



**Mountain Lodge Apartments
2501 Mountain Lodge Circle
Vestavia Hills, Alabama 35216**
PROPERTY CONDITION ASSESSMENT



DRAFT SAMPLE REPORT

**REAL ESTATE ADVISORY, LLC
PROJECT # 075535**

Prepared for:

**Mountain Lodge Apartments Alabama, LLC
c/o National Commercial Ventures, LLC
12100 Wilshire Blvd., Suite 250
Los Angeles, CA 90025**

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 12, 2007



**Mountain Lodge Apartments
2501 Mountain Lodge Circle
Vestavia Hills, Alabama 35216**

TABLE OF CONTENTS

“AT A GLANCE” SUMMARY OF FINDINGS” I

EXECUTIVE SUMMARY III

REPLACEMENT RESERVE WORKSHEET VII

CERTIFICATIONS VIII

1.0 GENERAL PROPERTY INFORMATION..... 1

2.0 BUILDING OVERVIEW 9

3.0 PROPERTY IMPROVEMENTS OVERVIEW30

4.0 AMERICANS WITH DISABILITIES ACT SCREEN35

5.0 COST ESTIMATES40

LIST OF FIGURES

Figure I Property Location Map

Figure II Topographic Map

Figure III Property Map

APPENDICES

Appendix 1 Site Photographs

Appendix 2 Fannie Mae Forms

Appendix 3 List of Apartments Inspected

Appendix 4 Roster of Interviews

Appendix 5 Personnel Qualifications



Mountain Lodge Apartments

“AT A GLANCE” SUMMARY OF FINDINGS”

ISSUE	CONDITION	PAGE NO.	COMMENTS
BUILDING OVERVIEW			
STRUCTURAL	GOOD	9	Concrete slab and raised concrete block foundations; Settlement at Buildings 2563, 2565, 2567, 2569 and 2571; Instances of foundation settlement were observed at several units (cracked drywall, masonry, sloping floors). These buildings should be investigated further to determine the extent of settlement and recommend required repairs; wood framing above foundations
ELEVATORS, STAIRWAYS, LANDINGS AND BALCONIES	FAIR	14	Metal stairs with concrete filled pans and metal railings rusted – immediate repairs anticipated. Second floor exterior walkway feature corrugated metal decking with concrete landings. Isolated damaged fascias and soffits. The balconies appeared to be in fair to poor condition. Cost is included in the replacement reserve
INSULATION	GOOD	16	Insulation in crawl spaces falling; batt insulation believed to be in exterior walls; blown-in fiberglass insulation in attic spaces
ROOFING	GOOD	16	Minor roofing and gutter repair needed; wood framed, sloped, shingled roofs; Replacement of older roofs is anticipated within the term.
BUILDING EXTERIOR	GOOD	18	Vinyl siding on wood studs; Stone veneer on masonry and reinforced concrete exterior walls with single glaze slider type windows.
INTERIOR BUILDING FINISHES	GOOD	21	Textured painted drywall with painted “popcorn” ceilings; carpet, and vinyl flooring; ceramic wet wall bathroom. Bring two down units back on-line and the clubhouse.
MOLD	N/A	23	Molded drywall and carpet observed in Unit 2557-A; Repairs are included in immediate repair cost estimate.
HEATING, VENTILATION AND AIR-CONDITIONING	GOOD-FAIR	26	Individual split system with electric coils in the air handlings units and exterior pad-mounted condensing units; mostly original fan coil units throughout. Significant replacement of furnaces and AC condensers anticipated over term



Mountain Lodge Apartments

“AT A GLANCE” SUMMARY OF FINDINGS” (Cont’d)

ISSUE	CONDITION	PAGE NO.	COMMENTS
DOMESTIC HOT WATER	GOOD	27	30 or 40-gallon electric waste heaters. Replacement anticipated over term.
PLUMBING	GOOD	27	Copper supply; PVC, cast iron waste; Long term repairs anticipated over term due to historical leaks.
ELECTRICAL	GOOD	27	125 amp capacity per apartment, circuit breakers, copper wiring; REA recommend installing GFI outlets in baths and kitchens. Costs are not included in immediate repair cost estimate.
IMPROVEMENTS OVERVIEW			
PROPERTY DRAINAGE	GOOD	30	Minor erosion, particularly between building 2573 and 2575; curb inlets throughout paved areas; concrete drainage channel runs through the Property.
RETAINING WALLS	GOOD	30	No significant concerns noted.
DRIVEWAYS, PARKING LOTS AND SIDEWALKS	GOOD	31	Asphalt paved driveways and parking areas; concrete curbs and walks
FENCING	GOOD	33	Wood plank and wrought iron fencing all in good condition.
EXTERIOR LIGHTING	GOOD	33	Pole-mounted and ceiling-mounted lights in breezeways
LANDSCAPING	GOOD	33	
RECREATIONAL FACILITIES	GOOD	34	Property has one wading pool
SITE AMENITIES	GOOD	35	Leasing office, health center, common laundry center, playground and mail kiosk
SIGNAGE	GOOD	35	Building-mounted signage
ADA SCREEN	GOOD	35	Leasing office generally accessible; some accessible apartments are provided; the pool and restrooms in leasing office are not accessible.



EXECUTIVE SUMMARY

On March 26, 2007, Kashif Bazal, Project Engineer for Real Estate Advisory (“REA”), performed a Property Condition Assessment of Mountain Lodge Apartments located at 2501 Mountain Lodge Circle in Vestavia Hills, Alabama (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 Fannie Mae guidelines.

GENERAL PROPERTY DESCRIPTION

<ul style="list-style-type: none"> • Property Address: 	Mountain Lodge Apartments 2501 Mountain Lodge Circle Dekalb County Vestavia Hills, Alabama 35216.
<ul style="list-style-type: none"> • Setting: 	Apartments surrounded by apartments and single-family residences.
<ul style="list-style-type: none"> • Total Acreage: 	+/- 15.27 acres
<ul style="list-style-type: none"> • Property Improvements: 	<ul style="list-style-type: none"> • 37 two-story and three-story apartment buildings with crawl spaces. • 254 apartment units • A first floor leasing office located in building 2501 that also contains a maintenance shop in crawl space. • One wading pool, common laundry room, health center and clubhouse. • One playground • Asphalt-paved parking surfaces (approximately 435 marked, open spaces) • Landscaped grounds and street frontage.
<ul style="list-style-type: none"> • Construction Date: 	1973
<ul style="list-style-type: none"> • Net Rentable Square Feet: 	Approximately 239,000 square feet.
<ul style="list-style-type: none"> • Zoning: 	Zoned R-9 – Residential Community District

OBSERVATIONS

Overall, the Property is in generally good-to-fair condition. Its physical condition is conducive to an aggressive leasing program. Under good maintenance conditions, the Property has an expected remaining useful life of 20 years or more.

REA noticed settlement at Buildings 2563, 2565, 2567, 2569 and 2571; Instances of foundation settlement were observed at several units (cracked drywall, masonry, sloping floors). These buildings should be investigated further to determine the extent of settlement and recommend required repairs.

REA observed carpenter bees nesting in the wood beams and fascia boards. Carpenter bees nest in a wide range of softwoods and hardwoods, particularly if the wood is weathered. Carpenter bees create a nuisance by excavating round entry holes in wood (see bottom right picture) and depositing yellowish to brownish streaks of excrement and pollen on surfaces below entry holes. The bees can more easily tunnel through woods that are soft and that have a straight grain. In buildings, carpenter bees nest in bare wood near roof eaves and gables, fascia boards, porch ceilings, decks, railings, siding, shingles, shutters, and other weathered wood. These bees avoid wood that is well painted or covered with bark.



REA recommends the wood surfaces well painted with a polyurethane or oil-base paint to deter attack by carpenter bees. REA recommends periodic inspection on painted surfaces, to avoided coatings deterioration due to weathering. When dealing with carpenter bees, it is preferable to locate tunnel entrances during the daytime, but treat after dark on a cool evening when carpenter bees are less active. Wear protective clothing to avoid any stings during treatment.





A \$1,725,000 renovation is planned for the Property. This renovation includes:

- Interior & exterior upgrades
- Parking & pavement repair
- Stairway and balcony repairs
- HVAC replacement (partial)
- Landscaping upgrades
- Other miscellaneous items

The reserve table included in this report assumes this work will be completed in a timely manner with quality workmanship.

RECOMMENDATIONS

Based upon the findings of this assessment, REA recommends the following immediate repairs:

IMMEDIATE REPAIR NEEDS

Item	Description	Cost
1.	Repair/replace rusted - stair pans, metal stair landings and stair supports at breezeways (Net)	\$30,000
2.	Modify stairway railings to meet current life safety requirements (37 buildings @ \$5,000/bldg)	\$185,000
3.	Replace falling crawl space insulation (Net)	\$5,000
4.	Repair/replace damaged fascias and soffits. (Net)	\$1,000
5.	Roof Drainage exterior system, add gutter protection system (Net)	\$9,400
6.	Repair down unit 2535-D (kitchen fire and smoke damage), 2557-A (mold) and clubhouse (Net)	\$45,000
7.	Correct minor erosion, especially between Building 2573 and 2575	\$1,000
8.	Repair concrete sectional breezeway entrance Building 2561 (Net)	\$1,000
9.	Paint wooden beams and wood surfaces with a polyurethane or oil-base paint to deter attack by carpenter bees. (Net)	\$5,000
10.	Settlement at Buildings 2563, 2565, 2567, 2569 and 2571; Instances of foundation settlement were observed at several units with cracked drywall, masonry and sloping floors. (\$20,000 for investigation; repair cost to be determined after additional investigation)	*20,000
11.	Inspect- repair/replace GE and Hotpoint recalled dishwashers switch.	**\$0
	TOTAL:	\$302,400

* Hire structural Engineer.

** Contact GE-authorized technician.



The total inflated 12-Year Replacement Reserve for the Property is \$ 870,176 (see the following page). The cost per unit over the term of the loan plus two years is \$ 3,426, or an average annual cost of \$ 285 per unit. The average annual uninflated cost is \$ 249. The projections include maintenance of the exterior building envelope and exterior site improvements, and partial replacement of major appliances, carpeting 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 judgement exercised by other professional consultants in performing services of a similar nature under similar circumstances in the same or similar locality.
- This Report may be relied upon by Mountain Lodge Apartments Alabama, LLC and their respective successors and assigns. 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 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 and should not be relied upon after six months from its date.
- 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.

Kashif Bazal
Project Engineer

Kevin A. Mueller, P.E.
Vice President



1.0 GENERAL PROPERTY INFORMATION

1.1 BACKGROUND

On March 26, 2007, Kashif Bazal, Project Engineer for Real Estate Advisory, L.L.C. (“REA”), performed a Property Condition Assessment of the Mountain Lodge Apartments.

REA conducted a visual inspection of the common grounds, buildings, driveways, parking lots and approximately twelve-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: 	Mountain Lodge Apartments 2501 Mountain Lodge Circle Dekalb County Vestavia Hills, Alabama 35216
<ul style="list-style-type: none"> • Setting: 	Apartments surrounded by apartments and single-family residences.
<ul style="list-style-type: none"> • Total Acreage: 	+/- 15.27 acres
<ul style="list-style-type: none"> • Property Improvements: 	<ul style="list-style-type: none"> • 37 two-story and three-story apartment buildings with crawl spaces. • 254 apartment units • A first floor leasing office located in building 2501 that also contains a maintenance shop in crawl space. • One wading pool, common laundry room, health center and clubhouse. • One playground • Asphalt-paved parking surfaces (approximately 435 marked, open spaces) • Landscaped grounds and street frontage.
<ul style="list-style-type: none"> • Construction Date: 	1973
<ul style="list-style-type: none"> • Net Rentable Square Feet: 	Approximately 239,000 square feet.
<ul style="list-style-type: none"> • Zoning: 	Zoned R-9 – Residential Community District

A 2002 aerial photograph of the Property, obtained from the internet, is shown below. The Property, developed as it exists today.



Unit Mix:

Floor Plan	Square Feet per Unit	Number of Units	Total Square Footage
1 Bedroom / 1 Bathroom	700	50	35,000
2 Bedroom / 1 Bathroom	900	80	72,000
2 Bedroom / 1.5 Bathroom	900	56	50,400
2 Bedroom / 2 Bathroom	1100	32	35,200
3 Bedroom / 2 Bathroom	1300	36	46,800
	Total	254	239,400

Neighboring Properties:

- **North:** Single-family residences
- **East:** Arboretum Apartments are located east side of Jacobs Road followed by single-family residence.
- **South:** Southbury Condominiums followed by Massey Road. High voltage electric power transmission line runs along the south boundary of the Property and Southbury Condominiums.
- **West:** Upscale single-family residential neighborhood followed by Columbiana Road.

1.3 AREA TOPOGRAPHY

REA reviewed the Northeast Atlanta, Georgia quadrangle topographic map published by the United States Geological Survey, "USGS", (dated 1997). Based on a review of the map, the Property is located in an area of choppy, irregular hills and strongly sloping topography. The Property elevations range from a high of approximately +700 feet National Geodetic Vertical Datum ("NGVD") on the north boundary to a low of approximately +600 at the west boundary at the rear of Building 2571. The Property topography slopes downward generally to the west-southwest. The topography of nearby properties slopes downward in various directions.



Stormwater on the Property drains overland to drop inlets located about the Property which enters the municipal stormwater sewer system. Surface water from the lawn areas mostly flows overland via sheet flow to concrete drainage channels runs throughout the Property and carries stormwater to the southwest corner of the Property, where stormwater enters the municipal stormwater collection system.





In addition, a wooded gully begins at the rear of Building 2571 and is joined by drainage channel that originate near Building 2521 flows to the west.

REA reviewed a National Flood Insurance Program (NFIP) Flood Insurance Rate Map (FIRM) for Jefferson County, Alabama and Incorporated Areas (Community/Panel 01073C/0566G, effective date September 29, 2006). Based on a review of the FIRM, the Property is in unshaded Zone X – Areas determined to be outside the 0.2% annual chance floodplain.

REA notice that the site was heavily wooded with pine trees. REA recommends routine maintenance of curb inlets to be freed from pine straw build-up at the drains.

No negative environmental information concerning subsurface geological conditions was located. Based on an interview with Mr. Tony Bird, Property maintenance supervisor, routine maintenance of curb inlets are facilitated and cleaned by the Landscaping Associates.

PANEL 0566G

FIRM
FLOOD INSURANCE RATE MAP

**JEFFERSON COUNTY,
ALABAMA
AND INCORPORATED AREAS**

PANEL 566 OF 755
(SEE LOCATOR DIAGRAM OR MAP INDEX FOR
FIRM PANEL LAYOUT)

CONTAINS:

COMMUNITY	NUMBER	PANEL	SUFFIX
HOOVER, CITY OF	01023	0666	G
JEFFERSON COUNTY	010217	0666	G
VESTRAVA HILLS, CITY OF	01032	0666	G

Notice to User: The Map Number shown below should be used when placing map orders; the Community Number shown above should be used on insurance applications for the subject community.

MAP REVISED MAP NUMBER
SEPTEMBER 29, 2006 01073C0566G

State of Alabama
Federal Emergency Management Agency



REA reviewed the on-line Soil Survey of Jefferson County, Alabama published by the U. S. Department of Agriculture, photograph with soil designations dated 1997. Pre-development soils at the Property are identified mostly as Urban Land (44). These soils are ones where the original soil was altered by cutting and filling, shaping and grading, excavating, blasting, compacting, or covering with concrete or asphalt. This mapping unit consists of areas covered by commercial, industrial and high density residential facilities. Some Gorgas-Rock (20) outcrop complex, steep soils were identified on the north end of the Property.

1.4 UTILITIES

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

- **Electricity:** Alabama Power
- **Natural Gas:** Alabama Gas Company (central laundry dryers and water heater only)
- **Domestic Water:** Birmingham Water works
- **Sewer:** Jefferson county Sewer
- **Solid Waste:** Veolia

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

**Mountain Lodge Apartments
2501 Mountain Lodge Circle
Vestavia Hills, Alabama 35216
Project Number 075535**



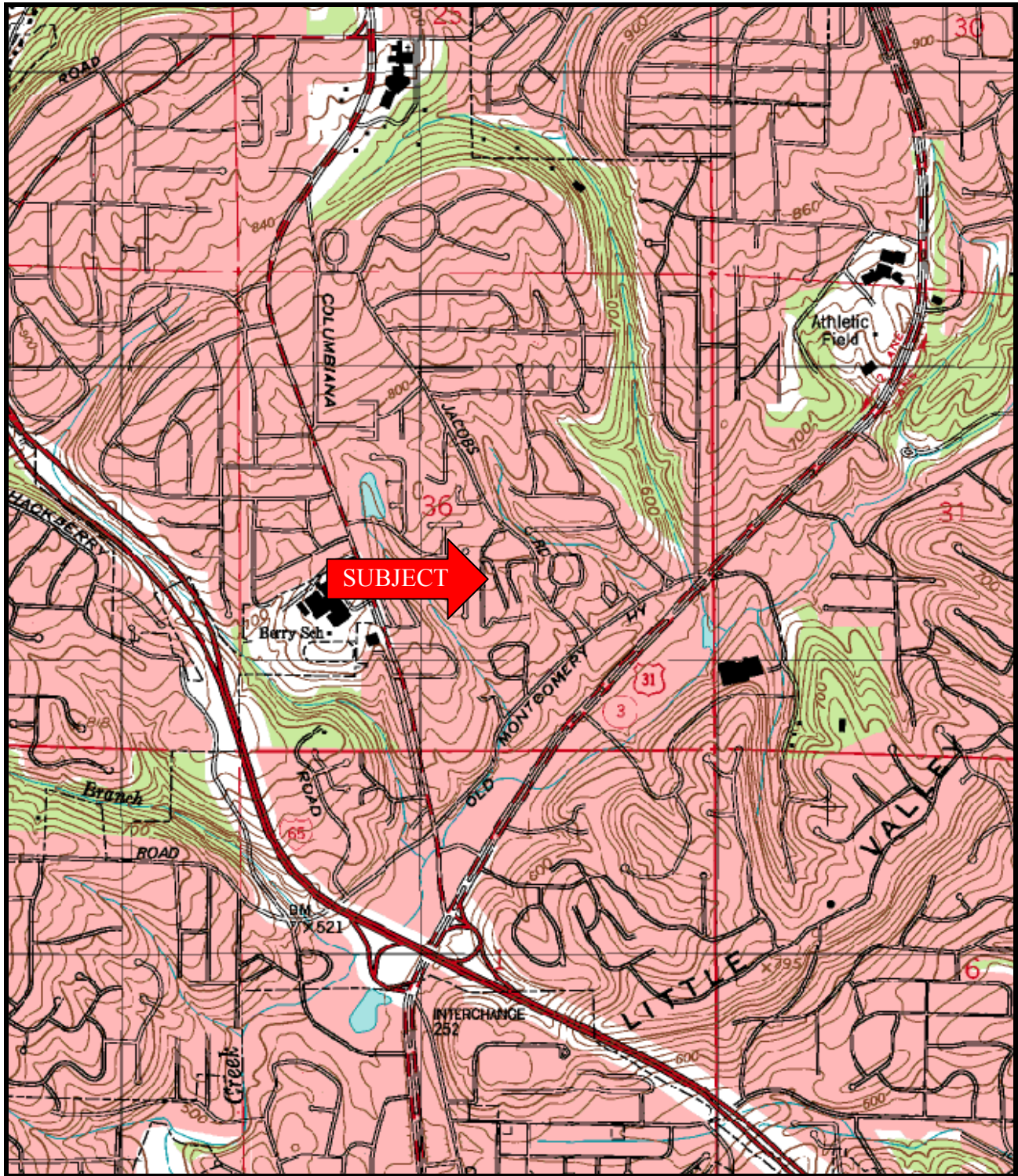


FIGURE II – TOPOGRAPHIC MAP

**Mountain Lodge Apartments
2501 Mountain Lodge Circle, Vestavia Hills, Alabama 35216
Project Number 075535
Birmingham South, AL Quadrangle dated 1997**



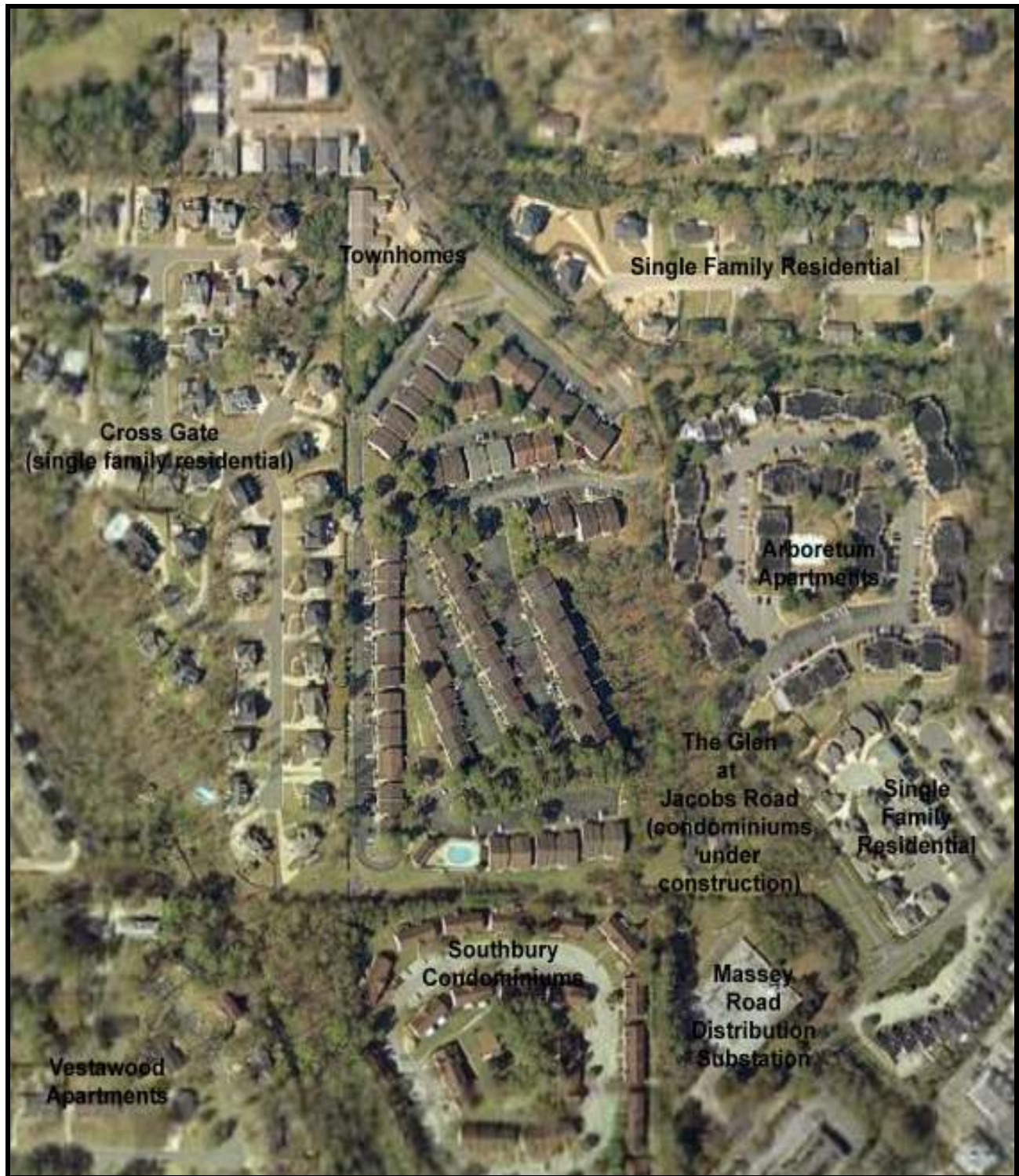


FIGURE III – PROPERTY MAP
Mountain Lodge Apartments
2501 Mountain Lodge Circle
Vestavia Hills, Alabama 35216
Project Number 075535



2.0 BUILDING OVERVIEW

The Property is an irregular shaped 15.27-acre tract of land developed as an apartment complex in 1973 with 37 garden style apartment buildings. The buildings are two- and three-stories and contain a total of 254 apartments. The Property leasing office is located in building 2501 that also contains a maintenance shop. A wading pool, common laundry room, health center and clubhouse center are located at the south side of the Property.

2.1 STRUCTURAL

Foundations:

REA did observe evidence of foundation settling at the Property.

- Of the 37 buildings observed, five buildings (2563, 2565, 2567, 2569 and 2571) had visual evidence of foundation settlement at several units (cracked drywall, masonry, sloping floors). These buildings should be investigated further to determine the extent of settlement and recommend required repairs. REA recommends hiring a structural engineer to examine these buildings. Locations of units impacted by significant foundation settlement have been included in the Appendix 3 (List of apartments inspected).
- According to Ms. Jean Fryman, the Property Manager, there were no recent cracks reported (during her 2 year tenure).

REA reviewed the Property Condition Report, prepared by Terracon dated October 6, 2003. Terracon reported that in October, 2003 the site was inspected by Mr. Frank Stegall, P. E. with Construction Consulting Engineers LLC. Mr. Stegall inspected the crawl spaces at eleven buildings looking for evidence of settlement. No evidence of settlement was reported by Mr. Stegall at that time. However, Mr. Stegall observed some evidence of mold growth on the foundation walls and wood structure members. Terracon included basic measures to clear the mold growth by installing two 10-mil layers of polyethylene sheeting placed over exposed soil floor and install blower fans at the northeast side of crawl spaces to increase the ventilation of the areas.





REA noted both the 10-mil layer polyethylene sheeting and blower fans installed in the crawl spaces of Buildings. Foundation in the crawl spaces appeared to be reinforced concrete supporting conventional wood stud framing and wood joists supporting plywood and gypcrete flooring.



In the observed cases, foundation movement has also resulted in interior drywall damage, poorly operating doors and windows, and uneven floors. It should be noted that structural integrity does not appear to be compromised in any of the areas of foundation settlement. Cracked brick veneer should be sealed as necessary and instances of significant settlement investigated by a foundation repair consultant. Estimated costs for additional investigation have been included in the Immediate Needs Table. Costs for potential needed repairs are to be determined after the additional investigation is completed.

Framing:

REA noted no significant deficiencies with respect to structural systems at the Property and no significant expenditures are anticipated over the term. No indications of termite damage were noted during the assessment. Management reported that Scientific Pest Control services the Property on an as-needed basis. No concerns were reported with prior services.



On all buildings, framing above the foundations is wood supported by reinforced concrete supporting conventional wood stud framing and wood joists supporting plywood and gypcrete flooring.



Exterior walls typically consist of 2x4 wood studs at 16" on center. Wall exteriors are finished with vinyl siding with stone veneer at the lower level attached to the structure framing. Roof framing consists of pre-fabricated wood trusses and plywood sheathing. Based on a visual inspection of the buildings at the Property, it does not appear that fire-retardant treated plywood was used for roof sheathing at the Property.



Floor framing consists of wood floor joists with plywood floor decking covered with lightweight concrete. Every two units feature a concrete masonry unit (CMU) fire wall for all buildings. The walls were observed to be unfinished (no drywall) in the apartment units.



2.2 ELEVATORS, STAIRWAYS, LANDINGS and BALCONIES

REA observe damage / deficiencies pertaining to stairways and the corrugated decking of the upper walkways. Exterior stairs are located within the breezeways of the buildings to access upper floor levels. The Property does not contain elevators.

First-floor front elevation building entrances throughout the Property feature concrete exterior landings which are served by concrete stairs and sidewalks. Stairways serving the second floor units consist of metal stairs with concrete filled pans and metal railings. Upper walkways consist of corrugated metal decking with concrete landing supported by metal posts.



The breezeways/common entryway walks of Property mostly have steel-framed, concrete-filled metal pan landings at all levels. Building with crawl spaces has concrete slab landings at grade level. REA notice that the Property handrails (33 inches high) and pickets (5½ inches spacing) do not meet current building and life safety codes. This condition was also noted in the Terracon Property Condition Report, dated October 2003. REA recommends replacing or modifying the railings as a safety precaution. Estimated costs are included in the Immediate Needs Table.



Stairways consist of metal stringers with concrete filled metal pan stairs treads with open risers and metal handrails. REA noted significant rusting on the metal undersides of the stairs treads.

REA has accounted for stairwell and landing repairs with costs included in the Immediate Needs Table. REA anticipates continued maintenance/repairs to the metal framed stairwells over the term with costs included in the Replacement Reserve Worksheet.



Each upper floor apartment has a patio or a balcony. At-grade patios consist of concrete slabs on grade. Balcony construction consists of treated wood framing decking with (headers and joists) cantilevered off the building structure with perimeter columns supports. Balconies are enclosed with vinyl railings. "Ceilings" for the patios and lower-floor balconies consist of the wood framing and floor planks for the balconies above; top-floor balconies are exposed with no ceilings. The patios and balconies are accessed from the respective apartments by double-pane, full light, swinging metal and glass doors set in wood frames. The balconies appeared to be in fair to poor condition. REA noticed the wood decking to be deteriorating and will require replacing during the evaluation period. REA has attributed cost in the Replacement Reserve Worksheet.

2.3 INSULATION

Floor insulation in the crawl spaces was observed to have fallen in many areas (typical condition shown at right). REA recommends that the insulation be replaced, and the costs have been accounted for in the Immediate Needs Table.

REA noted no other significant deficiencies regarding insulation, and no significant capital expenditures are anticipated during the term regarding insulation. Batt insulation is believed to be present between the studs of exterior walls. Batt insulation was observed between the floor trusses in the crawl spaces, and blown-in fiberglass insulation was observed in the attic spaces.



2.4 ROOFING

REA noted no significant deficiencies regarding roofing. Property management personnel reported that the roofs were repaired or replaced in 2003. Property management reports no concerns in roof leakage on the Property. All prior roof leakage problems have been fixed during the replacement in 2003. During the term considered, REA does not anticipate roof shingle replacement will be required.

The roofing systems at the Property consist of gabled roofs with asphalt composition shingles installed over plywood decking or oriented strand board (OSB) decking. Decking is supported by 2x4 wood trusses at 24 inches on center (typical roof framing and attic insulation shown at right).





Aluminum gutter and downspout systems are present at horizontal roof lines. The gutters direct stormwater to downspouts, which in turn discharge mostly to underground or aboveground piping via sheet flow to concrete drainage channels that runs throughout the Property. REA observed areas of damaged (e.g., bent) gutters. REA recommends gutter deficiencies are to be corrected. In addition roof drainage appeared to be adequate; however, property maintenance reported that most gutters and downspouts were blocked by an accumulation of pine straw. REA recommends management to consider gutter protection system to reduce the continuing labor intensive problem of managing pine straw removal from the gutters and downspout system.

No evidence of fire retardant roof sheathing was observed or reported at the Property.

2.5 BUILDING EXTERIOR

REA observed carpenter bees nesting in the wood beams and fascia boards. Carpenter bees nest in a wide range of softwoods and hardwoods, particularly if the wood is weathered. Carpenter bees create a nuisance by excavating round entry holes in wood (see bottom right picture) and depositing yellowish to brownish streaks of excrement and pollen on surfaces below entry holes. The bees can more easily tunnel through woods that are soft and that have a straight grain. In buildings, carpenter bees nest in bare wood near roof eaves and gables, fascia boards, porch ceilings, decks, railings, siding, shingles, shutters, and other weathered wood. These bees avoid wood that is well painted or covered with bark.

REA recommends the wood surfaces well painted with a polyurethane or oil-base paint to deter attack by carpenter bees. REA recommends periodic inspection on painted surfaces, to avoid coatings deterioration due to weathering. When dealing with carpenter bees, it is preferable to locate tunnel entrances during the daytime, but treat after dark on a cool evening when carpenter bees are less active. Wear protective clothing to avoid any stings during treatment.





REA noted no other significant deficiencies regarding the building exteriors. Minor areas of deteriorated trim were observed but can be replaced at the time of the next exterior painting. The exterior walls consists of a combination of vinyl siding with stone veneer at the lower level attached to the structural framing. REA noted settlement at buildings 2563, 2565, 2567, 2569 and 2571; visual evidence of foundation settlement was observed at several units (cracked drywall, masonry, sloping floors). However, effects of movement were apparent at some locations; installation of vinyl siding may cover defects at other locations. These buildings should be investigated further to determine the extent of settlement and recommend required repairs.

The exterior finishes are constructed of generally maintenance free materials. REA anticipates routine maintenance over the evaluation period. Exterior painting and staining of balconies, stairs, walkways and landings will be required during the evaluation period. Estimated costs have been accounted for in the Replacement Reserve Worksheet.

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 and observation ports. Patio/balcony doors: full-light, double-pane swinging metal and glass doors set in wood frames.
Windows:	Double-pane glass in anodized aluminum frames.
Facade:	Mostly stone veneer and vinyl siding with treated wood decking and maintenance free vinyl panel siding in the breezeways.
Fascia and Soffits:	Fascia: vinyl Soffit: vinyl
Roofing:	Wood framed sloped roofs with asphalt composition shingles.
Skylights:	Not applicable.



REA observed minor damaged fascias, soffits and gutters. REA has included repair costs in the Immediate Needs Table.

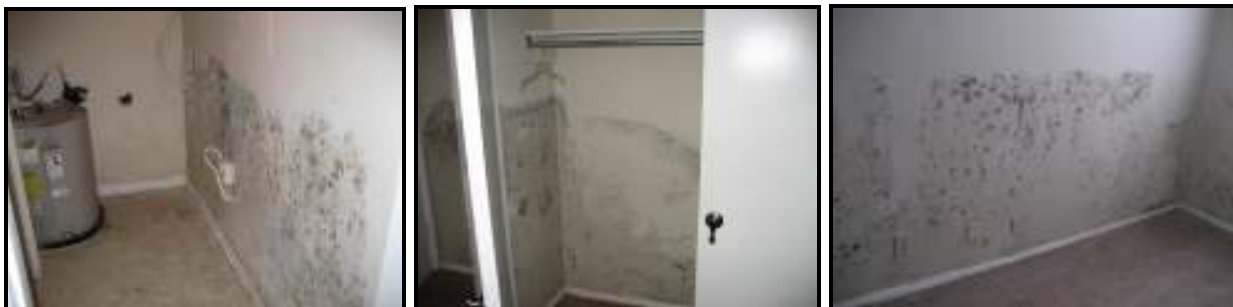
Management reported that the vinyl siding through the Property was installed over existing plywood panel (a.k.a. T-111) siding in 2006. Management reported that any water-damaged or deteriorated siding was replaced prior to the installation of the vinyl siding. While some deteriorated siding was present, Management reported there were no significant problems such as wet/damaged wall insulation or damaged wall framing. An estimate of \$40,000 was spent in treating vinyl siding through the Property in 2006.

2.6 INTERIOR BUILDING FINISHES

Two apartments and clubhouse were reported and observed to be down (i.e., unleaseable) at the time of the on-site assessment. Apartment 2535-C was down due to a kitchen fire in August 2006. The fire was reportedly caused in kitchen and was put out by the fire sergeant leaving next door before the fire department arrived to the Property.



No reports of water infiltration or mold concerns were reported by the Property. However, REA did observe some mold buildup at Apartment 2557-A. This was a result of water leak from a water heater.



REA recommends this area be corrected.

Costs to repairs these items have been accounted for in the Immediate Needs Table.

The clubhouse contains a fitness room, gathering area, laundry, storage and restrooms for tenant use. REA observed lower level of the clubhouse was gutted down to studs. Management reports that the lower level of the clubhouse had been closed down for some time. According to Mr. Tony Bird, Property maintenance supervisor, the water damage and mold growth was reportedly removed by a contractor. REA observed replacement ductwork installed in 2003, along with two and five ton HVAC units and 75 gallon water heater for the laundry room functioning at the time of inspection.



REA has attributed the cost to repair the lower level clubhouse in the Immediate Repair Needs. Except for the three units discussed above, interior finishes were noted to be in generally good condition. No other significant deficiencies were noted.

REA observed stained ceilings in some top-floor apartments and in some top-floor water heater closets (typical stain on apartment ceiling shown at right), reportedly resulting from formerly leaking roofs (no active leaks observed or reported). REA was informed by Mr. Tony Bird, Property Maintenance Supervisor, that roofs were repaired and re-singled throughout the Property in 2003. The leaking problem has since been corrected, and Mr. Bird reported no persistent roof leaks. Stained ceilings should be repaired/repainted as needed as part of routine maintenance or apartment turnover.



Property Management personnel reported that the appliances have been replaced on an as-needed basis. 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.

REA also anticipates refinishing of countertops, sinks and bathtubs/showers and minor door/drawer replacement. Refinishing and door/drawer replacement costs are considered to be part of apartment turnover and have not been accounted for in the Replacement Reserve Worksheet.

Mold:

REA noted no indications of significant mold problems in the apartments accessed for inspection. Other than the one discussed earlier in Apartment 2557-A. Interior and exterior finishes were observed to be in generally good condition.

Living areas at the Property have the following components:

- Framing:** Wood studs.
- Ceilings:** Textured Painted Drywall “crows feet”
- Walls:** Painted gypsum board.
- Flooring:** Carpet with vinyl entryways.
- Fire Place:** Not applicable
- Interior Doors:** Mostly hollow wood, swinging doors in wood frames; hollow wood bi-fold doors at mechanical closets.
- Wet Bar:** Not applicable.
- Window Treatments:** Vinyl blinds.

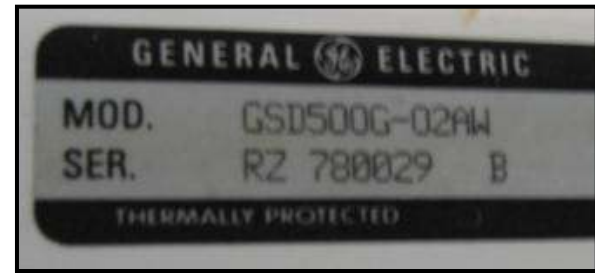
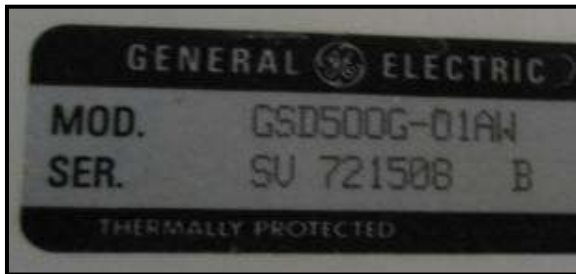
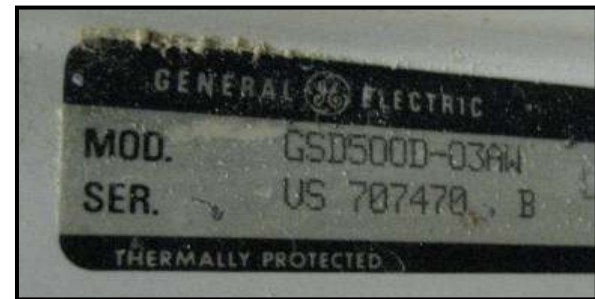
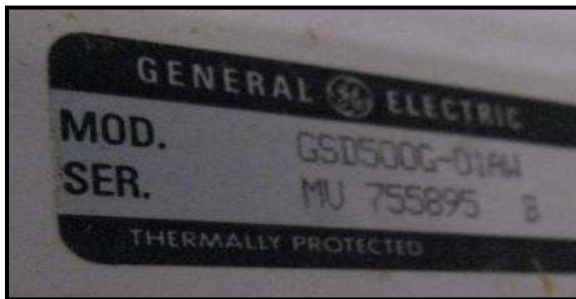


Kitchens at the Property were noted to be in good condition and have the following components:

Appliances:	Refrigerator/freezer (with icemaker) (mostly GE and Hotpoint) (replaced as needed at a cost of \$400/unit) Dishwasher (mostly GE and Hotpoint) (replaced as needed at a cost of \$200/unit) Electric oven and range (mostly GE and Hotpoint) (replaced as needed at a cost of \$300/unit) Garbage disposal Double-bowl stainless steel sinks
Cabinetry:	Wood and laminated particle board
Counter Tops:	Laminated
Ceilings:	Textured Painted Drywall "crows feet"
Walls:	Painted gypsum board
Flooring:	Vinyl

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

The appliances in the unit's inspected consist of a mix of original and new equipment and appear to be in good condition. In apartments inspected, REA noted GE and Hotpoint dishwashers in few units. A recall for defective slide switches was issued on these models. GE and Hotpoint brand dishwashers that have a slide switch can melt and ignite, presenting a fire hazard. GE manufactured 3.1 million of these dishwashers between 1983 and 1989. The GE and Hotpoint dishwashers involved are models beginning with GSD500D, GSD500G, GSD540, HDA467, HDA477, or DHA487 with serial number that has a second letter of A, M, R, S, T, V or Z (for example: MV755895, see below). REA recommends maintenance to inspect the affected parts on these dishwashers were replaced or repaired. Maintenance can also contact a GE-authorized technician to inspect and re-wire the slide switch for the dishwashers at no cost.



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

- Fixtures:** Porcelain enameled metal standard size tubs with ceramic tile wall surrounds; fiberglass or polymer garden tubs with ceramic tile wall surrounds.
Vitreous china toilets.
- Cabinetry:** Wood and laminated particle board.
- Counter Tops:** Laminated wood
- Ceilings:** Textured Painted Drywall "crows feet"
- Walls:** Painted gypsum board.
- Shower Walls:** Fiberglass stands showers and ceramic tile.
- Flooring:** Vinyl.

2.7 HEATING, VENTILATION AND AIR CONDITIONING



HVAC equipment was noted to be in fair to good to serviceable condition with no significant tenant complaints reported by Property management personnel. Heating and cooling in the units are provided by individual split system with electric coils in the air handling units and exterior pad-mounted condensing units. The ceiling-hung fan coil units are located in the laundry room within each apartment unit. Fan coil units are mostly original (i.e., approximately 34 years old in thirty three percent of the Property). These units are replaced as needed at a cost of \$400 per unit. The cooling capacity of the air conditioning units ranges from 2 to 2½ tons depending on the unit size. Air conditioning condensing units have been replaced on as-needed basis; REA noted approximately 1/3 of original condensing units remain. The remaining condensing units are in the range of 1-15 years old. The original condensing units and fan coil units observed were mostly in poor condition. 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 in the Clubhouse building are supplied by 2 and 5 ton HVAC units manufactured by Ducane. Management notified REA that the units and ducting were installed in 2003.



2.8 DOMESTIC HOT WATER

No deficiencies or concerns were noted with the electric water heaters at the Property. Units are equipped with thirty to forty-gallon electric water heaters. These units are replaced as needed at a cost of \$150 per unit. Clubhouse is equipped with 75-gallon RUUD gas water heater, for the laundry room and common washrooms in health club. Property management personnel reported that water heaters have been replaced as needed. REA noted approximately 1/3 of the water heaters to be original. REA anticipates routine replacement of these units and costs are included for this in the Replacement Reserve Table.



2.9 PLUMBING

No significant 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 and drain piping to the tenant spaces is located in the walls and floors of each building.



Water supply piping is copper; drain piping is PVC and cast iron. No polybutylene water piping was observed in the apartments. In addition, Mr. Tony Bird, Property Maintenance Supervisor, 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 no significant capital expenditures are anticipated during the term regarding electrical service. The electrical service is in generally good condition with no recurring or persistent problems reported.



Electrical service enters the Property through pad mounted electrical transformers located throughout the Property. Electrical potential is stepped down in the transformers and enters exterior electrical panels with circuit breakers contained in each apartment. Each apartment is individually metered and electrical service to the apartment units is 125 ampere, 120/240 volts. Electrical meters are located on the exterior of the buildings.



REA did not notice Ground-fault interrupter ("GFI") electrical circuit breakers, designed to mitigate the potential for electric shock in wet areas, usually are present in the bathrooms and in the kitchens. Though not required by code at the time of construction, Property management may wish to install GFI outlets in the bathrooms and kitchens of the Property.

2.11 FIRE AND LIFE SAFETY

REA noted no significant 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:	Battery-powered detectors in each apartment
Fire Extinguishers:	Provided in each breezeway by the unit and common areas
Central Fire Alarm System:	Not provided
Fire Hydrants:	Throughout the site
Sprinkler System:	Not provided
Security System:	Not provided

REA observed and Property management reported these systems to be in generally good working order. In addition REA noted that the extinguishers were inspected / serviced by Fire Master on January 2007.



3.0 PROPERTY IMPROVEMENTS OVERVIEW

3.1 PROPERTY DRAINAGE

REA observed minor erosion between building 2573 and 2575. This is caused due to surface water from the lawn areas mostly flows overland via sheet flow to concrete drainage channels runs throughout the Property and carries stormwater to the southwest corner of the Property, where stormwater enters the municipal stormwater collection system.

No other significant deficiencies were noted regarding Property drainage (e.g., nuisance standing water or drainage into apartments). And, no significant capital expenditures are anticipated during the term regarding drainage.

Surface water on the paved portions of the Property drains overland mostly to curb inlets located at various places throughout the parking lots. Surface water from the lawn areas mostly flows overland via sheet flow to concrete drainage channels and to a wooded gully that begins at the rear of Building 2571 and is joined by drainage channel that originate near Building 2521 flows to the west. Surface water from the Property is ultimately directed to on-site retention ponds with an overflow that discharges to municipal sewer main.



3.2 RETAINING WALLS

Retaining walls were noted to be in generally good condition. No significant capital expenditures are anticipated for retaining walls during the term considered.

The Property has the following retaining walls:

- A mortared stone retaining wall around sides of Building 2513.
- Railroad tie walls around the condensers units, playground and at the north side of the parking area adjacent Buildings 2557, 2559 and 2561.
- Poured concrete retaining walls at east and south side of swimming pool. The wall range from one to ten feet in height.



3.3 DRIVEWAYS, PARKING LOTS AND SIDEWALKS

REA observed no significant deficiencies regarding driveways, parking lots or sidewalks (e.g., potholes or spalled areas in the parking areas or sidewalk trip hazards). The asphalt-paved parking and drives were noted to be in generally good condition. REA anticipates that resealing and restriping will be required over the term of the loan. Associated costs are included in the Replacement Reserve Worksheet.



Concrete sidewalks and concrete steps are located throughout the Property. The sidewalks and steps are located at the ends of the buildings and provide access from the asphalt paved parking areas to the building exterior landings and stairwells. REA noted cracked and damaged sidewalk, landings at Building 2561. This is considered a trip hazard. Associated repair costs are included in the Immediate Needs Table.



During the term considered, periodic asphalt repair, sealing and striping are anticipated, and costs are accounted for in the Replacement Reserve Worksheet.

The Property is accessible by automobile via one entrance/exit driveway from Jacobs Road located on the west boundary. The Property has approximately 435 marked, open parking spaces scattered throughout the Property.

The parking lots and driveways of the Property consist of asphalt installed over a stabilized base. REA observed the asphalt surfaces to be in generally good to fair condition.

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



3.4 FENCING

The wood privacy fence along the west boundary at Mountain Lodge Circle is in generally fair condition and is owned by the adjacent property.

REA does not anticipate significant capital expenditures during the term regarding fencing.

The Property has the following fencing:

- Approximately 5- to 6-foot tall painted metal stile fencing atop retaining walls posts and 5-foot tall wood fencing around the swimming pool.
- Approximately 5-foot tall painted metal stile fencing atop wood railroad tie walls around the playground.
- Approximately 4-foot tall painted metal stile fencing around the corner of Building 2513.

3.5 EXTERIOR LIGHTING

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

Exterior pole-mounted and building-mounted high intensity lighting was observed throughout the complex and was noted to be in good condition. Wall- or ceiling-mounted incandescent or fluorescent lights are located in the building breezeways. The lighting appeared to be adequate, although the lights were not observed at night.

3.6 LANDSCAPING

REA observed no significant deficiencies regarding landscaping. The Property is landscaped with grassed lawn, shrubs and small and large trees throughout. The landscaping is maintained by Landscape Associates, a private vendor. REA noted the landscaping at the Property to be in good condition. The landscaping is watered manually. No major replacements are anticipated regarding the landscaped areas.

3.7 RECREATIONAL FACILITIES

The Property has the following recreational facilities:

- One wading swimming pool with a gunite type interior and a ceramic tile transition to a concrete coping. The pool has a concrete deck and is surrounded by approximately 5-foot tall painted metal stile fence on metal posts and wooden fence. Pool equipment (i.e., chlorination, pumping and filtration equipment) is located in a pump room near the pool. The pool is maintained by in-house staff.
- The Clubhouse consists of a health fitness room, gathering area, laundry room, storage and restrooms for tenants use. The construction is similar to the apartment building. The Clubhouse is two-story with mezzanine structure. The ground floor is conventional steel frame structure consisting of reinforced concrete foundation, steel columns and bar joints supporting concrete slab on metal deck. The second floor and mezzanine are wood structure with painted finishes on cedar paneling and decking. The exterior finishes are similar to the resident buildings.



REA observed lower level of the clubhouse was gutted down to studs. Management reports that the lower level of the clubhouse had been closed down for some time. According to Mr. Tony Bird, Property maintenance supervisor, the water damage and mold growth was reportedly removed by a contractor. REA has attributed the cost to repair the lower level clubhouse in the Immediate Repair Needs.

Considering reconditioning of the pool and deck in the near term, REA does not anticipate additional capital expenditures regarding the pool until the end of the term. Costs for pool and equipment repair/upkeep are accounted for in the Replacement Reserve Worksheet.

3.8 SITE AMENITIES

Site amenities were observed to be in good condition; no deficiencies were noted. During the term considered, REA does not anticipate significant capital expenditures regarding site amenities.

The Property has the following amenities:

- One leasing office building located in building 2501 that also contains a maintenance shop in crawl space. The leasing office is constructed and finished similarly to the apartment buildings.
- A common laundry room that contains four washers and four dryers owned and maintained by Mac-Gray Services, a private vendor.
- A mail facility consisting of wall-mounted metal mailboxes by breezeways.

3.9 SIGNAGE



No significant deficiencies were noted regarding Property signage. There is a monument sign at the main entrance for each Phase of the Property. The buildings are identified by address numbers mounted on the entrance doors. Additional signage is located throughout the Property where necessary. No concerns were noted regarding the signage at the Property and no replacements are anticipated within the term of the loan. Property management reported that all new signage was installed in 2003.



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.

Most of the Property improvements, including the leasing office, were constructed in 1973 prior to the implementation of the ADA.

With the exception of the "public" leasing office portion of the leasing office building, the Property does not have buildings or amenities that are considered "public areas." Therefore, many of the following requirements apply only to the public portion of the leasing office.

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 building. One parking space at the office is designated with pavement marking only; no pole-mounted sign is present, and the space is van accessible since it has adjacent aisle. Designated handicapped parking spaces are located 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 a curb ramp transitioning from the parking lot at the designated parking space to the walkway that leads to the leasing office. Curb cuts/ramps are present at some 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.

There is an accessible exterior route leading from the designated parking space to the entrance ramp of the leasing office.

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. Based on this cursory review, the leasing office has a generally accessible entrance.



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 public area of the leasing office interior is generally configured to accommodate persons with disabilities.

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.

Restrooms at the leasing office are not accessible and should be labeled for employee use only.

4.8 Pool Facilities

The swimming pool is not on accessible path due to curbs and steps.

4.9 Other Requirements

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

No drinking fountains, automatic teller machines or emergency telephone were observed at the Property.



5.0 COST ESTIMATES

5.1 Immediate Repairs

Based upon the findings of this assessment, REA recommends the following immediate repairs:

IMMEDIATE REPAIR NEEDS

Item	Description	Cost
1.	Repair/replace rusted - stair pans, metal stair landings and stair supports at breezeways (Net)	\$30,000
2.	Modify stairway railings to meet current life safety requirements (37 buildings @ \$5,000/bldg)	\$185,000
3.	Replace falling crawl space insulation (Net)	\$5,000
4.	Repair/replace damaged fascias and soffits. (Net)	\$1,000
5.	Roof Drainage exterior system, add gutter protection system (Net)	\$9,400
6.	Repair down unit 2535-D (kitchen fire and smoke damage), 2557-A (mold) and clubhouse (Net)	\$45,000
7.	Correct minor erosion, especially between Building 2573 and 2575	\$1,000
8.	Repair concrete sectional breezeway entrance Building 2561 (Net)	\$1,000
9.	Paint wooden beams and wood surfaces with a polyurethane or oil-base paint to deter attack by carpenter bees. (Net)	\$5,000
10.	Settlement at Buildings 2563, 2565, 2567, 2569 and 2571; Instances of foundation settlement were observed at several units with cracked drywall, masonry and sloping floors. (\$20,000 for investigation; repair cost to be determined after additional investigation)	*20,000
11.	Inspect- repair/replace GE and Hotpoint recalled dishwashers switch.	**\$0
TOTAL:		\$302,400

* Hire structural Engineer.

** Contact GE-authorized technician.

5.2 Costs Over Term

The total inflated 12-Year Replacement Reserve for the Property is \$ 870,176 (see the following page). The cost per unit over the term of the loan plus two years is \$ 3,426, or an average annual cost of \$ 285 per unit. The average annual uninflated cost is \$ 249. The projections include maintenance of the exterior building envelope and exterior site improvements, and partial replacement of major appliances, carpeting 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 living room area.



21. View of typical bedroom area.



22. View of typical bedroom area.



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



24. View of typical breezeways.



APPENDIX 2

Fannie Mae Forms



APPENDIX 3

List of Apartments Inspected



**Mountain Lodge Apartments
2501 Mountain Lodge Circle
Atlanta, Georgia 30329**

LIST OF APARTMENT UNITS INSPECTED

Inspected by: Kashif Bazal

Inspected on: March 26th & 27th, 2007

APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2501A	2/1½	Occupied	Good
2501B	2/1½	Occupied	Good
2501C	2/1½	Occupied	Good
2501D	2/1½	Occupied	Good; GE - Recalled Dishwasher
2501E	2/1½	Occupied	Good
2501F	2/1½	Vacant	Good
2501G	2/1½	Occupied	Good; water damaged wall at standing shower; GE - Recalled Dishwasher
2501H	2/1½	Occupied	Good; water damaged wall at standing shower
2503A	2/1½	Vacant	Good
2503B	2/1½	Occupied	Good
2503C	2/1½	Occupied	Good
2503E	2/1½	Occupied	Good; master bath not accessible; GE - Recalled Dishwasher
2503F	2/1½	Occupied	Good
2503G	2/1½	Occupied	Good
2503H	2/1½	Occupied	Good; water heater not accessible; GE - Recalled Dishwasher
2505A	2/1½	Occupied	Good
2505B	2/1½	Occupied	Good
2505C	2/1½	Occupied	Good
2505D	2/1½	Occupied	Good
2505E	2/1½	Occupied	Good
2505F	2/1½	Occupied	Good



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2505G	2/1½	Occupied	Good
2505H	2/1½	Vacant	Good
2507A	2/1½	Occupied	Good
2507B	2/1½	Occupied	Good
2507C	2/1½	Occupied	Good; bedrooms not accessible
2507D	2/1½	Occupied	Good
2507E	2/1½	Occupied	Good
2507F	2/1½	Occupied	Good; guest bedroom not accessible
2507G	2/1½	Occupied	Good
2507H	2/1½	Occupied	Good
2509A	2/1½	Occupied	Good; guest bedroom not accessible
2509B	2/1½	Occupied	Good
2509C	2/1½	Occupied	Good
2509D	2/1½	Occupied	Good; GE - Recalled Dishwasher
2509E	2/1½	Occupied	Good; guest bedroom roof leak fixed Nov 06
2509F	2/1½	Occupied	Not Accessible- kids home alone
2509G	2/1½	Occupied	Good
2509H	2/1½	Occupied	Good; water stained ceiling
2511A	2/1½	Occupied	Good
2511B	2/1½	Occupied	Good
2511C	2/1½	Occupied	Good; GE - Recalled Dishwasher
2511D	2/1½	Vacant	Good
2511E	2/1½	Occupied	Good; bathroom not accessible
2511F	2/1½	Occupied	Good; guest bedroom roof leak fixed
2511G	2/1½	Occupied	Good
2511H	2/1½	Occupied	Good



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2513A	2/1½	Occupied	Good
2513B	2/1½	Occupied	Good
2513C	2/1½	Occupied	Good
2513D	2/1½	Occupied	Good
2513E	2/1½	Occupied	Good
2513F	2/1½	Occupied	Good
2513G	2/1½	Occupied	Good
2513H	2/1½	Occupied	Good
2515A	2/1	Occupied	Good; closet door removed.
2515B	2/1	Occupied	Good
2515C	2/1	Occupied	Not accessible
2515D	2/1	Occupied	Good; minor mold on master bath wall
2515E	2/1	Occupied	Good
2515F	2/1	Occupied	Good
2515G	2/1	Occupied	Good
2515H	2/1	Occupied	Good
2515J	2/1	Occupied	Good
2515K	2/1	Vacant	Good; ready to move-in; GE - Recalled Dishwasher
2517A	2/1	Occupied	Good
2517B	2/1	Occupied	Good
2517C	2/1	Occupied	Good
2517D	2/1	Occupied	Good
2517E	2/1	Occupied	Not accessible- Dog
2517F	2/1	Occupied	Good
2517G	2/1	Occupied	Not accessible- Dog's



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2517H	2/1	Occupied	Good
2517J	2/1	Occupied	Good; GE - Recalled Dishwasher
2517K	2/1	Vacant	Good
2519A	2/1	Occupied	Good; bathroom roof leak fixed
2519B	2/1	Occupied	Good
2519C	2/1	Occupied	Good
2519D	2/1	Occupied	Good; bathroom roof leak fixed
2519E	2/1	Vacant	Good
2519F	2/1	Occupied	Good
2519G	2/1	Occupied	Good
2519H	2/1	Occupied	Good
2519J	2/1	Occupied	Good
2519K	2/1	Occupied	Good
2521A	3/2	Occupied	Good; GE - Recalled Dishwasher
2521B	3/2	Occupied	Good; water stained ceiling at kitchen, guest bedroom, living room and water heater closet
2521C	3/2	Occupied	Good; GE - Recalled Dishwasher
2521D	3/2	Occupied	Good
2523A	3/2	Vacant	Good minor mold on ceiling of water heater closet
2523B	3/2	Occupied	Good
2523C	3/2	Vacant	Good;
2523D	3/2	Vacant	Good
2525A	3/2	Vacant	Good
2525B	3/2	Occupied	Good
2525C	3/2	Vacant	Good
2525D	3/2	Vacant	Good; CMU wall in guest bedroom



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2527A	3/2	Occupied	Good
2527B	3/2	Occupied	Good
2527C	3/2	Occupied	Good; GE - Recalled Dishwasher
2527D	3/2	Occupied	Good
2529A	3/2	Occupied	Good
2529B	3/2	Occupied	Good; water stain on ceiling bedroom
2529C	3/2	Occupied	Good
2529D	3/2	Occupied	Good
2531A	3/2	Occupied	Good
2531B	3/2	Occupied	Good
2531C	3/2	Vacant	Good
2531D	3/2	Vacant	Good
2533A	3/2	Occupied	Good
2533B	3/2	Vacant	Good; made ready to move-in
2533C	3/2	Occupied	Good
2533D	3/2	Vacant	Good
2535A	3/2	Occupied	Good
2535B	3/2	Occupied	Good
2535C	3/2	Occupied	Good
2535D	3/2	DOWN	Fire in kitchen
2537A	3/2	Occupied	Good
2537B	3/2	Vacant	Good
2537C	3/2	Model	Good
2537D	3/2	Occupied	Good



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2539A	2/2	Occupied	Good
2539B	2/2	Occupied	Good
2539C	2/2	Occupied	Good
2539D	2/2	Model	Good
2541A	2/2	Vacant	Good
2541B	2/2	Vacant	Good
2541C	2/2	Occupied	Good
2541D	2/2	Occupied	Good
2543A	2/2	Occupied	Good
2543B	2/2	Occupied	Good
2543C	2/2	Occupied	Good
2543D	2/2	Occupied	Good
2545A	2/2	Occupied	Good
2545B	2/2	Occupied	Good
2545C	2/2	Occupied	Good
2545D	2/2	Occupied	Good
2547A	2/2	Occupied	Good
2547B	2/2	Occupied	Good
2547C	2/2	Occupied	Good; GE - Recalled Dishwasher
2547D	2/2	Occupied	Good
2549A	2/2	Occupied	Good
2549B	2/2	Occupied	Good
2549C	2/2	Occupied	Good
2549D	2/2	Occupied	Good



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2551A	2/2	Occupied	Good
2551B	2/2	Occupied	Good
2551C	2/2	Occupied	Good; water damaged wall at standing shower
2551D	2/2	Occupied	Good
2553A	2/2	Occupied	Good; water stained ceiling in living room
2553B	2/2	Occupied	Good
2553C	2/2	Vacant	Good; water damaged wall at standing shower
2553D	2/2	Occupied	Good
2557A	2/1	DOWN	Molded- walls and carpet
2557B	2/1	Occupied	Good
2557C	2/1	Occupied	Good
2557D	2/1	Occupied	Good- Minor settling leaving room
2557E	2/1	Occupied	Good
2557F	2/1	Occupied	Good
2557G	2/1	Occupied	Good
2557H	2/1	Occupied	Good
2557J	2/1	Model	Good
2557K	2/1	Occupied	Good
2559A	2/1	Occupied	Good
2559B	2/1	Occupied	Good
2559C	2/1	Occupied	Good
2559D	2/1	Occupied	Good
2559E	2/1	Occupied	Good
2559F	2/1	Occupied	Good



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2559G	2/1	Occupied	Good
2559H	2/1	Occupied	Good
2559J	2/1	Occupied	Good
2559K	2/1	Occupied	Good
2561A	2/1	Occupied	Good
2561B	2/1	Occupied	Good
2561C	2/1	Occupied	Not accessible
2561D	2/1	Occupied	Good
2561E	2/1	Occupied	Good
2561F	2/1	Occupied	Good
2561G	2/1	Occupied	Good
2561H	2/1	Occupied	Good
2661J	2/1	Occupied	Good
2561K	2/1	Occupied	Good
2563A	1/1	Occupied	Good; settling noted
2563B	1/1	Occupied	Good
2563C	1/1	Occupied	Good
2563D	1/1	Occupied	Good
2563F	1/1	Occupied	Good
2563G	1/1	Occupied	Good
2563H	1/1	Occupied	Good; GE - Recalled Dishwasher; settling noted
2563J	1/1	Occupied	Good; settling noted
2563K	1/1	Occupied	Good
2565A	1/1	Occupied	Good; settling noted
2565B	1/1	Occupied	Good
2565C	1/1	Occupied	Good; settling noted



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2565D	1/1	Occupied	Good; settling noted
2565E	1/1	Occupied	Good
2565F	1/1	Occupied	Good; settling noted
2565G	1/1	Occupied	Good
2565H	1/1	Occupied	Good; bedrooms not accessible; water stain on ceiling leaving room
2565J	1/1	Occupied	Good
2565K	1/1	Occupied	Good
2567A	1/1	Occupied	Good; guest bedroom not accessible
2567B	1/1	Occupied	Good; settling noted
2567C	1/1	Occupied	Good
2567D	1/1	Occupied	Good; settling noted
2567E	1/1	Occupied	Good
2567F	1/1	Occupied	Good
2567G	1/1	Occupied	Good
2567H	1/1	Occupied	Good
2567J	1/1	Occupied	Good
2567K	1/1	Occupied	Good; settling noted- uneven floor
2569A	1/1	Occupied	Good; water leak in living room fixed
2569B	1/1	Occupied	Good
2569C	1/1	Occupied	Good
2569D	1/1	Vacant	Good
2569E	1/1	Occupied	Good
2569F	1/1	Occupied	Good
2569G	1/1	Occupied	Good
2569H	1/1	Occupied	Good
2569J	1/1	Occupied	Good



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2569K	1/1	Occupied	Good
2571A	1/1	Occupied	Not accessible - Dog
2571B	1/1	Occupied	Good
2571C	1/1	Occupied	Good
2571D	1/1	Occupied	Good
2571E	1/1	Occupied	Good
2571F	1/1	Occupied	Good
2571G	1/1	Occupied	Good
2571H	1/1	Occupied	Good
2571J	1/1	Occupied	Good
2571K	1/1	Occupied	Good; settling noted
2573A	2/1	Occupied	Good
2573B	2/1	Occupied	Good
2573C	2/1	Occupied	Good
2573D	2/1	Vacant	Good
2573E	2/1	Occupied	Good
2573F	2/1	Occupied	Good
2573G	2/1	Occupied	Good
2573H	2/1	Vacant	Good
2573J	2/1	Occupied	Good
2573K	2/1	Occupied	Good
2575A	2/1	Occupied	Good
2575B	2/1	Occupied	Good
2575C	2/1	Occupied	Good
2575D	2/1	Occupied	Good



APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2575E	2/1	Occupied	Good
2575F	2/1	Occupied	Good
2575G	2/1	Occupied	Good
2575H	2/1	Occupied	Good
2575J	2/1	Occupied	Good
2575K	2/1	Occupied	Good

Note: "not accessible" = not able to be viewed/observed due to locked or heavily obstructed doors or space being occupied by residents or pets.



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. Joseph Hiden	Engel Realty Company – Regional Manager (205) 939-8269
2. Jean Fryman	Engel Realty Company – Site Manager, (205) 823-4804
3. Tony Bird	Maintenance Supervisor, Mountain Lodge Apartments (205) 503-1708
4. Greg Gilchrist	Fire Inspector Captain – Vestavia Hills Fire Department (205) 978-0218
5. Bill Heath	Compliance Officer – Department of Building and Safety (205) 978-0185
6. Patricia (representative)	Jefferson County Board of Equalization (205) 325-5566



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
<http://www.KashifBazal.com>

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.