



**Three Woodfield Lake Office Building
900 National Parkway
Schaumburg, IL 60173**

PROPERTY CONDITION ASSESSMENT



FINAL REPORT

**REAL ESTATE ADVISORY
PROJECT # 065154**

Prepared for:

**40/86 Mortgage Capital, Inc.
and any subsequent holder of the 40/86 Note
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**Three Woodfield Lake Office Building
900 National Parkway
Schaumburg, IL 60173**

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**Three Woodfield Lake Office Building
900 National Parkway
Schaumburg, IL 60173**

“AT A GLANCE” SUMMARY OF FINDINGS”

ISSUE	CONDITION	PAGE NO.	COMMENTS
BUILDING OVERVIEW			
STRUCTURAL	GOOD	8	Concrete and steel framing with concrete block masonry unit systems. No instances of significant foundation movement or settlement were reported or observed.
ELEVATORS, STAIRWAYS, LANDINGS AND BALCONIES	GOOD	8	Two traction passenger elevators, one hydraulic service elevator, two interior steel stairways. No issues were noted. Maintenance costs anticipated over term.
INSULATION	GOOD	9	No insulation concerns noted. Limited insulation as building is granite, over concrete and steel construction.
ROOFING	GOOD	10	Reportedly 10 years old. Warranty ends on 9/26/07. Flat roof with rubber membrane and stone ballast, parapet walls with granite coping. No leaks or concerns. Internal roof drains. Based on the age roof replacement anticipated near end of term.
BUILDING EXTERIOR	GOOD	10	Granite panels with glass curtain wall exterior systems. REA anticipates caulking over the term.
MOLD	GOOD	11	No current concerns noted or reported.
INTERIOR BUILDING FINISHES	GOOD	11	Interior walls are generally finished by painted gypsum board. Ceilings feature typical acoustical drop ceiling tiles and painted drywall, flooring is carpeted with marble at elevator lobbies. No concerns noted. Interior finishes, with exception of hallways, are maintained by tenants. No significant interior finish replacement costs anticipated.



Three Woodfield Lake Office Building

“AT A GLANCE” SUMMARY OF FINDINGS” (continued)

ISSUE	CONDITION	PAGE NO.	COMMENTS
HEATING, VENTILATION AND AIR-CONDITIONING	GOOD	12	<p>Cooling provided via two 125 -ton “Carrier” compressors and two “Evapco” cooling towers on roof. Heat provided via perimeter reheat with interior VAV boxes.</p> <p>HVAC equipment is original; however, it was also reported and noted to be well maintained. Based on age and good condition of the equipment, REA anticipates continued maintenance costs over the term of the loan. Replacement is not anticipated in the term.</p>
DOMESTIC HOT WATER	GOOD	13	<p>Hot water is provided by one electric A.O. Smith 119-gallon water heater. Replacement is anticipated near end of term.</p>
PLUMBING	GOOD	13	<p>Copper supply piping was observed. Waste piping was noted to be PVC or cast iron. No significant issues were noted or reported to REA.</p>
ELECTRICAL	GOOD	13	<p>Main service disconnects consist of two 2,000 amps, 480/277 volts, (3 phase); Tenant panels consist of 100-225 amps with 208/120Y volt (3 phase). Property features copper wiring. Electrical equipment is original and in good condition. No concerns noted or reported. One diesel powered 22 kw emergency generator. No concerns noted.</p>
FIRE AND LIFE SAFETY	GOOD	14	<p>100% sprinklered. Property Management reported that the Property has been inspected for recalled sprinkler heads. No replacement of heads were required.</p> <p>Fire extinguishers and heat/smoke detectors were noted throughout the Property.</p> <p>Exit signage, emergency lights, pull switches and fire alarm control panels were also noted.</p>



Three Woodfield Lake Office Building

“AT A GLANCE” SUMMARY OF FINDINGS” (continued)

ISSUE	CONDITION	PAGE NO.	COMMENTS
IMPROVEMENTS OVERVIEW			
PROPERTY DRAINAGE	GOOD	16	No concerns noted or reported. Drop inlets are located throughout the Property parking and landscaped areas. Drop inlets drain to the retention pond at northeast end of Property.
RETAINING WALLS	GOOD	16	No concerns noted.
DRIVEWAYS, PARKING LOTS AND SIDEWALKS	GOOD	16	Building features asphalt drives and parking. Sealed and striped in 2006. Noted to be in excellent condition. Concrete curbs and walking surfaces with concrete ADA curb ramps were also noted throughout the Property. REA anticipates routine sealing and striping over the term. One loading dock with concrete drive and hydraulically operated lift. Minor immediate repairs for concrete sidewalk on south side of building.
FENCING	NA	17	
EXTERIOR LIGHTING	GOOD	17	Pole- and building-mounted fixtures. No issues were noted.
LANDSCAPING	GOOD	17	Mature turf, trees, shrubs and vegetation throughout the Property. Automated sprinkler system. No significant concerns were noted.
SITE AMENITIES	NA	18	
SIGNAGE	GOOD	18	The Property is marked with monument sign along National Parkway and a granite monument sign in front of building. Tenant doors throughout building identify spaces. No concerns were noted.



Three Woodfield Lake Office Building

“AT A GLANCE” SUMMARY OF FINDINGS” (continued)

ISSUE	CONDITION	PAGE NO.	COMMENTS
ADA SCREEN	GOOD	19	Property was noted to be compliant with ADA standards. Curb ramps are provided in parking area. Posted ADA parking signs are located at south side of building. Elevators and common area restrooms are compliant.

EXECUTIVE SUMMARY

On July 20, 2006, Mr. Patrick J. Lally and Mr. Kashif Bazal of Real Estate Advisory, LLC ("REA"), performed a Property Condition Assessment of Three Woodfield Lake Office Building, located at 900 National Parkway, Schaumburg, IL 60173 (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 term. The assessment identifies the current condition of the Property, immediate repairs needed and maintenance items that should be accounted for in the Physical Needs Replacement Reserve Worksheet.

GENERAL PROPERTY DESCRIPTION

- **Property Address:** Three Woodfield Lake Office Building
900 National Parkway
Cook County
Schaumburg, Illinois 60173
- **Setting:** Office, Hotels
- **Aerial Photograph:
(2005)**





- **Property Improvements:**
 - One, 4-story multi-tenant office building
 - Asphalt-paved parking surfaces (355 Spaces)
 - Landscaped building and street frontages
- **Construction Date:** 1985
- **Property Size:** 3.48 Acres
- **Gross Square Feet:** 100,287 SF
- **Net Rentable Square Feet:** 86,591 SF
- **Zoning:** B3 – Planned Office Business District. According to Ms. Dianne Piera with the Village of Schaumburg Zoning Department, the Property is reportedly a legal, conforming use.

OBSERVATIONS

Overall, the Property is in very good condition. Property management maintains an aggressive maintenance program. REA believes that, under normal maintenance conditions, the Property has an expected remaining useful life of 35 years or more.

Property management reported the following recent capital improvements:

- Parking areas were sealed and striped in 2006 (approx. \$13,000)
- All common area carpets and wall finishes were replaced in 2005 (approx. \$55,000)
- Fire panel replacement in 2002 (approx. \$65,000)

RECOMMENDATIONS

Based upon the findings of our inspection, REA has the following recommendations for immediate repairs at the Property:

IMMEDIATE REPAIR NEEDS

Item	Description	Cost
1.	Replace 3 sections of heaving concrete sidewalk on the north side of building – trip hazard	\$ 1,000
	TOTAL:	\$1,000



The total inflated 12-Year Physical Needs Projection for the Property is \$419,799 (see following page). The inflated cost per square foot over the term is \$4.19, or an average annual inflated cost of \$0.35 per square foot. The projections include maintenance of the exterior building envelope and exterior site improvements, interior common area replacements and maintenance to mechanical 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.

On the day of the inspection the weather was stormy with heavy rains and the temperature was approximately 85 degrees.



PHYSICAL NEEDS PROJECTION TABLE



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; 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.
- REA, its officers, and its employees have no present or future interest in the Property. REA's 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.
- This report is intended for the sole use of 40/86 Mortgage Capital, Inc., and any subsequent holder of the 40/86 Note. The contents should not be relied upon by any other parties without the express written consent of REA.
- REA's interim drafts, memoranda and reports may not be presented to any third parties 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 status 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. To ensure quality, the report was reviewed by Kevin A. Mueller, P.E.

REAL ESTATE ADVISORY, L.L.C.

Kashif Bazal
Project Engineer

Kevin A. Mueller, P.E.
Vice President

1.0 GENERAL PROPERTY INFORMATION

1.1 BACKGROUND

On July 20, 2006, Mr. Patrick J. Lally and Mr. Kashif Bazal of Real Estate Advisory, LLC ("REA"), performed a Property Condition Assessment of Three Woodfield Lake Office Building located at 900 National Parkway, Schaumburg, IL 60173 (the "Property").

REA conducted a visual inspection of the building, roof, electrical and mechanical areas, common areas, and various tenant suites to determine the existing condition of the Property and building. 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

- **Property Address:** Three Woodfield Lake Office Building
900 National Parkway
Cook County
Schaumburg, Illinois 60173
- **Setting:** Office, Hotels
- **Aerial Photograph:** (2005)





- **Property Improvements:**
 - One, 4-story multi-tenant office building
 - Asphalt-paved parking surfaces (355 Spaces)
 - Landscaped building and street frontages
- **Construction Date:** 1985
- **Property Size:** 3.48 Acres
- **Gross Square Feet:** 100,287 SF
- **Net Rentable Square Feet:** 86,591 SF
- **Zoning:** B3 – Planned Office Business District. According to Ms. Dianne Piera with the Village of Schaumburg Zoning Department, the Property is reportedly a legal, conforming use.

NEIGHBORING PROPERTIES

- **North:** Unimproved land, followed by American Lane
- **East:** Four Woodfield Lake Office Building, followed by National Parkway
- **South:** Asphalt parking lot, followed by 1100 Woodfield Road Office Building, followed by Woodfield Road
- **West:** Large retention pond, followed by office complex

1.3 AREA TOPOGRAPHY

The Property is located in an area of gently sloping topography at an elevation of approximately +730 feet National Geodetic Vertical Datum (NGVD). Topographic information was gathered upon review of United States Department of Interior, Geological Survey Map of the Palatine, Illinois Quadrangle (1972 & 1993). Topography generally slopes to the west towards a large retention pond and creek.

Surface water on the Property drains overland to drop inlets located about the Property or percolates into the exposed soils. Site inlets connect to a circular retention pond located at the northeast end of the Property.

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



According to the Federal Emergency Management Agency (FEMA) Flood Information Rate Map (FIRM) for Schaumburg, IL (Cook County) (Community/Panel Number: 17031C 0191F, November 6, 2000, the Property lies within Zone X which is defined as: "Areas located outside the 500-year flood plain". Such areas are not considered to be flood hazard areas.

No negative information concerning subsurface geological conditions was located. It does not appear that significant fill was imported to allow construction of the improvements.

1.4 UTILITIES

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

- **Electricity:** ComEd
- **Natural Gas:** No Service
- **Domestic Water:** Village of Schaumburg
- **Sewer:** Village of Schaumburg
- **Solid Waste:** Waste Management

Maps

2.0 BUILDING OVERVIEW

The Property features one four-story office building with asphalt-paved parking surfaces and landscaped building and street frontages.

The Property is currently operated and managed by Hamilton Partners, Ms. Janine Lindgren, Property Manager. Information provided by Property management personnel indicates that Property management is currently responsible for maintaining the following Property components:

- structural elements, including the structural elements, roofs, floor systems, and exterior wall systems;
- mechanical components;
- interior common areas
- exterior facades, including brick finishes and windows;
- parking and driving surfaces; and
- sidewalks.

Interviews with the Property management staff indicate that: 1) buildings and systems which are the responsibility of the owner are well maintained and in generally good to very good condition, and 2) a diligent preventive maintenance plan is in place.

Agency Compliance:

REA filed a Freedom of Information Act (FOIA) request with the Village of Schaumburg requesting information regarding any potential outstanding fire or building code violations on record for the Property. According to Ms. Carole Giovanazzi, Village of Schaumburg Legal Department, there are no current or unresolved building or fire code violations on record for the Property.

REA interviewed Ms. Dianne Piera, Village of Schaumburg Zoning Department. According to Ms. Piera, the Property is currently zoned: B-2 Planned Office Business. The use of the Property is consistent with this zoning classification and is considered a legal, conforming use.

2.1 STRUCTURAL

Foundations:

Foundation systems for the office buildings at the Property generally consist of reinforced concrete footings with concrete slabs on grade.

Property management reported no significant foundation concerns. In addition, REA did not observe evidence of significant foundation movement, such as significant perimeter foundation cracking or significant facade cracking.

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 at the Property. Soils adjacent to building perimeters should be sloped to maintain positive drainage away from building foundations. No concerns were noted or reported.

Framing:

REA noted no significant deficiencies with respect to structural systems at the Property and no significant expenditures are anticipated over the term. As the building is framed with concrete and steel, termites are not considered a concern.

Building framing above the foundations consists of reinforced concrete, steel beams and CMU walls. Exterior walls are covered with granite cladding and have glass curtain walls. Interior walls are reportedly framed with metal studs. Flooring is reportedly framed with corrugated metal decking filled with concrete. Flat roof construction consists of steel framing and corrugated metal decking.

No significant structural deficiencies were identified at the Property.

2.2 ELEVATORS, STAIRWAYS, LANDINGS and BALCONIES

The Property features balconies located at both the west and east ends of the buildings. The balconies are located on floors 2-4 and have direct access from interior tenant suites. The balconies are accessed via sliding glass doors in anodized aluminum frames and have a rubber membrane surface with metal railings. One interior roof drain is located in each balcony. The balconies were noted to be in good condition. As the surface of the balconies is a rubber membrane, the rubber is susceptible to wear and tear from foot traffic. REA anticipates replacement over the term. Costs are included in the roof replacement number in the Replacement Reserve Worksheet.



The Property features one service and two passenger elevators. The service elevator is rated at 4,000 pounds and the two passenger elevators are rated at 2500 pounds each. All three elevators serve floors 1-4. The elevators were manufactured by Westinghouse. Passenger interior cabs feature wood paneled walls and carpeted floors. The service elevator features metal paneled walls with moving blankets hung from the walls. The elevators featured Braille controls at an appropriate height, audible floor indicators and optical door retractors. The elevators are maintained under a contract with Anderson Elevator Company. Elevators ran smoothly on the day of the inspection. Property management reported that the elevators are inspected and certified annually by an authorized representative of the State of Illinois. The most recent inspection certificate is dated March 10, 2006. While REA does not anticipate replacement of the elevators, REA does anticipate continued maintenance costs. REA has included estimated maintenance costs over the term in the Replacement Reserve Worksheet.

First-floor building entrances at the Property feature concrete exterior landings which are served by concrete sidewalks with curb rams. There are no steps at either entrance to the building.

There are two interior stairways in the building, one located at each end of the building. The stairways feature steel framed stringers, risers, treads and landings. The treads and landings are filled with concrete. Railings are constructed of steel. REA noted fire hose standpipes and emergency lighting in each stairwell. The stairwells are lighted by fluorescent lights. Walls within the stairwells consist of painted gypsum board. No concerns were noted with the stairwells.

At the east end of the building is receiving dock. REA noted a concrete ramp with metal railing that provides walking access to a hinged door for interior access to the building. Adjacent to the pedestrian ramp is the concrete drive for truck access to an elevated dock. No concerns were noted with the concrete walking surface.

2.3 INSULATION

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

Where applicable, concrete foundations, floor systems, roof decks, and concrete exterior wall systems provide insulation for the buildings. REA did not observe evidence of vapor penetration to interior walls or other deficiencies during the site inspection.

2.4 ROOFING

The roofing system at the Property consists of a flat roof with a rubber membrane and stone ballast. Property management reported that the roof was replaced in 1997 and is under warranty until September 26, 2007. No significant leaks or concerns were noted or reported. REA noted parapet walls with granite coping. The rubber membrane extends up the inside of the parapet wall and is mechanically fastened to the wall. Interior roof drains are used to remove stormwater from the roof. On the day of REA's inspection, it stormed with very heavy rain prior to REA's inspection of the roof. After the rain storm, REA did not note any standing water on the roof.



REA did not observe any tears or penetrations to the rubber membranes. Based on the age of the roof, REA anticipates replacement over the next 12 years. Costs are included in the Replacement Reserve Worksheet.

2.5 BUILDING EXTERIOR

Building exteriors were noted to be in very good condition throughout the Property and have been well-maintained. No instances of significant damage were reported or observed. The building features a granite cladding with glass curtain walls. The windows are tinted, double-pane in anodized aluminum frames.

Entrance doors consist of anodized aluminum storefront types that were noted to be in good condition. There are two entries into the lobby of the building. Each entry features one turn-style door and two hinged doors, both equipped with ADA openers.



Caulking of the expansion joints is anticipated during the term as part of normal maintenance. Sealant and caulk joints at exterior window and door perimeter penetrations were noted to be in good condition with no instances of failure or damage noted. Normal exterior building envelope maintenance should include monitoring sealant joints at wall penetrations, material transitions, and windows. Costs for caulking of joints, windows, etc., are anticipated over the term and are included in the Replacement Reserve Table.

Mold:

REA did not observe evidence of mold in buildings at the Property, and Property management did not report current concerns relating to mold or air quality. Property management was not aware of any tenant complaints or concerns relating to mold, air quality, moisture or water infiltration at the Property. REA does not consider mold a concern at the Property.

2.6 INTERIOR BUILDING FINISHES

Property management reported that the tenants are responsible for maintenance and replacement of their interior finishes. The only exception is the common hallways, restrooms mechanical and miscellaneous storage, electrical, janitor area. Common halls are carpeted, wallpapered walls and acoustical drop-in ceiling tiles. There are two restrooms on each floor of the buildings. Elevator lobbies have marble flooring. Electrical rooms and receiving dock hall have 12" x 12" floor tiles.

Interior wall framing consists of metal studs finished with painted/wallpapered gypsum board. Ceiling finishes consist of acoustical tiles in metal grids. Floor finishes include carpeting, marble, and vinyl floor tile or sheeting. The restrooms feature ceramic tile flooring with ceramic tiled and painted gypsum board walls and ceilings.

Interiors are lighted with incandescent and fluorescent fixtures. Light fixtures were noted to be recessed or hanging. Interior doors were noted to be solid wood in wood or metal frames and solid glass in metal frames. Light fixtures and interior doors were noted to be in generally good condition.

Typical washroom wall finishes include ceramic tiles/painted gypsum board; while, ceilings feature acoustical lay-in tiles in metal grids. Washrooms feature vitreous china fixtures, ceramic tile flooring, marble countertops, fluorescent light fixtures, and metal partitions.

Property management reported that all interior common area carpeting and wall finishes were replaced in 2005. REA does not anticipate replacement of the wall finishes. Based on estimated useful life (EUL) of approximately 8-10 years for carpet, REA anticipates carpet replacement over the term of the loan. Replacement costs are included in the Replacement Reserve worksheet.

2.7 HEATING, VENTILATION AND AIR CONDITIONING

HVAC equipment was observed to be in very good condition with no significant tenant complaints reported to REA during the inspection.

HVAC equipment is largely original; however, it has been well maintained. REA does not anticipate replacement of the HVAC equipment over the term; however, REA anticipates continued maintenance costs. Associated costs are included in the Replacement Reserve Worksheet.

The building is heated through the use of "Carrier" fan powered reheat on the perimeter of the building with VAV boxes serving the interior.

Cooling is provided by DX (direct expansion) cooling and evaporative condensers. There are two "Carrier" reciprocating open drive compressors. Each compressor is reportedly rated at 125 tons each. R-22 refrigerant is used in each compressor/condenser. Two "Evapco" cooling towers are located on the roof. All equipment is located in a rooftop penthouse.

REA noted two supply fan rooms, one evaporator room and one fresh air intake room. Controls are pneumatic and the building automation control is provided by an Andover automation system. Reportedly, all filters were recently replaced.

Conditioned air is routed to tenant spaces via ductwork and pneumatically controlled VAV boxes. Return air is routed via lenum above suspended ceilings.

The mechanical equipment at the Property is serviced by Hill Mechanical Services (773) 404-3000, an outside contractor. REA interviewed Mr. Kevin Flight with Hill Mechanical, regarding the current and long term condition of the HVAC equipment at the Property. Mr. Flight informed REA that the equipment was last inspected and serviced on May 2006. Mr. Hill stated that with the continued maintenance program, the HVAC equipment at the Property would not need to be replaced within the next 12 years. After inspection of the equipment and information provided by Hill Mechanical, REA has not attributed any replacement costs; however, REA has attributed continued estimated maintenance costs over the term. Costs are included in the Replacement Reserve Worksheet.

REA noted several rooftop AC condensers. However, the condensers are owned and maintained by individual tenants and not the responsibility of Property management. Therefore, REA has not attributed any replacement costs for these condensers.



2.8 DOMESTIC HOT WATER

Hot water for the building is provided via one A.O. Smith, commercial electric hot water heater. The water heater is 119-gallons and rated at 199,990 BTUs. The water heater was noted to be in very good condition. Based on an EUL of approximately 10-12 years, REA anticipates replacement near the end of the term. Associated costs are included in the Replacement Reserve Worksheet.

Individual tenant spaces have kitchens equipped with electric hot water heaters located under the sink. These water heaters are the responsibility of the individual tenant; therefore, REA has not attributed any replacement costs.

2.9 PLUMBING

REA does not anticipate major expenditures for plumbing over the term. The plumbing equipment appears to be in good condition.

Water supply piping and drain piping is located in the walls and floors of the building. Water supply piping is copper; drain piping is a combination of copper, PVC and ductile-iron.

Sanitary waste is directed to the Village of Schaumburg municipal system. Stormwater is collected by roof drains and drop inlets for discharge to the storm water retention pond located northeast of the Property.

2.10 ELECTRICAL

Copper wiring was noted and reported to be at light switches and outlets.

Electrical service enters the Property via pad-mounted electrical transformer located at the rear of the building. Main disconnects are rated at 2000 amps, 480/277 volts, (3 phase); secondary tenant panels consist of 100-225 amps with 208/120Y volt (3 phase). Electrical equipment is original and in good condition.

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

The Property has one emergency generator located in the mechanical room penthouse on the roof. The generator is manufactured by "Kohler", rated at 75 amps, 22 kilowatts, and is powered by diesel fuel. The generator operates emergency lighting and lights in the stairwells. No concerns were noted and no significant expenditures are anticipated for the generator over the term of the loan.



Property management reported there have been no infrared inspections of electrical switchgear equipment at the Property. Based on the age of the Property (1985), REA recommends an infrared inspection be performed in the near future. As the cost is considered to be part of operations/maintenance, REA has not attributed any costs over the term for this maintenance inspection.

2.11 FIRE AND LIFE SAFETY

The Property features the following fire and life safety systems:

Smoke and Heat Detectors:	Hardwired – Tenant Suites and Common Areas
Fire Extinguishers:	Common Hallways and Tenant Suites – Serviced July 2006
Fire Hydrants:	Located throughout Property and along Public Streets and at Property
Sprinkler System:	Wet Sprinkler System; Dry system on 4 th Floor for Tenant Computer Equipment – Inspected February 2006
Water Supply:	Village of Schaumburg – via City of Chicago; Fire Pump located on Sprinkler system
Fire Alarm System:	Pull Alarms; New Fire Control Panel installed in 2002; Panels are Maintained and Monitored by SMG
Emergency Lighting:	Common Areas and Tenant Suites
Lighted Fire Exit Signs:	Common Areas and Tenant Suites
Horns/Strobes:	Common Areas and Tenant Suites
Security System:	Tenant Suites – Tenant Maintained

In July 2001, CSC issued a recall notice for O-ring sprinkler heads. The recall includes a variety of models manufactured by Central Sprinkler Company and a limited number of models sold by Gem Sprinkler Company and Star Sprinkler, Inc. The recall was initiated because it was discovered that the performance of these O-ring sprinklers can degrade over time. These sprinkler heads can corrode or minerals, salts and other contaminants in water can affect the rubber O-ring seals. These factors could cause the sprinkler heads not to activate in a fire. In no way does this defect create, cause or initiate a fire hazard.

Property Management reported that all the building sprinkler heads were inspected to determine if any recalled heads exist. Reportedly, none of the heads were part of the recall.

REA observed and Property management reported these systems to be in good working order. In addition, Property management routinely inspects, services, and maintains the fire and life safety systems. The sprinkler system at the building was inspected in 2006.



Property management reported that a new fire control panel was installed at the Property in 2002. Reportedly, approximately \$65,000 was spent updating the system. REA does not anticipate significant expenditures associated with the fire alarm system at the Property over the term of the loan.

Inspector Rick Connelly with the Village of Schaumburg Fire Prevention Office reported no outstanding fire code violations on record for the Property as of the last inspection in 2005.



3.0 PROPERTY IMPROVEMENTS OVERVIEW

3.1 PROPERTY DRAINAGE

Storm water runoff from the building roof is collected by interior roof drains. Common areas and landscaped areas drain to drop inlets which are located in the paved areas, flatwork walkways and landscaped areas. Storm water drain into a retention pond located northeast of the Property.

Overall, REA did not observe issues of clogged drains or inadequate drainage as grading and improvements to the Property ensure that storm water drains without accumulating.

No flooding or drainage concerns were noted at the Property.

3.2 RETAINING WALLS

REA noted concrete retaining walls in conjunction with the dock area receiving ramp at the east end of the building. The walls are concrete, located on each side of the drive leading to the dock area, and range in size from approximately 2'-8' tall. Each wall is equipped with a metal railing for fall protection. REA did not note any concerns with these walls and no significant expenditures are anticipated over the term of the loan.

3.3 DRIVEWAYS, PARKING LOTS AND SIDEWALKS

The Property is accessible by automobile via entrances/exits from National Parkway to the east of the Property. The Property is also accessible from Woodfield Road to the far south; however, you must pass through the abutting 1100 Woodfield Road office building property to the south prior to entering the Property.

Open parking is located on the south, west and north sides of the building. There are no parking garages or parking structures (i.e. carports) at the Property. The driveways and parking areas are paved with asphalt materials. Reportedly, there a total of 355 asphalt-paved (including 8 ADA spaces and 9 visitor spaces) parking spaces with concrete curbing. REA noted the asphalt drives/parking areas to be in excellent condition. Property management reported that the asphalt was sealed and striped in May 2006.

REA anticipates sealing and striping of the parking surfaces over the term of the loan with costs included in the replacement Reserve worksheet.



In each parking area, concrete curb ramps lead up to the concrete sidewalks. Concrete sidewalks are located around the building. Overall, the concrete sidewalks were observed to be in good condition. REA observed one small area which is considered a trip hazard on the north side of the building. Three small squares of concrete are heaving and should be replaced. Associated replacement costs are considered minimal; however, due to the potential for a trip hazard, REA has included the cost for repair in the Immediate Repair Needs Table.

Located at the east end of the building is a receiving dock area. It consists of one concrete ramp with truck access to an elevated dock. The driveway surface is concrete. During REA's inspection of the Property, there were several trucks and equipment covering the concrete drive; therefore, REA could not fully view the surface. However, the accessible areas were noted to be in good condition. The elevated dock has a hydraulically operated lift with metal platform. REA did not note any concerns with the dock and receiving area. REA does not anticipate significant expenditures associated with this area over the term of the loan.

3.4 FENCING

REA did not note any fencing at the Property.

3.5 EXTERIOR LIGHTING

Exterior lighting (pole-mounted) at the Property is located in the parking lots and mounted on building exteriors where necessary. Although the lighting systems were not inspected during the night hours, REA observed sufficient pole mounted lighting in the parking lot areas to provide effective lighting.

Property management reported no major concerns with lighting and cited a continuous maintenance program in effect to maintain the lighting in an effective manner. REA observed no major deficiencies with exterior lighting and no significant capital improvements are expected in the term concerning exterior lighting.

3.6 LANDSCAPING

The Property is landscaped with mature trees, shrubs, flowers and grass in varying configurations. Underground irrigation systems supply the various landscaping features with water.

Property management reported the landscaping is maintained by in-house maintenance personnel. REA observed no issues or concerns with the landscaping on site.



3.7 RECREATIONAL FACILITIES

The Property does not feature recreational facilities.

3.8 SITE AMENITIES and MISCELLANEOUS STRUCTURES

The Property does not feature any site amenities or miscellaneous structures.

3.9 SIGNAGE

The Property is identified with a monument sign along National Parkway. A granite monument sign is located in front of the main entry on the south side of the building. This monument sign has the tenant names that occupy the building. The street address (900) is located on the glass entry door on the south side of the building. A tenant directory is located in the lobby. Additionally, each tenant has their sign/lettering on the respective suite.

No significant deficiencies were noted and REA does not anticipate significant expenditures with signage.

4.0 AMERICANS WITH DISABILITIES ACT SCREEN

The Americans with Disabilities 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". 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 building was constructed in 1985, well before the implementation of the ADA act. However, REA noted the building in compliance with ADA guidelines. Property Management reported that tenant suites are upgraded to comply with ADA guidelines during build-outs or renovations.

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
301 to 400	8

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.

Reportedly, the Property has 355 total parking spaces. REA noted 8 handicap parking spaces located in close proximity to the main entry on the south side of the building. No concerns were noted.



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 cutouts at the Property.

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.

From our cursory review, REA determined that accessible exterior routes exist from the parking areas to the building.

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 inch 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.

Both the north and south entrances are accessible from adjacent concrete sidewalks and asphalt-paved parking areas.

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.

REA noted all interior spaces are configured to accommodate persons with disabilities.

4.6 Elevators

The passenger elevators were noted to be accessible. The elevators featured Braille controls at an appropriate height, audible floor indicators and non-contact door retractors.

4.7 Restrooms

Restrooms that 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 that 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 sidewalls.

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.

REA noted the restrooms at the Property comply with ADA guidelines. REA noted heat protection pads, lever style faucets, stalls with grab bars and audible/strobe alarms. No concerns were noted.



4.8 Other Requirements

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

No Property-owned automatic teller machines or public telephones were observed at the Property. REA observed both ADA compliant and non-ADA compliant drinking fountains. Upon tenant request, ADA compliant drinking fountains are installed. No concerns were noted or reported.

5.0 COST ESTIMATES

5.1 Immediate Repairs

Based upon the findings of our inspection, REA has the following recommendations for immediate repairs at the Property:

Item	Description	Cost
1.	Replace 3 sections of heaving concrete sidewalk on the north side of building – trip hazard	\$ 1,000
TOTAL:		\$ 1,000

The total inflated 12-Year Physical Needs Projection for the Property is \$419,799 (see following page). The inflated cost per square foot over the term is \$4.19, or an average annual inflated cost of \$0.35 per square foot. The projections include maintenance of the exterior building envelope and exterior site improvements, interior common area replacements and maintenance to mechanical equipment.



APPENDIX 1

Site Photographs



1. Property sign



2. South view of building



3. Monument sign in front of building



4. Entry into building



5. ADA parking spaces on south side of building



6. West and north side of building



7. Balconies on both the west and east sides of the building (floors 2-4 only)



8. Sliding glass doors lead to each balcony



9. Balcony with rubber membrane



10. Typical passenger elevator lobby with marble flooring



11. Service elevator



12. Typical stairwell – steel framed with concrete treads and landings



13. Typical common area hall



14. Common area stall



15. Common area bathroom sinks – 1 ADA compliant (yellow trap pad)



16. Tenant mailboxes



17. Life safety equipment in stairwells



18. Emergency lights throughout building



19. Fire sprinkler riser and equipment room



20. One main incoming water line



21. Backflow preventor



22. Fire sprinkler pump



23. Fire sprinkler controller



24. Electric water heater with new pump



25. Pumps for domestic water system



26. Main electrical room



27. Typical electrical meter room and tenant breakers on each floor



28. Dry sprinkler system for tenant computer room located on 4th floor



29. HVAC penthouse with Carrier Compressors



30. Two 150-ton cooling towers



31. Cooling towers



32. Compressor system for pneumatic HVAC controls



33. Roof – mechanical penthouse



34. Rubber membrane with granite coping on parapet wall



35. Emergency generator



36. Asphalt parking lot



APPENDIX 2

Roster of Interviews

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

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

Name	Organization
1. Ms. Janine Lindgren Mr. Julio Rojas	Property Manager for Hamilton Partners 630-417-6627 Maintenance 630-688-3217
2. Personnel	Village of Schaumburg – Public works Department 847-895-7100
3. Mr. Rick Connley	Village of Schaumburg – Fire Department 847-923-4453
4. Ms. Dianne Peira	Village of Schaumburg – Development Services Department - Planning and Zoning 5847-923-3850
5. Freedom of Information Act (FOIA) – via on-line service	Village of Schaumburg – Building and Code Enforcement 847-923-3700
6. Mr. Kevin Flight	Hill Mechanical 773-404-3000



APPENDIX 3 Tenant List

Tenant	Square Feet
1. Macrovision	46,118
2. Liberty Mutual	22,400
3. Daystar Data Group	6,799
4. AIM Chicago	6,180
5. Dimension Data	3,694
6. ASPEN computer Ass.	1,400
Total Net Rentable	86,591 Square Feet



APPENDIX 4 - Personnel Qualifications

NEALON D. SMITH, MSPH, JD
Principal

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

Twenty 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

Seventeen 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

Eighteen 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 eleven 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.

JOHN P. HEFFERNAN, PE
Project Engineer

BS Arizona State University
MS Arizona State University

Three years of experience in construction management, municipal engineering and code enforcement. Experienced in safety management, regulatory compliance and construction oversight. Risk assessment experience includes asbestos, lead, radon and construction site safety. Proficient in Phase I, Project condition and physical needs due diligent assessments.



STEPHEN SHEPPARD
Senior Project Engineer

BS Bob Jones University

Fourteen 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

Sixteen 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

Fourteen 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

Fourteen 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

Twelve 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
Project Engineer

BS Illinois State University

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.

KASHIF BAZAL
Project Engineer

BS Northern Illinois University

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.