(330,645)		
NET OPERATING INCOME				1,264,263	1,470,692	1,411,305	1,635,259	1,730,838	1,896,411		
LESS: DEBT SERVICE											
Principal/Rate	0	0.00%									
Term/Amortization Period	0	0		0	0	0	0	0			
NET INCOME				1,264,263	1,470,692	1,411,305	1,635,259	1,730,838			
LESS: CAPITAL IMPROVEMENTS											
Leasing commission				0	(24,074)	(129,460)	(106,634)	(9,568)			
Tenant Improvements				0	(35,946)	(183,904)	(185,516)	(20,933)		6th YR NOI	1,896,411
										CAP RATE	9.75%
CASH FLOW				1,264,263	1,410,672	1,097,941	1,343,109	1,700,337			
											19,450,374
										COMMISSION	2.00%
EQUITY OUTLAYS:											
Initial Equity			(13,430,000)								19,061,367
Leasing Commissions				(100,000)						LC'S	(29,673)
Tenant Improvements				(300,000)						TI'S	(46,956)
Leasing Incentive				(120,000)							
Contingency Holdback				(150,000)							18,984,728
CASH INFLOWS:										REPAY DEBT	0
Cash Flow: Current				1,264,263	1,410,672	1,097,941	1,343,109	1,700,337			
Repayment Of Equity				0	0	0	0	14,100,000			18,984,728
Residual @ Sale								4,884,728		EQUITY	14,100,000
			(13,430,000)	594,263	1,410,672	1,097,941	1,343,109	20,685,065		RESIDUAL	4,884,728
TOTAL EQUITY INVESTED	$14,100,000										
CASH ON CASH RETURN				9.2%	10.0%	7.8%	9.5%	12.1%		IRR	14.9%

Exhibit IV-6
50% LEVERAGED PROFORMA
NEBC

			OPERATING YEAR 1	2	3	4	5	6
OUTSTANDING EQUITY BALANCE			6,715,000	7,050,000	7,050,000	7,050,000	7,050,000	7,050,000
GROSS POTENTIAL INCOME								
Rental Income			1,734,560	2,017,827	2,067,940	2,154,987	2,199,518	2,272,694
Reimbursements			0	12,953	26,555	40,836	55,831	71,576
Free Rent / Lag			(139,124)	(116,651)	(224,575)	(70,945)	(9,785)	0
Subtotal			1,595,436	1,914,130	1,869,919	2,124,878	2,245,664	2,344,270
LESS: VACANCY	5.00%		0	(95,706)	(93,496)	(106,244)	(112,283)	(117,213)
EFFECTIVE GROSS INCOME			1,595,436	1,818,423	1,776,423	2,018,634	2,133,381	2,227,056
LESS OPERATING EXPENSES:								
Cash Reserves	$0.40 /SF		(72,104)	(75,709)	(79,495)	(83,469)	(87,643)	0
Expenses			(259,069)	(272,022)	(285,624)	(299,905)	(314,900)	(330,645)
NET OPERATING INCOME			1,264,263	1,470,692	1,411,305	1,635,259	1,730,838	1,896,411
LESS: DEBT SERVICE								
Principal/Rate	7,050,000	10.25%	(722,625)	(722,625)	(722,625)	(722,625)	(722,625)	
NET INCOME			541,638	748,067	688,680	912,634	1,008,213	
LESS: CAPITAL IMPROVEMENTS								
Leasing commission			0	(24,074)	(129,460)	(106,634)	(9,568)	
Tenant Improvements			0	(35,946)	(183,904)	(185,516)	(20,933)	
CASH FLOW			541,638	688,047	375,316	620,484	977,712	
EQUITY OUTLAYS:								
Initial Equity		(6,380,000)						
Leasing Commissions			(100,000)					
Tenant Improvements			(300,000)					
Leasing Incentive			(120,000)					
Contingency Holdback			(150,000)					
CASH INFLOWS:								
Cash Flow: Current			541,638	688,047	375,316	620,484	977,712	
Repayment Of Equity			0	0	0	0	7,050,000	
Residual @ Sale							4,884,728	
		(6,380,000)	(128,362)	688,047	375,316	520,484	12,912,440	
TOTAL EQUITY INVESTED	$7,050,000							
CASH ON CASH RETURN			9.[illegible]%	9.8%	5.3%	8.8%	13.9%	

SALES CALCULATION	
6th YR NOI	1,896,411
CAP RATE	9.75%
	19,450,374
COMMISSION	2.00%
	19,061,367
LC'S	(29,673)
TI'S	(46,966)
	18,984,728
REPAY DEBT	7,050,000
	11,934,728
EQUITY	7,050,000
RESIDUAL	4,884,728
IRR	18.9%

Exhibit IV-7

RETURN MATRIX
NORTHEAST BUSINESS CAMPUS

		Capitalization Rate On Sale		
		10.25	9.75	9.25
Percent	0	13.9%	14.9%	15.8%
Leveraged (1)	25	15.1%	16.2%	17.5%
	50	17.2%	18.8%	20.4%
	75	22.7%	25.3%	27.9%

(1) Based on total investment basis of $14,100,000.

Source: Piedmont Realty Advisors.