



**Talon Hill Apartments
1640 Peregrine Vista Heights
Colorado Springs, Colorado 80921**

PROPERTY CONDITION ASSESSMENT



DRAFT SAMPLE REPORT

**REAL ESTATE ADVISORY, LLC
PROJECT # 075562**

Prepared for:

**Column Guaranteed LLC
7161 Bishop Road, Suite 200
Plano, TX 75024**

Prepared By:

**Kashif Bazal
REAL ESTATE ADVISORY, L.L.C.
121 FAIRFIELD WAY, SUITE 230
BLOOMINGDALE, ILLINOIS 60108
Phone (800) 347-7807
Facsimile (630) 893-4768**

April 26, 2007



**Talon Hill Apartments
1640 Peregrine Vista Heights
Colorado Springs, Colorado 80921**

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Talon Hill Apartments

“AT A GLANCE” SUMMARY OF FINDINGS”

ISSUE	CONDITION	PAGE NO.	COMMENTS
BUILDING OVERVIEW			
STRUCTURAL	GOOD	10	Concrete slab on grade foundation; gypcrete over wood framing decking
ELEVATORS, STAIRWAYS, LANDINGS AND BALCONIES	GOOD	12	Interior wood stairs at individual units; private unit patios and balconies with metal railings.
INSULATION	GOOD	13	Caulking and weather stripping, Batts in walls and blown-in fiberglass in attics
ROOFING	GOOD	14	Sloped roofs with asphalt shingles. 2006 construction - replacement is not anticipated over the term.
BUILDING EXTERIOR	GOOD	15	Stucco with faux stone accents and limited Hardi-plank siding over frame structure and exterior sheathing.
INTERIOR BUILDING FINISHES	GOOD	15	Textured walls and ceilings; carpet and vinyl wood plank entries.
MOLD	NA	16	No concerns noted
HEATING, VENTILATION AND AIR-CONDITIONING	GOOD	18	Unit-specific, split-systems w/ Aquatherm heating system
DOMESTIC HOT WATER	GOOD	19	Individual electric water heaters
PLUMBING	GOOD	19	CPVC supply; PVC waste
ELECTRICAL	GOOD	19	100 amp capacity per apartment, circuit breakers, copper wiring; GFI outlets in kitchens and baths
FIRE AND LIFE SAFETY	GOOD	20	Buildings sprinklered and have fire alarm systems in clubhouse building; smoke detectors and extinguishers in apartments with carbon-dioxide detector in attached garage apartments; hydrants on Property
IMPROVEMENTS OVERVIEW			
PROPERTY DRAINAGE	GOOD	22	Storm drains connect to municipal storm water system. Retention pond located at the southeast portion of the site.
RETAINING WALLS	GOOD	22	Natural stone retaining walls
DRIVEWAYS, PARKING LOTS AND SIDEWALKS	GOOD	23	Asphalt paved driveways and parking areas; concrete curbs and walks



Talon Hill Apartments

“AT A GLANCE” SUMMARY OF FINDINGS”

(continued)

ISSUE	CONDITION	PAGE NO.	COMMENTS
FENCING	GOOD	24	Metal fence at pool and wood fence at lift station and solid waste area. Normal maintenance expected.
EXTERIOR LIGHTING	GOOD	24	
LANDSCAPING	GOOD	25	Automatic underground systems provided throughout. Irrigation water is sourced from an on-site water well
RECREATIONAL FACILITIES	GOOD	26	One swimming pool and fitness center
SITE AMENITIES	GOOD	27	Laundry equipment provided in each unit
SIGNAGE	GOOD	33	
ADA SCREEN	GOOD	34	All ground floor units are adaptable for accessibility purposes.



EXECUTIVE SUMMARY

On April 3rd 2007, Kashif Bazal, Senior Project Engineer for Real Estate Advisory (“REA”) performed a Property Condition Assessment of Talon Hill Apartments located at 1640 Peregrine Vista Heights in Colorado Springs, Colorado (the “Property”).

SCOPE OF WORK

The purpose of the assessment was to develop a general property description, identify existing building components, and develop estimates for immediate repairs and for projected expenditures over a twelve-year loan term. The assessment identifies the current condition of the Property, immediate repairs needed, and maintenance items that should be accounted for in the Replacement Reserve Worksheet. Furthermore, the assessment was conducted in accordance with Freddie Mac and Primary Capital Advisors, L.C. guidelines.

GENERAL PROPERTY DESCRIPTION

<ul style="list-style-type: none"> • Property Address: 	Talon Hill Apartments 1640 Peregrine Vista Heights El Paso County Colorado Springs, Colorado 80921
<ul style="list-style-type: none"> • Setting: 	Apartments surrounded by undeveloped land (south and west); single-family residences 300 feet or further from the Property (north and east)
<ul style="list-style-type: none"> • Total Acreage: 	15.72 +/- acres
<ul style="list-style-type: none"> • Property Improvements: 	<ul style="list-style-type: none"> • 14 two-story & three-story apartment buildings • 276 apartment units • One single-story leasing office/clubhouse building • One maintenance shop with attach garage attached • One in-ground resort-style swimming pool • One fitness center (in the leasing office/clubhouse) • One business/resident center (in the leasing office/clubhouse) • Asphalt-paved parking surfaces (421 marked open spaces; 104 attached garage spaces; 30 carports and 36 detached garages) – 591 total spaces • Landscaped street frontage and grounds • Central mail kiosks
<ul style="list-style-type: none"> • Construction Date: 	Constructed in 2006



• Net Rentable Square Feet:	Approximately 259,612 square feet
• Zoning:	Zoned R1 – Residential Multi-family for Property; Zoned A3 – Semi-Commercial for Clubhouse

OBSERVATIONS

Overall, the Property is in excellent condition. The physical condition of the Property is conducive to an aggressive leasing program. Under normal maintenance conditions, the Property has an expected remaining useful life of 30 years or more.

RECOMMENDATIONS

Based upon the findings of this assessment, REA has no recommendations for immediate repairs.

The total inflated 12-Year Replacement Reserve for the Property is \$532,786 (see following page). The cost per unit over the term of the loan plus two years is \$1,930, or an average annual cost of \$161 per unit. The projections include maintenance of the exterior building envelope and exterior site improvements, and partial replacement of major appliances, floor finishes and HVAC equipment.

LIMITATIONS

No physical assessment can completely eliminate the uncertainty regarding the presence of defects in building components or in the operation of building systems. A physical assessment contains subjective opinions regarding issues such as workmanship, quality, remaining useful life and remedies. These opinions are formed under time and budget constraints without the aid of testing, exploratory probing, demolition, removal of components, engineering calculations or design. The physical assessment is intended to provide only a general physical evaluation with budgetary estimates and is not intended to be a complete structural analysis or to be used as a maintenance schedule, life safety review or code compliance audit.

The physical assessment was performed in support of an application for a mortgage and is intended to provide information concerning the suitability of the Property as security. REA's opinion is based on information provided by the client, representatives of the Property, third parties and governmental agencies and on a visual inspection that is not supported by intrusive testing or the operation of building systems.



REPLACEMENT RESERVE WORKSHEET



CERTIFICATIONS

- To the best of our knowledge and belief, the statements of fact contained herein, on which our observations, opinions, and conclusions were based, are true and correct.
- The information in this report is from sources deemed to be reliable; however, no representation or warranty is made as to the accuracy of information obtained from third parties.
- The reported observations and conclusions are limited only by the reported assumptions and limiting conditions described in this report and represent our unbiased and professional analysis, opinions, and conclusions.
- Real Estate Advisory, L.L.C. ("REA"), its officers, and its employees have no present or future interest in the Property. Our employment and compensation for preparing this report are not contingent upon our observations or conclusions.
- REA warrants that this report was prepared in a manner consistent with the level of care, skill, practice and judgment exercised by other professional consultants in performing services of a similar nature under similar circumstances in the same or similar locality.
- Column Guaranteed L.L.C., its employees, agents, successors and assigns may rely upon this report in evaluating a request for and extension of credit (the "Mortgage Loan") to be secured by the Property. This information may also be used by any actual or prospective purchaser, transferee, assignee, or servicer of the Mortgage Loan, any actual or prospective investor (including agent or advisor) in any securities evidencing a beneficial interest in or backed by the Mortgage Loan, any rating agency actually or prospectively rating any such securities, and indenture trustee, and any institutional provider(s) from time to time of any liquidity facility or credit support for such financing. In addition, this report or a reference to this report may be included or quoted in any offering circular, private placement memorandum, registration statement, or prospectus and REA agrees to cooperate in answering questions by any of the above parties in connection with a securitization or transaction involving the Mortgage Loan and/or such securities. This report has no other purpose and should not be relied upon by any other person or entity.
- REA's interim drafts, memoranda and reports may not be presented to any third parties by Client except in the form delivered. Any conclusions reported will not be used in any context other than that identified within the full report.
- The opinions in this report characterize the physical condition of the Property on date of the site inspection. To ensure continuing validity, this report must be updated with the passage of time.
- The Property was personally inspected by Kashif Bazal of Real Estate Advisory, L.L.C. To ensure quality, the report was reviewed by Kevin A. Mueller.

REAL ESTATE ADVISORY, L.L.C.

A handwritten signature in blue ink that reads 'Kashif Bazal'.

Kashif Bazal
Project Engineer

A handwritten signature in blue ink that reads 'K.A. Mueller'.

Kevin A. Mueller, P.E.
Vice President



1.0 GENERAL PROPERTY INFORMATION

1.1 BACKGROUND

On April 3, 2007, Kashif Bazal, Senior Project Engineer for Real Estate Advisory, L.L.C. ("REA"), performed a Property Condition Assessment of the Talon Hill Apartments.

REA conducted a visual inspection of the common grounds, buildings, driveways, parking lots and approximately ten-percent of the apartment units to determine the existing condition of the Property and buildings. A cost estimate for maintenance, repairs, replacements, or major maintenance items that are anticipated was also prepared as part of this assessment.

1.2 GENERAL PROPERTY DESCRIPTION

<ul style="list-style-type: none"> • Property Address: 	Talon Hill Apartments 1640 Peregrine Vista Heights El Paso County Colorado Springs, Colorado 80921
<ul style="list-style-type: none"> • Setting: 	Apartments surrounded by undeveloped land (south and west); single-family residences 300 feet or further from the Property (north and east)
<ul style="list-style-type: none"> • Total Acreage: 	15.72 +/- acres
<ul style="list-style-type: none"> • Property Improvements: 	<ul style="list-style-type: none"> • 14 two-story & three-story apartment buildings • 276 apartment units • One single-story leasing office/clubhouse building • One maintenance shop with attach garage attached • One in-ground resort-style swimming pool • One fitness center (in the leasing office/clubhouse) • One business/resident center (in the leasing office/clubhouse) • Asphalt-paved parking surfaces (421 marked open spaces; 104 attached garage spaces; 30 carpools and 36 detached garages) – 591 total spaces • Landscaped street frontage and grounds • Central mail kiosks •
<ul style="list-style-type: none"> • Construction Date: 	Constructed in 2006
<ul style="list-style-type: none"> • Net Rentable Square Feet: 	Approximately 259,612 square feet (excluding garages)

<ul style="list-style-type: none">• Zoning:	Zoned R1 – Residential Multi-family for Property; Zoned A3 – Semi-Commercial for Clubhouse
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A most current undated aerial photograph of the Property, obtained from the internet, is shown below. However, new single-family development was observed east from the Property. The Property location is designated with an arrow.





Unit Mix:

Floor Plan	Square Feet per Unit	Number of Units	Total Square Footage
1/1	688	72	49,536
1/1 large	791	72	56,952
2/2 garage	1055	20	21,110
2/2	1066	24	25,584
2/2 medium	1134	8	9,072
2/2 large	1186	24	28,464
2/2 large garage	1221	32	39,072
3/2 garage	1184	16	18,944
3/2 large garage	1361	8	10,888
	Total	276	259,612

Neighboring Properties:

- **North:** Ramtron Road followed by single-family residences
- **East:** Voyager Parkway followed by new single-family development
- **South:** Wooded, undeveloped land
- **West:** Wooded, undeveloped land with a detention pond at northwest

1.3 AREA TOPOGRAPHY

REA reviewed the Monument, Colorado quadrangle topographic map published by the U. S. Geological Survey (dated 1986). Based on a review of the map, the Property is located in an area of gently sloping to hilly topography. The Property is in an area of relatively flat topography at an elevation of approximately +6780 to +6800 feet National Geodetic Vertical Datum ("NGVD"). Most of the Property has a change in elevation sloping downward generally from the west to the southwest. A portion of the west-northwest side of the Property slopes downward generally to the west to the detention pond.



The Property has a detention pond located northwest of the Property. It was dry at the time of the on-site assessment and is designed not to hold water for extended periods of time. The detention ponds receive surface water runoff from the Property and possibly from the westerly abutting undeveloped land.



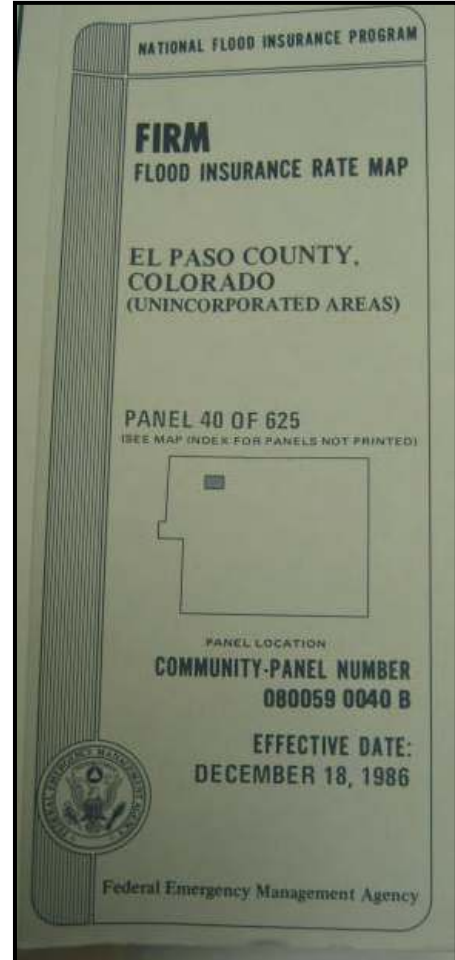
Surface water on the Property drains overland mostly to curb inlets and drop inlets located throughout the paved areas or to drop inlets located in the lawn areas. Some water drains overland by concrete flumes directly to one of the two on-site ponds, and some surface water percolates into the on-site soils.



None of the developed areas on the Property appeared to be designated as wetlands based on a visual inspection.

No negative information concerning subsurface geological conditions was located. Though a significant amount of grading occurred on the Property, no fill soils are believed to have been imported from off-site.





REA reviewed a National Flood Insurance Program (NFIP) Flood Insurance Rate Map (FIRM) for El Paso County, Colorado and Unincorporated Areas (Community 080059, Panel 0040B, dated December 18, 1986). According to the FIRM, the Property is located in Zone X, areas outside the 500-year flood plain. Management reported no knowledge of poor drainage or flooding issues at the Property.

1.4 UTILITIES

The Property receives its electricity, gas, water, sanitary, and solid waste services from the following sources:

- **Electricity:** City of Colorado Springs
- **Natural Gas:** City of Colorado Springs
- **Domestic Water:** City of Colorado Springs
- **Sewer:** City of Colorado Springs
- **Solid Waste:** Waste Management

1.5 MAPS

The following figures and attachments have been provided to support the conclusions drawn concerning the environmental status of the Property.

Figure I Property Location Map

Figure II Topographic Map

Figure III Property Map

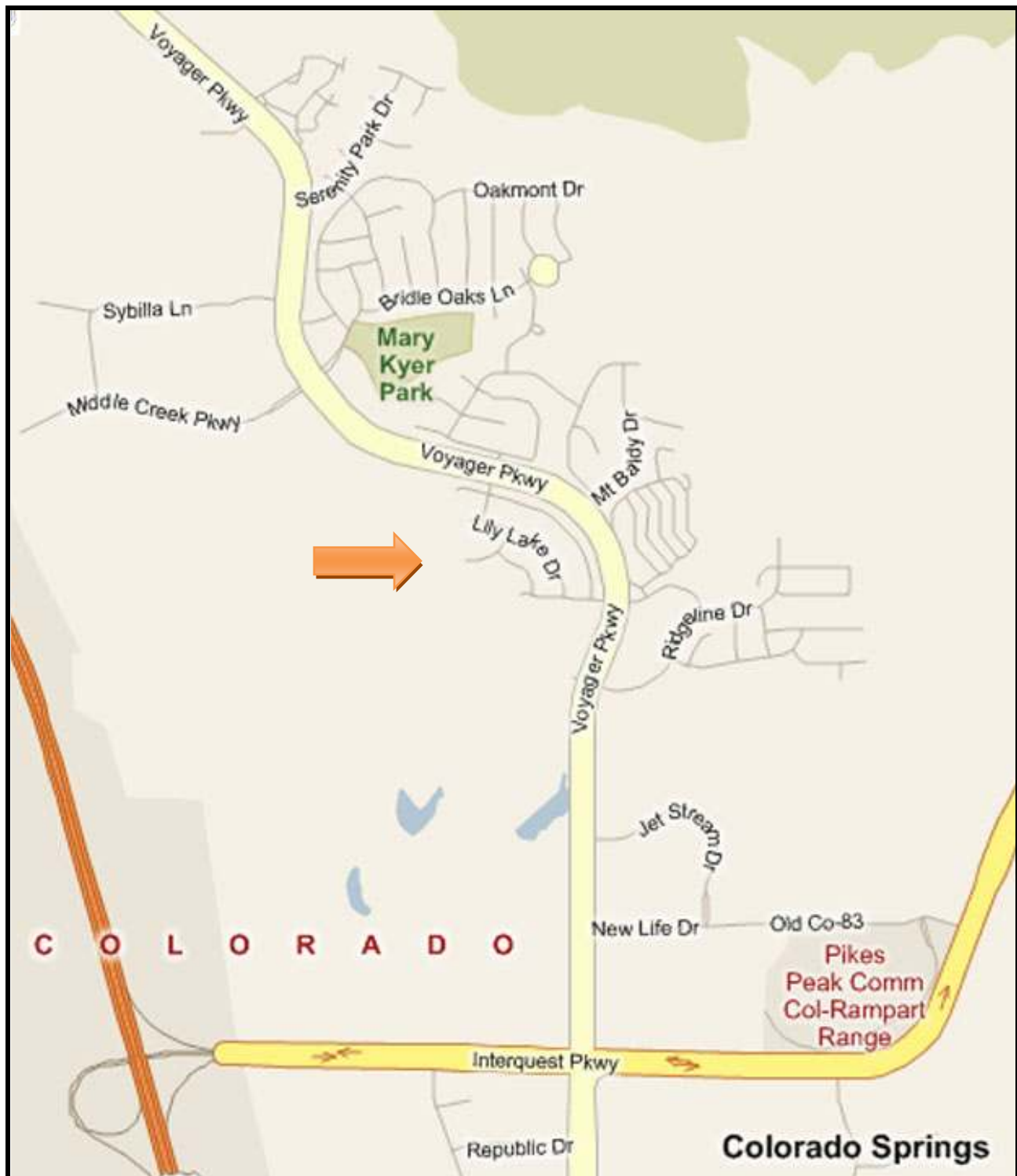


FIGURE I – PROPERTY LOCATION MAP

**Talon Hill Apartments
 1640 Peregrine Vista Heights
 Colorado Springs, Colorado 80921
 Project Number 075562**



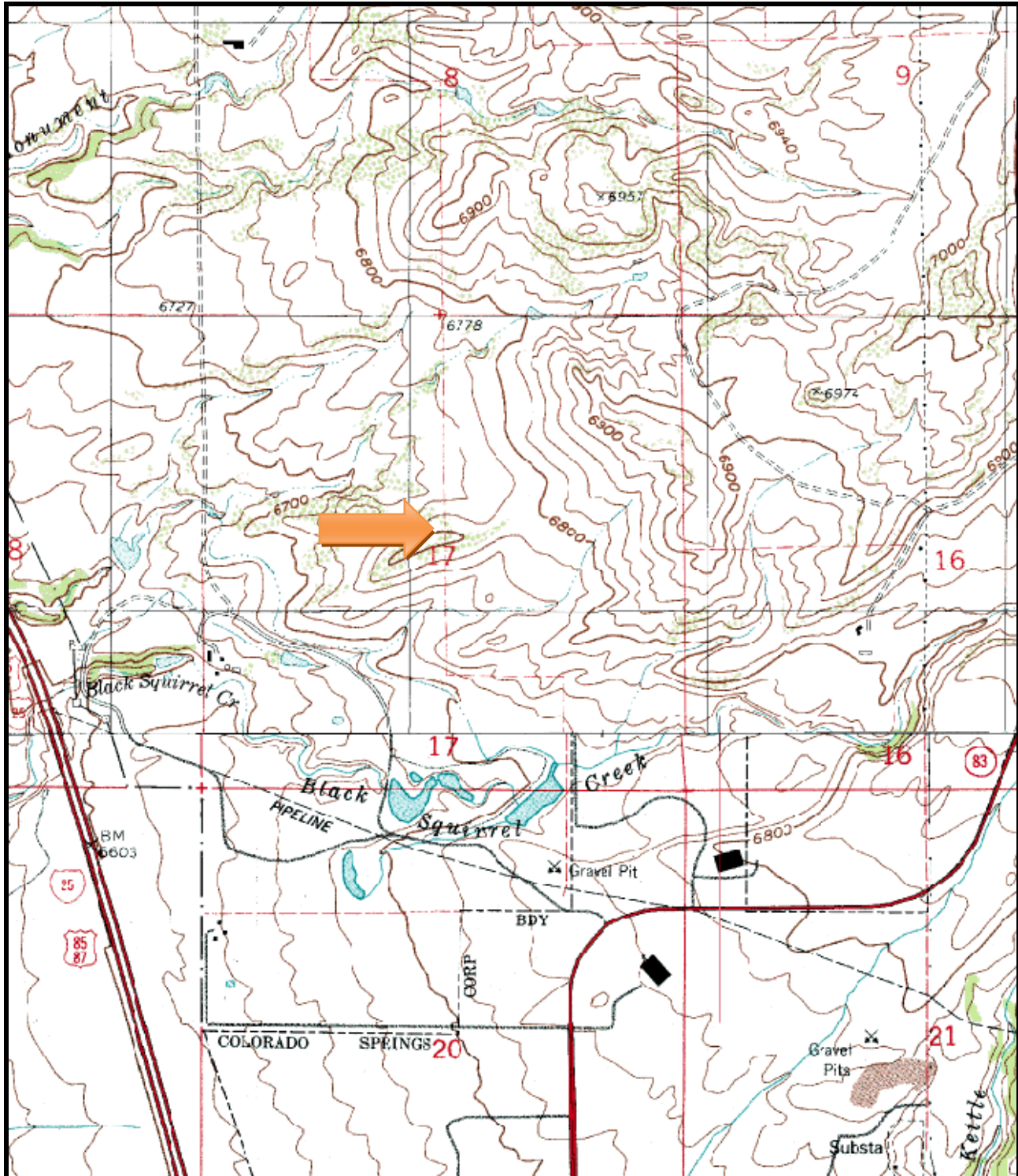


FIGURE II – TOPOGRAPHIC MAP

**Talon Hill Apartments
 1640 Peregrine Vista Heights, Colorado Springs, Colorado 80921
 Project Number 075562
 Monument, CO Quadrangle dated 1986**





FIGURE III – PROPERTY MAP

**Talon Hill Apartments
1640 Peregrine Vista Heights
Colorado Springs, Colorado 80921
Project Number 075562**





2.0 BUILDING OVERVIEW

REA interviewed various representatives of the City of Colorado Springs Building, Fire, and Planning & Zoning Departments. Representatives reported no current violations on file for the Property. Copies of the Certificates of Occupancy issued by Pikes Peak Regional Building Department were provided. Zoning Designations were noted for the apartment buildings and clubhouse on each certificate. The Property appears to be in general conformance with these zoning designations.

2.1 STRUCTURAL

Foundations:

REA noted no significant deficiencies with respect to foundations at the Property, and no significant expenditures are anticipated during the term regarding foundations.

REA was provided with a Geotechnical Engineering Report prepared by Terracon and dated December 12, 2001. Expansive clay soils were encountered during this geotechnical study. As a result, post-tensioned slab foundation systems were recommended for the Property buildings. Foundation systems for the apartment buildings at the Property consist of concrete slabs at grade with turned down slabs, continuous spread footings and thickened slabs at perimeters and load bearing walls. Post-tensioned foundation slabs were reported to have been used by Mr. John Cayton of Embrey Partners. Slab edges were generally not exposed and therefore the post-tensioning could not be visually verified. However, foundation drawings were provided and specified the use of post-tensioned foundation slabs as recommended in the geotechnical report.

Property management personnel reported no significant foundation concerns. In addition, REA did not observe evidence of significant foundation movement, such as significant perimeter foundation cracking, cracked brick veneer or misaligned windows or doors. Based on the scope of work performed, REA is of the opinion that foundations throughout the Property appear to be properly designed for the soil conditions and respective structures.

Framing:

REA noted no deficiencies with respect to structural systems at the Property, and no significant expenditures are anticipated during the term. No indications of current termite infestations were noted during the assessment. Mr. Rocky Sundling, Property Regional Manager, reported that the buildings are covered by a termite treatment contract with Terminex. The contract includes annual inspections and treatments as needed.



On all buildings, framing above the foundations is trusses on center with gypcrete wood decking. Exterior walls typically consist of stucco with faux stone accents and limited Hard-plank siding over 2x4 wood studs at various spacing (typical exterior shown at top picture).

Roof framing consists of prefabricated wood trusses covered by 15/32" sub-roof plywood decking and 30-year asphalt shingles. The clubhouse building features a concrete tile roof. Based on a visual inspection of the buildings, it does not appear that fire-retardant treated plywood was used for roof sheathing at the Property.

Floor framing for upper floors reportedly consists of wood truss systems with gypcrete over wood decking. At-grade floors consist of concrete slab-on-grade.



2.2 ELEVATORS, STAIRWAYS, LANDINGS and BALCONIES

REA did not observe significant damage or deficiencies associated with stairways, landings, balconies or patios. The Property does not contain elevators. During the term considered, REA does not anticipate significant capital expenditures regarding these components.



All of the Property apartments are garden apartments (i.e., flats). The apartments are accessed from common breezeways. The breezeways have concrete slab-on-grade first floors and wood framed upper-floor landings with concrete slab floors. Stairways consist of steel framing with pre-cast, bolted-on concrete treads; stairway railings consist of painted metal (typical breezeway shown at top). The breezeway/ landing walls and ceilings are finished with cementitious siding. The breezeways are lighted by ceiling-mounted, photocell-activated lights and battery-pack emergency lights. The breezeway and landing components were noted to be in good condition. The components are covered by building roofs so that they are not directly exposed to rain. In addition, the breezeway stairs feature a 3-foot metal walk-in prevention railing for a handicapped individual.

REA did not observe significant damage or deficiencies pertaining to stairways or landings. All apartments feature first floor individual entrances. Second floor apartments with access to garage feature individual wooden stair cases with carpeted treads and risers.

Each apartment has a patio or a balcony. At-grade patios consist of concrete slabs on grade. Balcony construction consists of wood framing and lightweight concrete at upper levels. Patio and balcony walls are mostly finished with cementitious siding. Patios and balcony railings consist of metal railings. Painted gypsum soffits are present beneath roof overhangs, upper level entrance patios, and balconies. The patios and balconies are accessed from the apartments by swinging metal and double-pane glass doors set in wood frames. The soffits were observed to be in good condition. REA anticipates normal painting of exterior components over the term. Costs have been included in the Reserve Table.



2.3 INSULATION

REA noted no significant deficiencies regarding insulation, and no significant capital expenditures are anticipated during the term regarding insulation.

Property management personnel reported that batt insulation is present between the studs of exterior walls. Blown-in insulation was observed in the attic spaces.

2.4 ROOFING

Because the roofs are approximately one year old and were observed to be in very good condition, no significant expenditures are anticipated for roof replacement during the term considered. In addition, the Property management personnel did not report concerns with the roofing.



The buildings have wood framed, sloped roofs. Roofing consists of high definition composition roof shingles supported by wood trusses and 15/32" sub-roof plywood decking and asphalt shingles. The roof shingles are rated for 30 years. The clubhouse building features a concrete tile roof. The attic spaces are ventilated by continuous ridge vents, intermittently spaced off-ridge vents, perforated vinyl soffits and louvered gable vents. Attic ventilation appeared to be good. Aluminum gutter and downspout systems are present at horizontal roof lines. The gutters direct stormwater to downspouts, which in turn mostly discharge to splash blocks at grade or to asphalt paving. Property personnel reported no current or persistent roof leakage problems. No evidence of fire retardant roof sheathing was observed or reported at the Property.



2.5 BUILDING EXTERIOR

REA noted no deficiencies regarding building exterior finishes. During the term considered, REA anticipates periodic painting of some exterior components (e.g. metal railings and doors). Costs for exterior painting are accounted for in the Replacement Reserve Worksheet.

REA noted no indications of water infiltration that might lead to mold problems. In addition, Mr. Rocky Sundling, Property Regional Manager, reported no mold related issues or problems.

The apartment buildings have the following exterior components:

Doors:	Main entry doors: insulated metal doors set in wood frames; they have single-cylinder dead bolt locks, unlockable passage sets, privacy dead bolt locks, peep holes and door knockers Patio/balcony doors: swinging metal and double-pane glass doors set in wood frames; they have unlockable passage sets, single-cylinder deadbolt locks and privacy dead bolts
Windows:	Double-pane glass in anodized aluminum frames
Facade:	Stucco with faux stone accents and limited Hardi-plank siding.
Fascia and Soffits:	Fascia: vinyl or anodized aluminum Soffit: vinyl
Roofing:	Wood framed, sloped roofs with asphalt composition shingles
Skylights:	Not applicable

2.6 INTERIOR BUILDING FINISHES

Interior finishes were noted to be in good condition (typical apartment kitchen shown at below).



Property management personnel reported there are 26 apartments which offer upgraded granite counter tops, stainless steel appliances, and upgraded ceiling fans.



During the term considered, REA anticipates appliance and floor finish (i.e. carpet and vinyl) replacement. Costs for appliance and floor finish replacement are included in the Replacement Reserve Worksheet.

Mold:

REA noted no indications of mold problems. In addition, Ms. Melissa Severson, Property Manager, and Mr. Brad Gregory, Maintenance Manager, reported no known mold related issues or problems.



Living areas at the Property have the following components:

- Framing:** Metal and wood studs
- Ceilings:** Spray-applied plaster on gypsum board
- Walls:** Painted gypsum board
- Flooring:** Carpet with ceramic tile entry foyers
- Fire Place:** Gas operated (located on second and third floors only)
- Interior Doors:** Mostly hollow wood, swinging doors in wood frames; some louvered wood doors at mechanical closets
- Wet Bar:** Not applicable
- Window Treatments:** Vinyl blinds



Kitchens at the Property were noted to be in very good condition and have the following components:



- | | |
|----------------------|---|
| Appliances: | Refrigerator/freezer (with icemaker) (GE)
Dishwasher (GE)
Electric oven and range (GE)
Microwave (GE)
Garbage disposal
Double-bowl stainless steel sinks |
| Cabinetry: | Euro-design cabinets |
| Counter Tops: | Laminated and select granite counter top (upgraded apts.) |
| Ceilings: | Spray-applied plaster on gypsum board |
| Walls: | Painted gypsum board |
| Flooring: | Sheet vinyl |

Each apartment has connections for a full size clothes washer and dryer.

Bathrooms at the Property were noted to be in good condition and contain the following components.



- | | |
|----------------------|---|
| Fixtures: | Fiberglass/polymer garden tub units with ceramic tile wall surrounds or fiberglass/polymer shower/tub units
Porcelain enameled metal sinks
Vitreous china toilets |
| Cabinetry: | Laminated particle board |
| Counter Tops: | Laminated |
| Ceilings: | Spray-applied plaster on gypsum board |
| Walls: | Painted gypsum board |
| Shower Walls: | Ceramic tile at garden tubs; fiberglass or polymer at standard shower/tub units |
| Flooring: | Sheet vinyl |

2.7 HEATING, VENTILATION AND AIR CONDITIONING

HVAC equipment was noted to be in good condition with no significant tenant complaints reported by Property management. REA anticipates some capital expenditures during the term for HVAC equipment replacement and costs are accounted for in the Replacement Reserve Worksheet.



Heating and cooling is provided to each individual apartment by a thermostatically controlled, electric heat pump system (typical aquatherm heating system in the ceiling at bathrooms and water heater shown at right). Condensing units are located on pads outside the buildings. The cooling capacities are rated at approximately 1.5 to 2.5 tons.



2.8 DOMESTIC HOT WATER

No deficiencies or concerns were noted with the electric water heaters at the Property. Costs associated with routine water heater replacement are anticipated during the term of the loan and are accounted for in the Replacement Reserve Worksheet.

Each apartment is served by a 30-gallon water heater for one and two bedroom apartments and 75-gallon water heater for three bedroom apartments.

2.9 PLUMBING

No deficiencies were noted regarding plumbing. REA does not anticipate major expenditures for plumbing during the term.

Water supply piping and drain piping to the tenant spaces is located in the walls and floors of each building. Water supply piping was observed to be CPVC. Drain piping is PVC. No polybutylene water piping was observed. In addition Property management reported there is no polybutylene water supply piping at the Property.





2.10 ELECTRICAL

No deficiencies were noted regarding electrical service at the Property, and REA does not anticipate significant capital expenditures during the term regarding the electrical service.

Electrical service enters the Property through underground power lines and pad-mounted electrical transformers. Pad-mounted transformers are located throughout the Property. Cutler-Hammer brand main power switches are located on each end of the buildings. They are single-phase, three-wire, 120/240 VAC switches rated at 800 amps or 600 amps. Individual tenant meters and main breakers are located on the building exteriors adjacent to the main switches; circuit breaker panels are located within the respective units. Main breakers are rated at 100 amperes per apartment.

Wiring to the outlets and switches within the apartments was observed and reported to be copper.

Ground-fault interrupter ("GFI") electrical outlets, designed to mitigate the potential for electric shock in wet areas, were observed in kitchens and bathrooms of the apartments.

2.11 FIRE AND LIFE SAFETY

REA noted no deficiencies regarding fire or life safety systems at the Property. No significant capital expenditures are anticipated during the term regarding fire or life safety systems.

The Property has the following fire and life safety systems:

- | | |
|-----------------------------------|--|
| Smoke Detectors: | Hard wired with battery back-up in each unit |
| Fire Extinguishers: | Provided in every apartment kitchen cabinets underneath the sink |
| Central Fire Alarm System: | Audible and visible alarms in the breezeways to alert in case of sprinkler flow, sprinkler tamper or pull station activation; pull stations in breezeways; battery powered emergency lights located in each breezeway; alarm system monitored and maintained by Capital Alarms |
| Fire Hydrants: | Located on Property |

Sprinkler System:

Buildings are fully sprinklered with wet systems; fire sprinkler water is supplied by El Paso County; the system is powered by municipal water pressure (i.e. no pumps are present); fire hose connections are located at the building exteriors; flow and tamper alarms are located on the risers; fire sprinkler heads are Rasco brand heads and are not known to be subject to recall

Security System:

Intrusion alarms provided in each apartment; alarms monitored by Capital Alarms; tenants pay for alarm monitoring separately, but the alarms can be used as local alarms without monitoring



REA observed and Property management reported these systems to be in good working order. Property management reported that the building fire sprinkler systems remain under warranty from the system installer. REA observed fire extinguishers which had been inspected/serviced in August 2006.



3.0 PROPERTY IMPROVEMENTS OVERVIEW

3.1 PROPERTY DRAINAGE

No deficiencies were noted regarding Property drainage. Property management personnel reported no flooding of apartments. REA does not anticipate significant capital expenditures during the term regarding Property drainage.

Surface water on the Property drains overland mostly to curb inlets and drop inlets located throughout the paved areas or to drop inlets located in the lawn areas. Some water drains overland by concrete flumes directly to on-site ponds, and some surface water percolates into the on-site soils.

3.2 RETAINING WALLS

No significant deficiencies were noted regarding retaining walls. REA does not anticipate capital expenditures during the term considered regarding retaining walls.



Retaining walls at the Property are limited to the leasing office/clubhouse area and Buildings 1, 3, 5 and 6. Most of the natural stone retaining walls have painted metal fences atop them to serve as fall barriers. The walls were observed to be in good condition.



3.3 DRIVEWAYS, PARKING LOTS AND SIDEWALKS

REA noted no deficiencies regarding driveways, parking lots or sidewalks (typical asphalt paving and curbing shown at right). During the term considered, REA anticipates periodic sealing and striping of the asphalt. No other significant capital expenditures are anticipated during the term. Costs for sealing and striping are accounted for in the Replacement Reserve Worksheet.



The Property is accessible by automobile via two driveways. Both driveways have access to the Property by Ramtron Drive from the south. The Property has approximately 421 open parking spaces with 30 carports and 36 detached garage spaces. The Property also features 104 garage spaces attached to the buildings. All of the garage spaces are located on the bottom floors of the apartment buildings and are attached to specific apartments.

The parking lots and driveways of the Property consist of asphalt installed over a stabilized base. REA observed the asphalt surfaces and painted striping associated with parking stalls and other markings to be in good condition.

Sidewalks and curbs, which consist of poured-in-place concrete, are located throughout the Property and were noted to be in very good condition.



3.4 FENCING

REA noted no significant deficiencies regarding fencing, and REA does not anticipate significant capital expenditures during the term regarding fencing.

The Property has the following fencing:

- Approximately 5-foot tall painted metal grate fencing with metal posts surrounds the swimming pool.
- Approximately 4-foot tall painted metal grate fencing on metal posts is located atop most retaining walls to prevent falls.
- A 5-foot tall wooden fence around the lift station and solid waste areas.
- A 2-foot tall wooden fence by the main entrance through Ramtron Drive.



The Property does not have perimeter fencing.

3.5 EXTERIOR LIGHTING

REA noted no deficiencies with respect to lighting at the Property. No significant capital expenditures are anticipated during the term regarding exterior lighting.

Exterior pole-mounted high intensity lighting was observed throughout the complex and was noted to be in good condition. Light fixtures are located atop the metal posts that surround the swimming pool. Ceiling-mounted incandescent or fluorescent lights are located in the building breezeways. Exterior lighting is operated by photo-cell sensors. The lighting appeared to be adequate, although the lights were not observed at night.

3.6 LANDSCAPING

REA observed no significant deficiencies regarding landscaping. No significant capital expenditures are anticipated during the term considered regarding landscaping.

The Property is landscaped with grassed lawn, shrubs and small and large trees throughout. Timberlion, a private vendor, maintains the landscaping at the Property. The Property have an in-ground landscape irrigation system which also features a photo-cell sensor which shuts-off detecting moisture and rain.



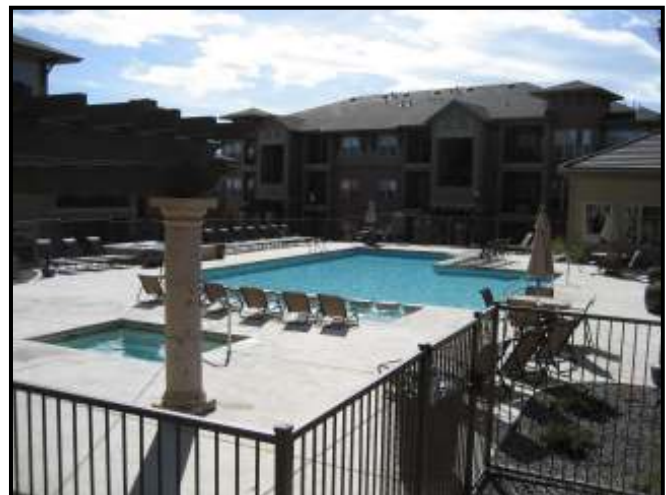
3.7 RECREATIONAL FACILITIES

No significant deficiencies were observed regarding recreational facilities. During the term considered, REA anticipates some capital expenditures regarding swimming pool reconditioning and pool equipment replacement. Costs for these items are accounted for in the Replacement Reserve Worksheet.

The Property has the following recreational facilities:



- One in-ground resort-style swimming pool and spa, with a gunite type interior and a ceramic tile transition to brick/terra cotta coping. The pool has a concrete deck and is surrounded by approximately 5-foot tall painted metal grate fencing. Pool equipment (i.e., chlorination, pumping and filtration equipment) is located in a Clubhouse building closet near the pool. The pool interior is accessible via two sets of steps with rails and one wall-mounted ladder. The pool and spa is maintained by in-house staff.



- One fitness center located in the leasing office/clubhouse. The fitness center is finished with a carpeted floor, vinyl covered gypsum board and mirrored walls and a painted gypsum board ceiling. The fitness center contains two treadmills, one elliptical machine, one stationary bike and six pieces of Quantum brand cable type weight machines.
- Central Mail kiosk buildings.
- Pets waste control system.



3.8 SITE AMENITIES

Site amenities were observed to be in very good condition; no deficiencies were noted. During the term considered, REA anticipates the replacement of common area laundry equipment. Costs have been accounted for in the Replacement Reserve Worksheet.

The Property has the following amenities:



- One single-story leasing office/clubhouse building that houses the management offices, fitness center, business center and public restrooms. The building is constructed of wood framing over a concrete slab-on-grade foundation and is finished on the exterior with vinyl siding and brick veneer. The building has a wood framed, sloped, concrete tile roof. The building interior is finished mostly with ceramic tile and carpeted floors and painted gypsum board walls and ceilings. Clubhouse also has a full size kitchen with granite counter tops and GE stainless steel appliances.



- One hundred and four attach garage spaces. All are located on the bottom floors of apartment buildings and are attached to specific apartments. Thirty-six detach garage spaces also are located throughout the property. Garage interiors are finished with painted gypsum board walls and ceilings. The garages are accessed by aluminum sectional overhead doors with electric garage door openers.



In addition, there are thirty carports with 421 marked open spaces located throughout the property.

- One maintenance shop building with attach garage and maintenance use washroom. It is constructed of wood framing on a concrete slab-on-grade foundation and has a sloped, shingled roof and a stucco veneer and cementitious sided exterior. It has two aluminum sectional overhead doors and a set of standard double doors for the shop. The carports have a vinyl ceiling, open sides on metal poles. In addition, maintenance shop uses one additional car garage in Building 6 to store winter cleaning supplies.



- One business center located in the leasing office/clubhouse. It contains one 42-inch and one 23-inch flat panel LCD HDTV, table hockey, pool table and various furnishings.



- Central Mail kiosk buildings. It consists of the same constructed material as the apartment Buildings.



3.9 SIGNAGE

No significant deficiencies were noted regarding Property signage. REA does not anticipate significant capital expenditures during the term regarding signage.

The Property is marked with an engraved composite pedestal sign mounted on a cultured stone base and set in a landscaped bed at the entrance from Ramtron Drive. Composite plaques with the building number and range of apartments served are located at the breezeways. Plastic plaques are located at each entry door.





4.0 AMERICANS WITH DISABILITIES ACT SCREEN

The Americans with Disabilities Act/Fair Housing Amendments Act Limited Compliance Survey included a visual survey of the Property to assess whether it is accessible and usable by individuals with disabilities, in accordance with the "Americans with Disabilities Act (ADA) of 1990, Title III, Public Accommodations and Commercial Facilities" and The Fair Housing Act (FHAA). The final rules implementing Title III were published in the Federal Register on July 26, 1991 and required compliance by January 26, 1992. The provisions of Title III provide that persons with disabilities should have accommodations and access to public facilities which are equal to, or similar to, those available to the general public. Other provisions of the ADA Act are not included in this scope of work. The Fair Housing Amendments Act (FHAA) requires multi-family dwellings (four or more units in a building) built for first occupancy after March 13, 1991 shall be designed and constructed in accordance with its requirements. The Property was constructed in 2005/2006 and appears to be generally compliant with accessibility requirements.

In the event that a handicapped individual wishes to rent an apartment at the Property, property management cannot decline accommodations, and must provide the individual with barrier free accommodations to the extent that is "readily achievable."

4.1 Accessible Parking

Accessible parking spaces should be available as close to an accessible exterior route as possible. Standard accessible parking spaces should be a minimum of 96 inches wide and have an adjacent aisle with a clearance width of at least 60 inches. A minimum number standard of accessible parking spaces shall be made available as follows:

TOTAL PARKING SPACES	REQUIRED ACCESS
1-25	1
26-50	2

In addition to standard accessible parking, at least one in every eight standard accessible spaces is required to be van accessible. Van accessible spaces are also 96 inches wide, but require wider aisles (96 inches) and higher vertical clearances (98 inches versus 80 inches) than standard accessible spaces. All accessible parking spaces are to be designated as reserved by appropriate signage.



Less than 25 parking spaces are provided at the leasing office/clubhouse. Two spaces are properly designated with pole-mounted signs and pavement markings. In addition, designated handicapped parking spaces were noted throughout the Property.

4.2 Curb Ramps

Wherever an accessible route crosses a curb, a curb ramp is required. The maximum slope for the curb ramp is 1:12 and its minimum clear width should be 36 inches. The surface of the curb ramp should be firm, stable, and slip resistant.

REA noted appropriate curb ramps and/or cuts at the leasing office/clubhouse, the swimming pool, the mail facility and at the apartment buildings.

4.3 Accessible Exterior Routes

At least one accessible exterior route per public building to an accessible entrance is required. This route should coincide with the route intended for the general public. The minimum clear width of this route should be 36 inches. The slope of the accessible route should not exceed 1:20.

Accessible exterior routes were noted leading to the leasing office/clubhouse, swimming pool, mail facility and apartment building breezeways.

4.4 Building Entrances/Exits

Public entrances are defined as any entrances that are not loading or service entrances. The doors at the entrance should be automatic doors or doors that open freely without requiring any twisting or turning. The doors should have a clear opening width of at least 32 inches if the doors can open 90 degrees. If the doors cannot open 90 degrees the clear opening should be at least 36 inches. If there are double doors at the entrance, then at least one door should be active (unlocked) and have a clearance of 32 inches if it can open 90 degrees. At least 50 percent of public entrances should be accessible to persons with disabilities. If all entrances are not accessible, the accessible entrances should be identified by appropriate signage. Where feasible, accessible entrances shall be the entrances used by the majority of people visiting or working in the building.

Threshold steps must not have a vertical edge difference greater than 1/2 inch. Higher thresholds should be beveled or ramped. Door handles should not be located higher than 48 inches above the floor.

Buildings shall also have accessible means of egress in the same number as required for exits by local building regulations. Buildings over 1,500 square feet are required to have at least two exits and, therefore, two accessible exits. Detailed architectural drawings were not available for the Property.

The Property has one public building, the leasing office/clubhouse. Based on this cursory review, the leasing office/clubhouse is accessible from the exterior. In addition, most of the walk-in level apartments have accessible entrances.

4.5 Accessible Interiors

Persons with disabilities should have at least one interior accessible route to all accessible areas. The interior accessible route should be at least 36 inches wide or have passing lanes that are 60 inches wide at 200 foot intervals. The interior accessible route should not have any protruding objects. If carpets are used on the interior floors they shall be securely fastened and not have a pile longer than 1/2 inch.

The leasing office/clubhouse is configured to accommodate persons with disabilities. Walk-in level apartments appear to be accessible per Fair Housing Act requirements.



4.6 Elevators

The Property does not have elevators.

4.7 Restrooms

Restroom(s) which are accessible to individuals with disabilities should have a door with a minimum clearance of 32 inches. There should be a minimum of one stall which complies with the ADA requirements. Dimensional requirements for a 'standard' accessible stall include a minimum stall width of 60 inches, a minimum depth of 56 inches, and toe clearances of 9 inches on the front and one side partition. The toilet seat height should be between 17 and 19 inches above the floor. Flush controls should be a maximum of 44 inches above the floor. The toilet paper dispenser should be 19 inches above the floor and 36 inches from the rear wall. Grab bars should be 36 inches above the floor and a minimum of 40 inches in length along the side walls.

A clear space in front of the urinals should be 30 inches wide and a minimum of 48 inches deep. Urinals should be stall type or wall hung with an elongated rim at 17 inches above the floor. Flush controls should be a maximum of 44 inches above the floor.

The counter tops for the sinks should be a maximum of 34 inches above the floor. They should extend a minimum of 17 inches from the wall. The counter tops should have a minimum clearance of 29 inches from the floor to the bottom of the apron. There should be clear floor space at least 30" x 48" in front of the counter. The bottom edge of the mirror should be a maximum of 40 inches above the floor. The sinks should have one-handed controls (i.e. levers, push or electronic controls) and have a maximum depth of 6.5 inches.

Accessible restrooms are located at the leasing office/clubhouse and at the poolhouse. Washrooms in ground floor units appear to meet FHAA guidelines.



4.8 Pool Facilities

The swimming pool area is accessible from a parking lot near the leasing office/clubhouse. The pool has two sets of steps with rails and one wall-mounted ladder to allow access to the pool interior.

4.9 Other Requirements

Other areas covered by the American Disabilities Act, Title III include drinking fountains, automatic teller machines and public telephones.

No automatic teller machines were observed at the Property. The Property has an accessible emergency call box, accessible restrooms and an accessible drinking fountain at the pool area. Accessible drinking fountains and restrooms are also present in the leasing office/clubhouse building.





5.0 COST ESTIMATES

5.1 *Immediate Repairs*

Based upon the findings of our inspection, REA has no recommendations for immediate repairs.

5.2 *Costs Over Term*

The total inflated 12-Year Replacement Reserve for the Property is \$532,786 (see following page). The cost per unit over the term of the loan plus two years is \$1,930, or an average annual cost of \$161 per unit. The projections include maintenance of the exterior building envelope and exterior site improvements, and partial replacement of major appliances, floor finishes and HVAC equipment.



APPENDIX 1
Site Photographs



1. View of typical front elevation apartment building.



2. View of typical rear elevation apartment building.



3. View of typical front/side elevation apartment building.



4. View of typical front/side elevation apartment building.



5. View of Property.



6. View of typical front/side elevation apartment building.



7. View of typical kitchen area.



8. View of typical kitchen area.



9. View of typical kitchen area.



10. View of typical kitchen area.



11. View of typical bathroom area.



12. View of typical bathroom area.

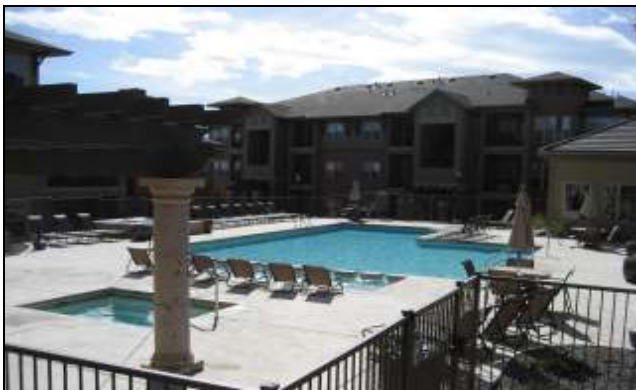




19. View of typical living room area.



20. View of typical fireplace.



21. View of typical pool area.



22. View of typical bedroom area.



23. View of typical water heater in the water heater closet.



24. View of typical breezeways.



APPENDIX 2

Freddie Mac Forms



APPENDIX 3

List of Apartments Inspected



Talon Hill Apartments
1640 Peregrine Vista Heights
Colorado Springs, Colorado 80921
LIST OF APARTMENT UNITS INSPECTED

Inspected by: Kashif Bazal

Inspected on: April 3rd, 2007

APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2-207 G	2/2	Occupied	Good
2-208	2/2	Vacant	Good
2-108	2/2	Occupied	Good
14-105	1/1	Vacant	Good
14-107	1/1	Occupied	Good
12-101	2/1	Occupied	Good
12-103	1/1	Vacant	Good
13-106 G	2/2	Occupied	Good
13-305 F	2/2	Occupied	Good
8-102 G	2/2	Occupied	Good
10-106 G	2/2	Occupied	Good
10- 303	2/2	Occupied	Good
5- 104	2/2	Model	Good
3- 101	1/1	Model	Good
1-102	3/2	Occupied	Good
7-102	3/2	Occupied	Good
6-106	1/1	Occupied	Good
4-106	2/2	Occupied	Good
2-105	2/2	Occupied	Good
2-104	2/2	Occupied	Good
1-304 F	2/2	Occupied	Good
1-306 F	2/2	Occupied	Good

G = Garage F = Fireplace



APPENDIX 4 ROSTER OF INTERVIEWS

Interviews were performed before, during and after the assessment of the Property. These interviews were performed to locate available information concerning the Property operations.

The following roster is a non-inclusive list of people interviewed. Only those interviews which provided relevant information are listed below.

Name	Organization
1. Mr. Rocky Sundling	Property Regional Manager, Talon Hill Apartments (303) 564-3526
2. Ms. Victoria R. Durham	Community Manager, Talon Hill Apartments (719) 487-7300
3. Mr. Alex Duran	Maintenance Manager, Talon Hill Apartments I (719) 487-7300



APPENDIX 5

INSPECTOR QUALIFICATIONS

NEALON D. SMITH, MSPH, JD
Principal

BS Colorado College
MSPH University of North Carolina-Chapel Hill
JD Boston University School of Law

Twenty-three years of experience in environmental law, real estate due diligence, indoor air quality, industrial hygiene, environmental consulting and remedial contracting. Recognized as an expert in asbestos management and the performance of portfolio due diligence assessments. Proficient in Phase I, Phase II, regulatory issues, NEPA assessments and regulatory compliance audits. Indoor air quality experience includes asbestos, mold, formaldehyde and lead

MICHAEL J. MCGINN
Principal

BS Northern Illinois University
MS Northern Illinois University

Twenty years of environmental, safety and construction experience. Estimating and project management experience in remedial construction and environmental clean-up totaling over \$50,000,000. Extensive remedial management experience on projects involving asbestos, USTs, groundwater and soil contaminated with PCBs, lead, solvents and hydrocarbons. Proficient in Phase I & II, project condition reports, physical needs assessments and cost-to-cure estimates.

KEVIN A. MUELLER, PE
Vice President

BS University of Illinois

Twenty-one years of experience in construction and environmental consulting. Civil construction experience includes concrete and steel structure assessment. Environmental experience includes Phase I and II assessments as well as surveys for asbestos, lead-based paint, PCBs, radon and drinking water quality. Proficient in due diligence assessments under Fannie Mae, Freddie Mac and Conduit formats.

JOSEPH B. DONALDSON, RA
Senior Architect

BA Texas Tech University

Registered Professional Architect with twelve years of experience. Design and construction management experience includes owner's representative, program management, and pre-construction design reviews. Facile with Fannie Mae, Freddie Mac and Conduit requirements. Proficient in pre-construction design review, physical needs, project condition and environmental assessments including asbestos, lead paint, mold, radon and drinking water quality sampling.



STEPHEN SHEPPARD
Senior Project Engineer

BS Bob Jones University

Sixteen years of experience in environmental chemistry, cost-to-cure estimating and remedial construction management. Proficient in property condition reports, physical needs analyses, environmental assessments and estimating construction and environmental remedial costs. Phase II experience includes regulatory compliance and risk assessments of dry cleaners and petroleum releases. Experienced in developing project time and cost-to-cure estimates for construction defects, immediate needs and remediation of soil and groundwater contamination.

KEVIN D. SIMMONS
Vice President

BS University of Florida

Nineteen years of experience in field chemistry, remedial contracting, hazardous waste management, environmental assessments and cost-to-cure estimating. Expertise in remedial cost estimating, remedial technology application, Phase I, Phase II, and RIFS investigations. Principal of REA Remedial Solutions, L.C., a federal and Florida certified MBE performing environmental remediation of impacted soils and groundwater.

JOSEPH SCECH
Project Engineer

BS Bowling Green State University

Sixteen years as an environmental chemist responsible for due diligence assessments, remedial investigations and remedial management. Extensive experience in groundwater assessments and remediation. Remedial experience includes soil vapor extraction, groundwater recovery and treatment, soil fixation, de-watering, waste stream profiling and disposal management.

GREGORY A. GIBBS
Senior Project Engineer

BS Southern College of Technology

Sixteen years of experience in architectural engineering, environmental consulting and construction assessment. Proficient at engineering and environmental due diligence including hazard evaluations of asbestos, lead-based paint, radon and mold. Experience includes surveys and sampling for PCBs, petroleum and dry cleaner impacts to subsurface soils and groundwater.

PATRICK J. LALLY
Project Engineer

BS Drake University

Fourteen years of experience in due diligence assessments and remedial performance. Experience includes physical and environmental assessments under Fannie Mae, Freddie Mac and Conduit protocols. Successfully managed a portfolio assessment of 316 buildings. Remedial experience includes UST removal, soil excavation, vapor extraction, fixation and dewatering.



BRAD W. KORTTE

BS Illinois State University

Project Engineer

Twelve years of experience in real estate due diligence, architectural design, specification development and CADD. Experienced in environmental and architectural evaluations. Proficient at environmental and physical needs assessments under Fannie Mae, Freddie Mac and Conduit protocols including sampling for asbestos, lead in water, lead-based paint, mold and radon.

JOHN J. ROMEIS

BS University of South Florida

Staff Scientist

Three years of experience in due diligence assessments and remedial performance. Experience includes physical and environmental assessments under Fannie Mae and Freddie Mac and Conduit protocols including sampling for asbestos, lead in water, lead-based paint, mold and radon. Remedial experience includes UST removal, asbestos abatement, landfill remediation, groundwater recovery and treatment and soil excavation.

THOMAS J. BOND

BA Loyola University of Chicago

Project Engineer

Eighteen years of experience in environmental assessments and hazardous material remediation. Experienced in environmental evaluations, construction and environmental clean-up totaling over \$20,000,000. Extensive remedial management experience on projects involving asbestos, low level radiation, groundwater and soil contaminated with PCBs, lead, solvents and hydrocarbons. Proficient in Phase I & II, project condition reports, physical needs assessments and cost-to-cure estimates.

KASHIF BAZAL

BS Northern Illinois University

Project Engineer

Experience includes physical and environmental assessments under Fannie Mae, Freddie Mac and Conduit protocols. Successfully managed portfolio assessments. Experience in architectural engineering, environmental consulting, project condition reports, physical needs assessments and cost-to-cure estimates. Extensive hands-on experience in remedial management of Phase I and II assessments involving air and water quality, low level radiation, groundwater and soil contamination. Also experienced in identifying contaminations due to petroleum impact, asbestos, lead-based paint, PCBs, underground storage tanks (UST's) and Radon.