



**Villas at Huffmeister Apartments
15050 Copper Grove Boulevard
Houston, Texas 77095**

PROPERTY CONDITION ASSESSMENT



SAMPLE DRAFT REPORT

**REAL ESTATE ADVISORY
PROJECT # 096751**

Prepared for:

**Primary Capital Advisors, LC
2060 Mt. Paran Road
Suite 101
Atlanta, Georgia 30327**

Prepared By:

**Kashif Bazal
Real Estate Advisory, L.L.C.
121 Fairfield Way, Suite 230
Bloomington, Illinois 60108
Phone (800) 347-7807
Facsimile (630) 893-4768**

February 11, 2009



Villas at Huffmeister Apartments
15050 Copper Grove Boulevard
Houston, Texas 77095

TABLE OF CONTENTS

“AT A GLANCE” SUMMARY OF FINDINGS I
EXECUTIVE SUMMARY III
REPLACEMENT RESERVE WORKSHEET VI
CERTIFICATIONS VII
1.0 GENERAL PROPERTY INFORMATION..... 1
2.0 BUILDING OVERVIEW 8
3.0 PROPERTY IMPROVEMENTS OVERVIEW.....18
4.0 AMERICANS WITH DISABILITIES ACT SCREEN24
5.0 COST ESTIMATES28

LIST OF FIGURES

- Figure I Property Location Map
- Figure II Topographic Map
- Figure III Site Map

APPENDICES

- Appendix 1 Site Photographs
- Appendix 2 Freddie Mac Forms
- Appendix 3 List of Areas Inspected
- Appendix 4 Roster of Interviews
- Appendix 5 Personnel Qualifications



Villas at Huffmeister Apartments

“AT A GLANCE” SUMMARY OF FINDINGS

ISSUE	CONDITION	PAGE NO.	COMMENTS
BUILDING OVERVIEW			
STRUCTURAL	GOOD	8	Concrete slab on grade foundation; gypcrete over wood framing decking
ELEVATORS, STAIRWAYS, LANDINGS AND BALCONIES	GOOD	9	Interior wood stairs at individual units; private unit patios and balconies with PVC railings at upper level patios
INSULATION	GOOD	10	Batts in walls and blown-in fiberglass in attics
ROOFING	GOOD	10	Sloped roofs with asphalt shingles. 2007 construction - replacement is not anticipated over the term.
BUILDING EXTERIOR	GOOD	11	Brick veneer and fiber-cement siding
INTERIOR BUILDING FINISHES	GOOD	12	Carpet and vinyl tile flooring
MOLD	GOOD	12	No concerns noted.
HEATING, VENTILATION AND AIR-CONDITIONING	GOOD	14	Unit-specific, split-systems w/ electric heat
DOMESTIC HOT WATER	GOOD	14	Individual electric hot water heaters
PLUMBING	GOOD	15	CPVC supply & PVC waste piping
ELECTRICAL	GOOD	15	100 and 125 amps capacity per apartment, circuit breakers, copper wiring; GFI outlets in bathrooms and kitchens
FIRE AND LIFE SAFETY	GOOD	16	Smoke detectors and extinguishers provided in apartments; hydrants at street. Security systems provided.
IMPROVEMENTS OVERVIEW			
PROPERTY DRAINAGE	GOOD	18	Storm drains connect to municipal storm water system. Retention pond located at the southeast portion of the site.
RETAINING WALLS	NA	18	
DRIVEWAYS, PARKING LOTS AND SIDEWALKS	GOOD	18	Concrete parking and sidewalks. Normal maintenance expected. 230 attached garages, 564 open spaces, and 12 accessible spaces

ISSUE	CONDITION	PAGE NO.	COMMENTS
FENCING	GOOD	19	Metal fence at pool, entrance gates, and partial site perimeters. Normal maintenance expected.
EXTERIOR LIGHTING	GOOD	19	
LANDSCAPING	GOOD	20	Automatic underground systems provided throughout. Irrigation water is sourced from an on-site water well
RECREATIONAL FACILITIES	GOOD	20	One swimming pool and fitness center
SITE AMENITIES	GOOD	21	Laundry equipment provided in each unit, business center and game room in leasing office. Car wash facility adjacent to maintenance shop.
SIGNAGE	GOOD	23	
ADA SCREEN	GOOD	24	All ground floor units are adaptable for accessibility purposes.



EXECUTIVE SUMMARY

On February 11, 2009, Kashif Bazal, Project Manager for Real Estate Advisory (“REA”), performed a Property Condition Assessment of Villas at Huffmeister Apartments located at 15050 Copper Grove Boulevard in Houston, Texas (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 identified the current condition of the Property, immediate repairs needed, and maintenance items that should be accounted for in the Replacement Reserve Worksheet. Furthermore, the assessment was conducted in accordance with Freddie Mac guidelines.

GENERAL PROPERTY DESCRIPTION

- **Property Address:** Villas at Huffmeister Apartments
15050 Copper Grove Boulevard
Harris County
Houston, Texas 77082
- **Setting:** Single-family residential and undeveloped land
- **Total Acreage:** 22.03 +/- acres
- **Property Improvements:**
 - 30 two-story apartment buildings
 - 294 apartment units
 - One leasing office building
 - One in-ground swimming pool
 - Fitness center
 - Business center
 - Car wash area
 - Laundry equipment in all units
 - 230 garages (attached w/ direct access to individual units)
 - Concrete-paved parking surfaces (564 open spaces and 12 accessible spaces)
 - Landscaped street frontage and grounds
- **Construction Date:** Began June 2006; Ended December 2007
- **Net Rentable Square Feet:** Approximately 342,586
- **Zoning:** R-2 “Multi-family Development”



UNIT MIX

Floor Plan	Square Feet per Unit	Number of Units	Total Square Footage
1 BR / 1 BA (A1LG)	667	19	12673
1 BR / 1 BA (A1UG)	809	19	15371
1 BR / 1 BA (A2U)	987	12	11844
1 BR / 1 BA (A2UG)	987	38	37506
1 BR / 1 BA (A3L)	820	12	9840
2 BR / 2 BA (B1L)	1096	12	13152
2 BR / 2 BA ((B1U)	1149	12	13788
2 BR / 2 BA (B1UG)	1149	38	43662
2 BR / 2 BA (B2L)	1323	10	13230
2 BR / 2 BA (B2LG)	1323	28	37044
2 BR / 2 BA (B2U)	1448	10	14480
2 BR / 2 BA (B2UG)	1448	28	40544
2 BR / 2 BA (B3L)	985	6	5910
2 BR / 2 BA (C1L)	1107	6	6642
2 BR / 2 BA (C1LG)	1447	2	2894
2 BR / 2 BA (C1U)	1447	10	14470
2 BR / 2 BA (C1UG)	1458	2	2916
2 BR / 2.5 BA (TH)	1458	10	14580
	1602	20	32040
Total		294	342,586

OBSERVATIONS

Overall, the Property is in good condition and is conducive to an aggressive leasing program. Under good maintenance practices, the Property has an expected remaining useful life of 30 years or more.

RECOMMENDATIONS

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

The total inflated 12-Year Replacement Reserve Schedule for the Property is \$600,262 (see page vi). The cost per unit over the term of the loan plus two years is \$2,042, or an average annual cost of \$170 per unit. The projections include maintenance of the exterior building envelope and exterior site improvements, partial replacement of major appliances, HVAC equipment, pool reconditioning, and flooring.



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.

This PCA was performed to identify physical deficiencies associated with the Property's improvements. The term *physical deficiencies* means the presence of conspicuous defects or material deferred maintenance of a Property's material systems, components, or equipment as observed during a walk-through visual survey of representative areas of the Property. The term *physical deficiencies* excludes deficiencies that may be remedied with routine maintenance, miscellaneous repairs and normal operating maintenance and excludes de minimus conditions.



REPLACEMENT RESERVE WORKSHEET



CERTIFICATIONS

- To the best of our knowledge and belief, the statements of fact contained herein, on which our observations, opinions, and conclusions were based, are true and correct.
- The information in this report is from sources deemed to be reliable; however, no representation or warranty is made as to the accuracy of information obtained from third parties.
- The reported observations and conclusions are limited only by the reported assumptions and limiting conditions described in this report and represent our unbiased and professional analysis, opinions, and conclusions.
- Real Estate Advisory, L.L.C. ("REA"), its officers, and its employees have no present or future interest in the Property. Our employment and compensation for preparing this report are not contingent upon our observations or conclusions.
- REA warrants that this report was prepared in a manner consistent with the level of care, skill, practice and judgment exercised by other professional consultants in performing services of a similar nature under similar circumstances in the same or similar locality.
- This Report may be relied upon by Primary Capital Advisors, LC. 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, P.E.

REAL ESTATE ADVISORY, L.L.C.

Kashif Bazal
AIA
Project Manager

Kevin A. Mueller, P.E.
Vice President



1.0 GENERAL PROPERTY INFORMATION

1.1 BACKGROUND

On February 12, 2009, Kashif BazalAIA, Project Manager for Real Estate Advisory, L.L.C. ("REA"), performed a Property Condition Assessment of Villas at Huffmeister Apartments.

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

1.2 GENERAL PROPERTY DESCRIPTION

- **Property Address:** Villas at Huffmeister Apartments
15050 Copper Grove Boulevard
Harris County
Houston, Texas 77082
- **Setting:** Single-family residential and undeveloped land
- **Total Acreage:** 22.03 +/- acres
- **Property Improvements:**
 - 30 two-story apartment buildings
 - 294 apartment units
 - One leasing office building
 - One in-ground swimming pool
 - Fitness center
 - Business center
 - Car wash area
 - Laundry equipment in all units
 - 230 garages (attached w/ direct access to individual units)
 - Concrete-paved parking surfaces (564 open spaces and 12 accessible spaces)
 - Landscaped street frontage and grounds
- **Construction Date:** Began June 2006; Ended December 2007
- **Net Rentable Square Feet:** Approximately 342,586
- **Zoning:** R-2 "Multi-family Development"



UNIT MIX

Floor Plan	Square Feet per Unit	Number of Units	Total Square Footage
1 BR / 1 BA (A1LG)	667	19	12673
1 BR / 1 BA (A1UG)	809	19	15371
1 BR / 1 BA (A2U)	987	12	11844
1 BR / 1 BA (A2UG)	987	38	37506
1 BR / 1 BA (A3L)	820	12	9840
2 BR / 2 BA (B1L)	1096	12	13152
2 BR / 2 BA ((B1U)	1149	12	13788
2 BR / 2 BA (B1UG)	1149	38	43662
2 BR / 2 BA (B2L)	1323	10	13230
2 BR / 2 BA (B2LG)	1323	28	37044
2 BR / 2 BA (B2U)	1448	10	14480
2 BR / 2 BA (B2UG)	1448	28	40544
2 BR / 2 BA (B3L)	985	6	5910
2 BR / 2 BA (C1L)	1107	6	6642
2 BR / 2 BA (C1LG)	1447	2	2894
2 BR / 2 BA (C1U)	1447	10	14470
2 BR / 2 BA (C1UG)	1458	2	2916
2 BR / 2.5 BA (TH)	1458	10	14580
	1602	20	32040
Total		294	342,586

NEIGHBORING PROPERTIES

- **North:** Undeveloped land.
- **East:** Undeveloped land followed by Highway 6
- **South:** Cooper Grove Boulevard followed by multi-family development.
- **West:** Huffmeister Road followed by commercial / retail development followed by multi-family development.

1.3 AREA TOPOGRAPHY

REA reviewed the Friendswood, Texas 7.5' Series topographic map published by the U.S. Geological Survey (dated 1982). Based on a review of the topographic map, the Property is located in an area of relatively flat topography. The Property elevation is approximately +135 feet National Geodetic Vertical Datum ("NGVD"). The Property topography generally slopes downward to the east.

Surface water on the Property drains overland to drop inlets located about the Property which enters the municipal surface water sewer system. Surface water from the lawn areas mostly flows overland via sheet flow to concrete drainage channels runs throughout the Property and carries surface water to the southwest corner of the Property, where surface water enters the municipal stormwater collection system. There is no permanent surface water on the Property such as lakes or retention ponds.

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

A petroleum fuel pipeline easement runs east-west along the north side of the Property. The easement is reported to contain two pipes (a 12 inch and an 8 inch) and is owned and maintained by Longhorn Petroleum Pipeline Company. The pipelines are located approximately 100 yards west of the building. According to Mr. Jim Griffin (512-394-4006) with Longhorn Pipeline, the pipes at the Property:



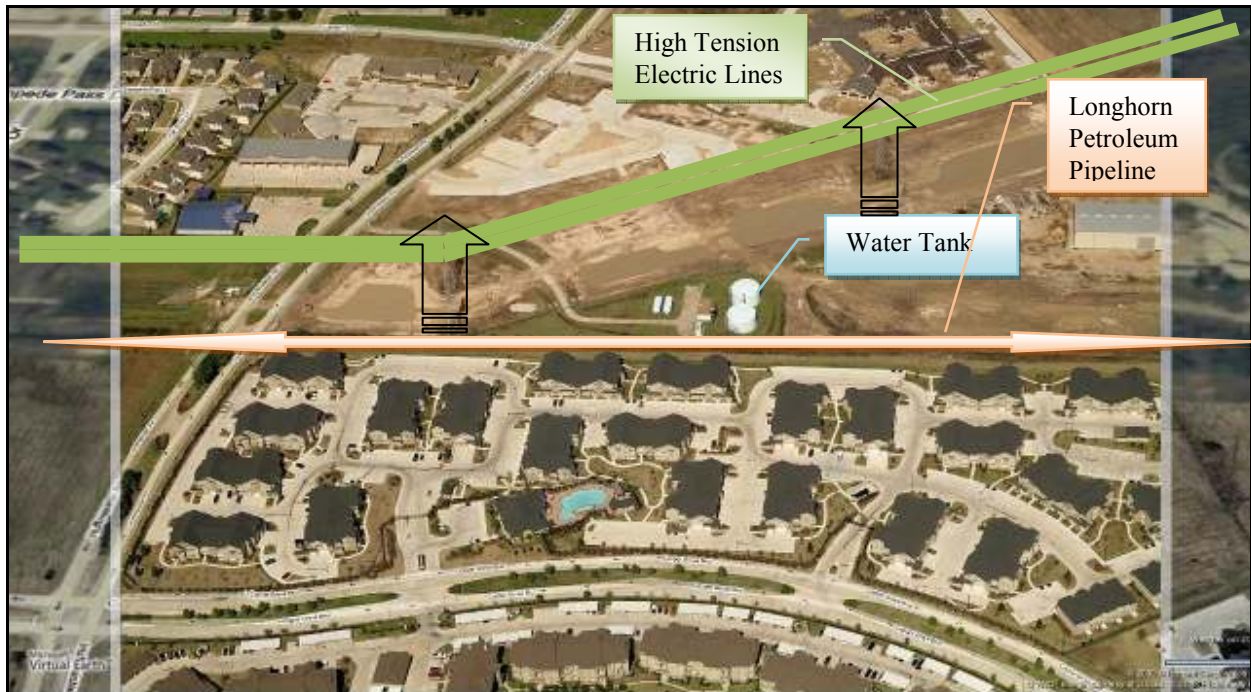
- Were installed in 19??
- Are approximately 6 feet deep
- Are equipped with leak detection system and
- Have no history of leaking

Additionally, the owner of the pipeline (Longhorn) would be responsible for cleanup of contamination if a spill occurred. On the day of the inspection REA did not observe indications of leakage (ie odors, stressed vegetation, etc.) and does not consider the pipeline easement to be a current environmental concern to the Property.

Pending Correspondence

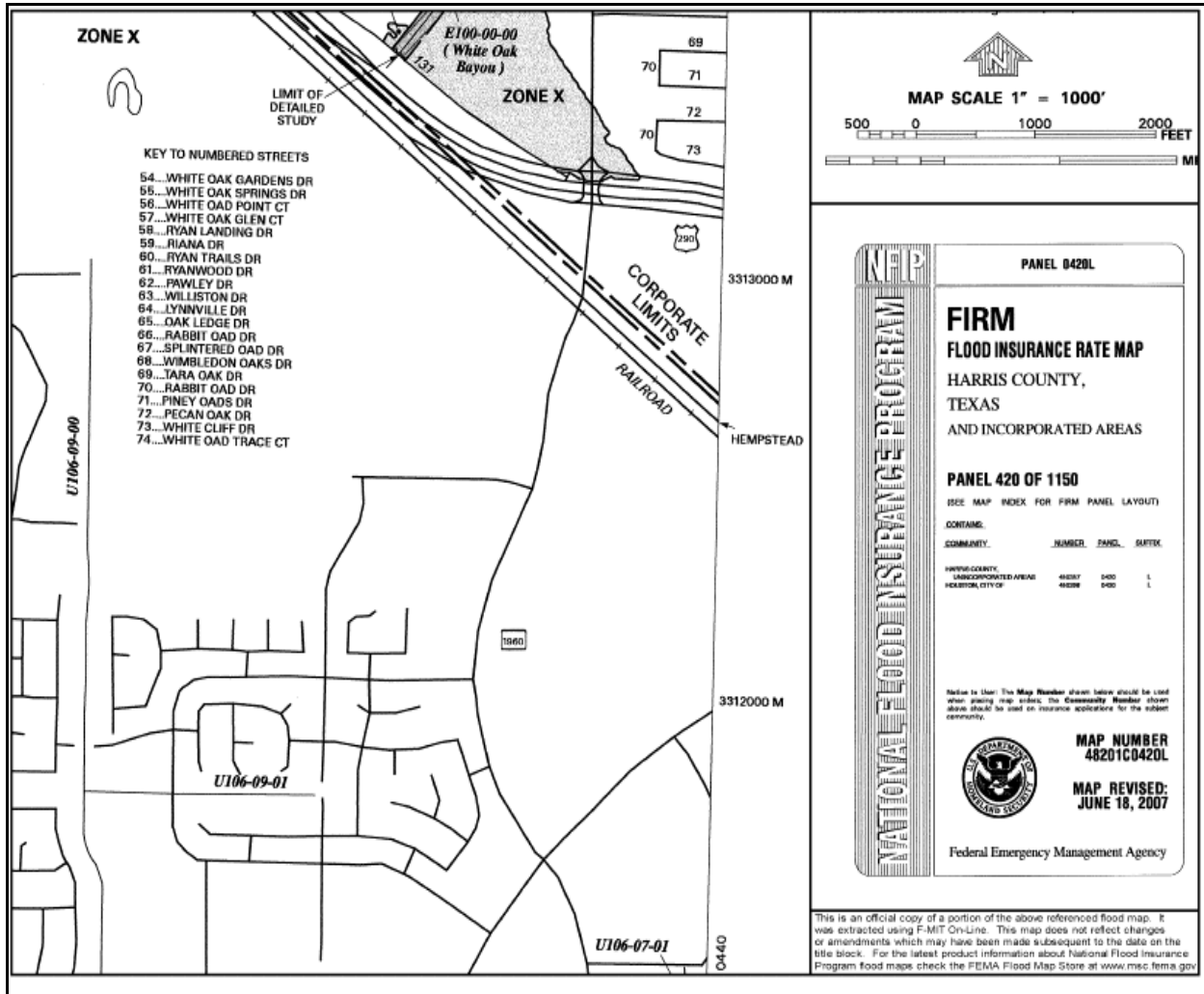


3D – 2008 Aerial East View



3D – 2008 Aerial North View

No negative environmental information concerning subsurface geological conditions was located. Property maintenance reported that routine maintenance of curb inlets are facilitated and cleaned by the Terra Landscaping. Though a significant amount of grading occurred on the Property, no fill soils are believed to have been imported from off-site.



REA reviewed a National Flood Insurance Program (NFIP) Flood Insurance Rate Map (FIRM) for Harris County, Texas and Incorporated Areas (Community 48201C, Panel 0420L, dated June 18, 2007). According to the FIRM, the Property is located in Zone X, areas of 0.2% annual chance flood; area of 1% annual chance flood with average depth of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood. Management reported no knowledge of poor drainage or flooding issues at the Property.

No negative information concerning subsurface geological conditions was located. It does not appear that a significant amount of filling/grading occurred on the Property to allow construction of the existing buildings. REA found no indication that significant amounts of fill were imported from off-site.

REA reviewed the Soil Survey of Harris County, Texas which was prepared by the United States Department of Agriculture, Natural Resource Conservation Service. Information obtained includes:

Underlying soils are classified as:

- Aris-Gessner complex (Map Unit Symbol: Ar)
- Clodine loam (Map Unit Symbol: Cd)
- Katy fine sandy loam (Map Unit Symbol: Kf)



1.4 UTILITIES

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

- **Electricity:** Green Mountain Electric
- **Natural Gas:** NA
- **Domestic Water:** Harris County Mud 188
- **Sewer:** Harris County Mud 188
- **Solid Waste:** WCA

The Property receives additional services from the following sources:

- **Pool Maintenance:** Aquarius
- **Landscaping:** Terra Management
- **Pest Control:** Orkin

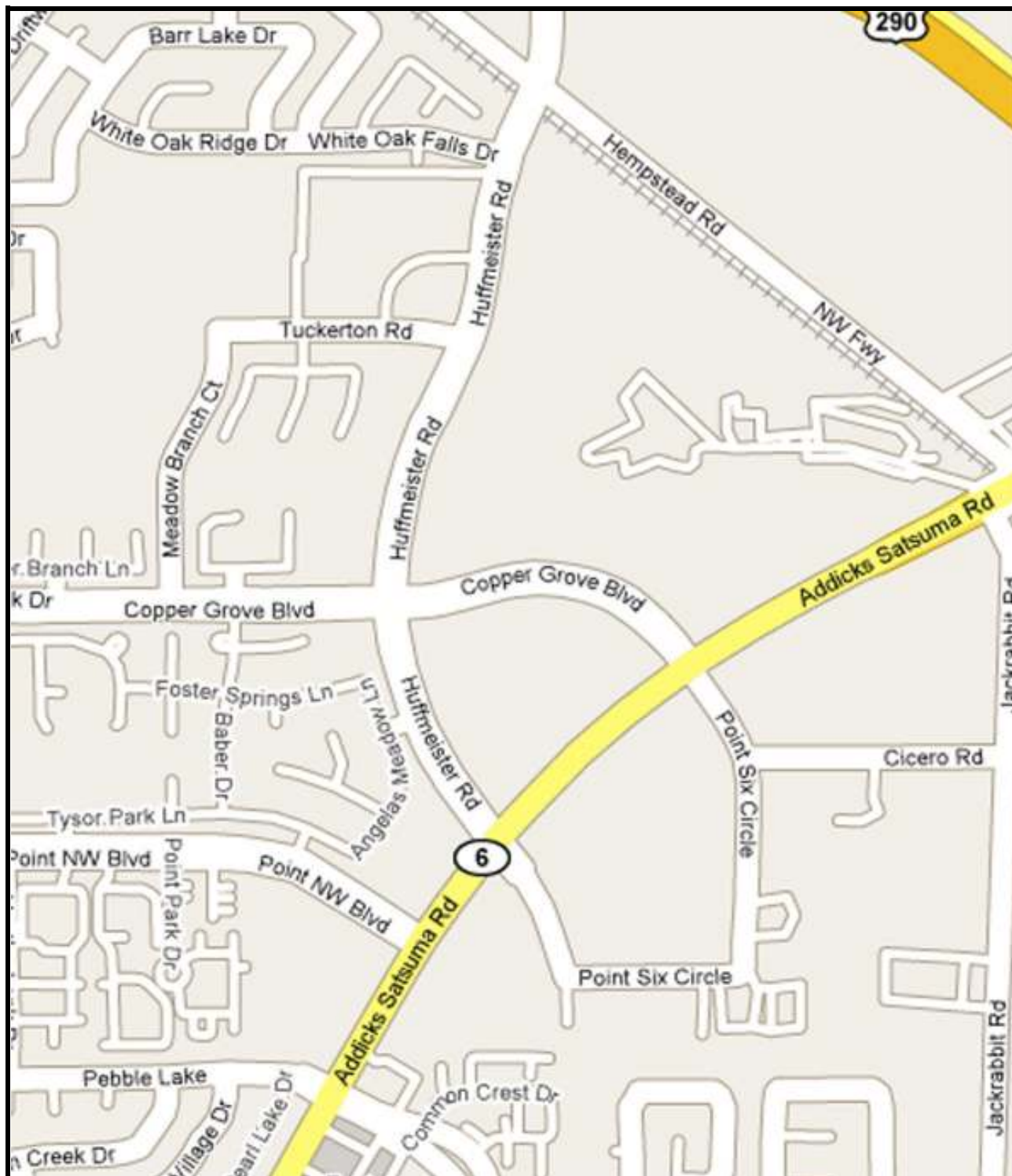


FIGURE I – PROPERTY LOCATION MAP

**Villas at Huffmeister Apartments
15050 Copper Grove Boulevard
Houston, Texas 77095
Project Number 096751**



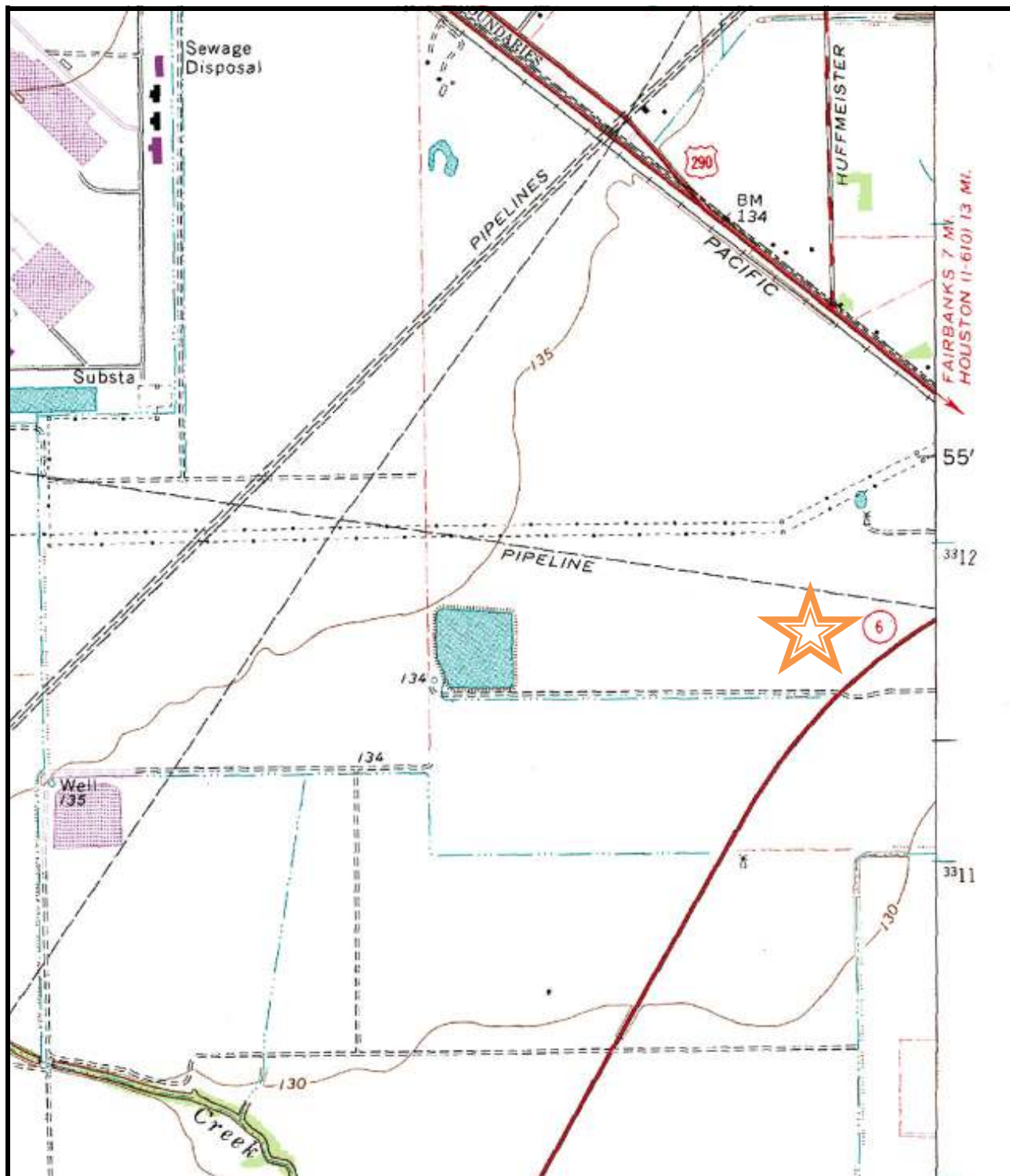


FIGURE II – TOPOGRAPHIC MAP

**Villas at Huffmeister Apartments
 15050 Copper Grove Boulevard, Houston, Texas 77095
 Project Number 096751
 Friendswood, TX Quadrangle dated 1982**





FIGURE III – PROPERTY MAP

**Villas at Huffmeister Apartments
 15050 Copper Grove Boulevard
 Houston, Texas 77095
 Project Number 096751**



2.0 BUILDING OVERVIEW

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

REA has interviewed various representatives of the Harris County Development and Fire Departments. Representatives reported no current violations on file for the Property.

2.1 STRUCTURAL

Foundations:

REA noted no significant deficiencies with respect to foundations at the Property, and no significant foundation concerns were reported by property management personnel. During the term considered, REA does not anticipate substantial capital expenditures regarding foundations.



Foundation systems for the apartment buildings at the Property consist of reinforced concrete footings with post-tensioned concrete slabs at grade. Proper drainage should be maintained around building perimeters to maintain positive drainage away from foundations.

Based on the scope of work performed, REA is of the opinion that foundations throughout the Property appear to be properly designed for the soil conditions and respective structures.

Framing:

REA noted no significant deficiencies with respect to structural systems at the Property, and no significant expenditures are anticipated during the term. No indications of current termite infestations were noted during the assessment. Property management reported that Innovative Pest Control provides weekly general pest control services. Framing above the foundations is wood. Exterior walls typically consist of 2x4 wood studs at various spacings. Exterior finishes consist of brick veneer and painted fiber-cement siding. Roof framing consists of prefabricated wood trusses and plywood roof decks.

Floor framing for second-floor apartments consists of wood joists, plywood subflooring and lightweight concrete underlayment. Bottom floors are concrete slab-on-grade.

2.2 ELEVATORS, STAIRWAYS, LANDINGS AND BALCONIES

REA did not observe significant damage or deficiencies pertaining to stairways or landings. All apartments feature first floor individual entrances. Second floor apartments feature individual wooden stair cases with carpeted treads and risers. Wooden handrails are present at all stair locations.



Apartment units feature private patios with PVC railing at upper level units. Ground floor patios do not feature railings or enclosures. Patios are accessed via swinging hollow-metal doors and are constructed with wood framing and lightweight concrete at upper levels.



Painted gypsum soffits are present beneath roof overhangs, upper level entrance patios, and balconies. The soffits

were observed to be in good condition. REA anticipates normal painting of exterior components over the term. Costs have been included in the Reserve Table.

The Property does not have elevators.

2.3 INSULATION

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

Batts of fiberglass insulation were reported to be present in exterior walls. Blown-in insulation was observed/reported in attic spaces.

2.4 ROOFING

The roofing systems at the Property consist of gabled roofs with asphalt composition shingles installed over plywood decking, which is supported by wood framing. Attic ventilation appeared to be adequate and is provided by intermittently spaced soffit vents. Fascias and soffits at roof perimeters feature perforated fiber-cement material. Typically, the buildings have gutters around roof perimeters. The gutters direct water to downspouts that discharge to splash blocks or concrete surfaces at grade. No evidence of fire retardant roof sheathing was observed or reported at the Property.



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

2.5 BUILDING EXTERIOR



Facades were noted to be in generally good condition throughout the Property. REA does not anticipate significant expenditures for facade maintenance over the term of this assessment. Building exteriors are primarily brick veneer with areas of fiber-cement siding and wood trim. Buildings feature fiber-cement roof eaves, fascia, and gypsum patio soffits and were in good condition. It should be noted that no reports or evidence of water infiltration was noted at the apartment interiors. Costs for normal repaint of building exteriors over the term are included in the Reserve Table.

The apartment buildings have the following exterior components:

Doors:	Main entry doors: hollow metal doors set in wood frames
Windows:	Double-pane glass in single-hung aluminum frames
Facade:	Brick veneer, painted fiber-cement siding
Fascia:	Fiber-cement
Soffits:	Fiber-cement at roof eaves and painted gypsum at patios
Roofing:	Wood framed gabled roofs with asphalt composition shingles
Skylights:	Not applicable

2.6 INTERIOR BUILDING FINISHES

Interior finishes were noted to be in generally good condition. No down (i.e. uninhabitable) units were reported or observed at the Property.

Property management reported having replaced no appliances to date. However, replacements will occur on an as-needed basis.

During the term considered, REA anticipates appliance and floor finish (i.e. carpet and vinyl) replacements. Costs for appliance and floor finish replacements 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 areas inspected. In addition, property management reported no significant mold related issues or problems. Ventilation fans are provided in apartment bathrooms to assist in the removal of normal moisture. Management noted that mold would be addressed aggressively when encountered.

Living areas at the Property have the following components:

Framing:	Wood studs
Ceilings:	Spray-applied texture (painted) on gypsum board
Walls:	Spray-applied texture (painted) on gypsum board
Flooring:	Carpet with ceramic tile entry foyers
Fire Place:	Not applicable
Interior Doors:	Hollow wood, swinging doors in wood frames
Wet Bar:	Not applicable
Window Treatments:	Vinyl blinds



Kitchens at the Property were noted to be in generally good condition. Some countertop refinishing and cabinet door and drawer front replacement will likely be required during the term considered. However, the costs are considered to be part of routine apartment turnover, and no costs have been accounted for in the Replacement Reserve Worksheet regarding cabinet doors and/or drawer fronts.



Kitchens have the following components:

- | | |
|----------------------|--|
| Appliances: | Refrigerator/freezer (w/ icemaker) (GE)
Dishwasher (GE)
Electric oven and range (GE)
Microwave – (GE)
Washer and Dryer – (GE full size)
Garbage disposal
Double-bowl stainless steel sinks |
| Cabinetry: | Wood/plywood |
| Counter Tops: | Laminated |
| Ceilings: | Spray-applied texture (painted) on gypsum board |
| Walls: | Spray-applied texture (painted) on gypsum board |
| Flooring: | Vinyl |

Bathrooms at the Property were noted to be in generally good condition. During the term considered, minor refinishing of countertops, sinks, tubs and shower walls and minor repair or replacement of cabinet door and drawer fronts is anticipated. Such costs are considered to be part of routine maintenance, so costs have not been accounted for in the Replacement Reserve Worksheet.

Fixtures:	Fiberglass and painted steel bathtubs Porcelain sinks
Cabinetry:	Wood/plywood
Counter Tops:	Laminated
Ceilings:	Spray-applied texture (painted) on gypsum board
Walls:	Spray-applied texture (painted) on gypsum board
Shower Walls:	Ceramic tile
Flooring:	Vinyl

2.7 HEATING, VENTILATION AND AIR CONDITIONING

HVAC equipment was noted to be in good condition with no significant tenant complaints reported by property management or maintenance staff. According to property management, equipment will be replaced as needed.



Costs for replacing some HVAC equipment during the 12-year term are accounted for in the Replacement Reserve Worksheet.

Heating is provided to the apartments by electric furnace/fan coil units located in each apartment. Cooling is provided by pad-mounted air conditioning condensers. The cooling units are rated at approximately two tons of cooling capacity each.

2.8 DOMESTIC HOT WATER

No deficiencies or concerns were noted with the water heaters at the Property.

Each apartment is served by a 40-gallon, electric water heater located in the utility closet. The water heaters were manufactured by American and will be replaced as necessary by property management.



REA noted the water heaters to be in good working condition.

REA anticipates periodic replacement of the individual water heaters over the term of the loan. Costs are included in the Replacement Reserve Worksheet.



2.9 PLUMBING

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

Water supply piping and drain piping to the tenant spaces is located in the walls and floors of each building. Domestic water supply piping is CPVC and drain piping is PVC.

No polybutylene piping was observed, and none was reported to be present by property management.



2.10 ELECTRICAL

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

Electrical service enters the Property through underground power lines and pad-mounted electrical transformers. Pad-mounted transformers are located throughout the Property. Individual tenant meters and main breakers are located at the exteriors of the apartment buildings. Main breakers are typically rated at 100 and 125 amps per apartment. Wiring to the outlets and switches within the apartments was observed to be copper. Property management reported there is no aluminum wiring to the outlets or switches within the apartments.





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

2.11 FIRE AND LIFE SAFETY

REA did not observe significant deficiencies regarding fire or life safety systems. No significant capital expenditures are anticipated regarding fire or life safety systems during the term considered.

The Property has the following fire and life safety systems:

Smoke Detectors:	Hardwired w/ battery detectors in each apartment
Fire Extinguishers:	Provided in each apartment and common areas
Central Fire Alarm System:	Audible and visible alarms in the breezeways to alert in case of sprinkler flow, sprinkler tamper or pull station activation; pull stations in breezeways; battery powered emergency lights located in each breezeway; alarm system monitored and maintained by Fire Shield.
Fire Hydrants:	Throughout the site
Sprinkler System:	Buildings are fully sprinklered with wet systems; fire sprinkler water is supplied by Harris County; the system is powered by municipal water pressure (i.e. no pumps are present); fire hose connections are located at the building exteriors; flow and tamper alarms are located on the risers; fire sprinkler heads are Rasco brand heads and are not known to be subject to recall
Security System:	Each unit (activation is optional for tenants); Intrusion alarms provided in each apartment; alarms monitored by Capital Alarms; tenants pay for alarm monitoring separately, but the alarms can be used as local alarms without monitoring. Security Cameras: Installed throughout the site and can be monitored by Property Management. Access: Gated community with remote gate openers; Visitors access through main entrance from Copper Grove Boulevard using call box intercom system.



REA observed and property management reported these systems to be in good working order. In addition, property management routinely inspects, services, and maintains the smoke detectors and fire extinguishers.

REA contacted the Harris County Fire Marshal regarding unresolved code violations at the Property. According to records, the Property has no outstanding fire code violations.



3.0 PROPERTY IMPROVEMENTS OVERVIEW

3.1 PROPERTY DRAINAGE

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



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

3.2 RETAINING WALLS

The Property does not feature retaining walls

3.3 DRIVEWAYS, PARKING LOTS AND SIDEWALKS

No significant deficiencies were noted regarding driveways, parking lots or sidewalks. During the term, REA anticipates periodic maintenance and striping of the parking lots, and costs have been accounted for in the Replacement Reserve Worksheet.

The Property is accessible by automobile via a main driveway from Synott Road to the west. The Property has approximately 564 marked, open parking spaces, and 12 designated accessible spaces. The Property also features 230 attached garage spaces. The attached garages are directly accessible from apartment units and include rolling metal overhead doors and automatic openers.



The parking lots and driveways of the Property consist of concrete installed over a stabilized base. Sidewalks and curbs consist of poured-in-place concrete.

3.4 FENCING

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

The Property features metal grate fencing at the swimming pool and partial site perimeters. Metal access gates are provided at driveways and sidewalks entering the Property. Normal maintenance should be expected over the term.



3.5 EXTERIOR LIGHTING

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



Exterior building- and pole-mounted lighting was observed throughout the complex and was noted to be in good condition. Site lighting is performed by pole-mounted high intensity lights located at the driveways and parking lots throughout the Property. All pole-mounted exterior lighting is operated by photo-cell sensors. Building-mounted high intensity lights are located at various areas throughout the Property. Building-mounted lighting is operated by photo-cell sensors or by timers. The lighting appeared to be adequate, although the lights were observed at night.



3.6 LANDSCAPING

The Property is landscaped with grass, ornamental trees, flowers and shrubs at building elevations throughout the Property. REA noted the landscaping at the Property to be in generally good condition.



A private vendor, Terra Landscaping, maintains the landscaping at the Property. The Property features automatic lawn irrigation sprinklers. Irrigation water is sourced from a water well located at the northeast corner of the site. No deficiencies were reported regarding landscaping or irrigation systems.

3.7 RECREATIONAL FACILITIES

REA noted no significant deficiencies regarding recreational facilities. The Property features one in-ground 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 a painted metal grate fence. Pool equipment (i.e., chlorination, pumping and filtration equipment) is located in a nearby pump room. The pool interior is accessible via steps with handrails. The pool and deck were observed to be in good condition.





A fitness center is located in the leasing office building. The finishes include carpet floors and textured drywall ceilings and walls. Normal maintenance is expected over the term.

During the term considered, REA anticipates that various pool equipment components will require replacement. Costs for replacements are accounted for in the Replacement Reserve Worksheet.



3.8 SITE AMENITIES

No significant deficiencies were noted regarding site amenities. During the term considered, REA does not anticipate significant capital expenditures regarding site amenities.

The Property has the following amenities:

- One leasing office. It is constructed in a separate building and is finished on the interior with carpeted floors, wallpapered walls and painted gypsum board ceilings with spray-applied texture. It contains the management offices, a kitchenette and a sitting area.
- A business center is also located in the leasing office building and features built-in casework, carpet floors, and painted drywall ceilings and walls.
- One fitness center located in the leasing office/clubhouse. The fitness center is finished with a carpeted floor, vinyl covered gypsum board and mirrored walls and a painted gypsum board ceiling. The fitness center contains two treadmills, one elliptical machine, one stationary bike and six pieces of Quantum brand cable type weight machines.
- One car wash area is provided for tenant use and includes power wash equipment and

swivel hose.

- Game room with pool table and study area is also in the leasing office.
- Central Mail Kiosk.
- Pets waste control system.



The fitness center and business center, located in the leasing office building, are accessible by tenants from locking entrance doors.

3.9 SIGNAGE

The Property is marked with a decorative masonry sign at the Property entrance from Copper Grove Boulevard. The sign features a metal graphics panel framed with brick masonry. The graphics panel features painted lettering noting the Property name and address.

Building signage indicating building numbers are located at each building exterior. Numbers are located on the apartment entry doors.

With routine maintenance, REA does not anticipate significant capital expenditures during the term regarding signage.



4.0 AMERICANS WITH DISABILITIES ACT SCREEN

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

It should be noted that the Property was constructed in 2007 with several buildings in the final stages of construction. REA noted that common areas have been generally designed and constructed per current guidelines for handicap access. Management reported that all ground level apartment units had been designed to be fully adaptable for handicap accessibility.

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.

There are fewer than 25 parking spaces at the leasing office. Two spaces have been designated as handicapped accessible at the parking area adjacent to the leasing office and are generally compliant.



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.

There is a curb ramp leading from the nearby parking lot to the leasing office walkway.

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.

The leasing office has an accessible exterior route. All apartment buildings feature accessible routes from public parking areas.

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 space, the leasing office. The leasing office entrance is generally accessible. Apartment entrances on lower levels are generally accessible from parking areas. Stairs to upper level breezeways have been generally designed per accessibility guidelines.

Villas at Huffmeister Apartments



4.5 Accessible Interiors

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

The leasing office interior is generally configured to be accessible. Ground floor units feature accessible routes to entrances.

4.6 Elevators

The Property does not contain elevators.

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.

The Property features accessible restrooms at the leasing office. The restrooms appear to be properly designed and constructed and include Braille lettering at each door.

4.8 Pool Facilities

The pool is accessible from adjacent sidewalks. The pool interior is accessed from sets of steps which feature handrails for increased accessibility.



4.9 Other Requirements

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

No automatic teller machines or pay telephones were observed at the Property. Drinking fountains installed at the leasing office appear to be compliant with accessibility guidelines.





5.0 COST ESTIMATES

5.1 *Immediate Repairs*

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

The total inflated 12-Year Replacement Reserve Schedule for the Property is \$600,262 (see following page). The cost per unit over the term of the loan plus two years is \$2,042, or an average annual cost of \$170 per unit. The projections include maintenance of the exterior building envelope and exterior site improvements, partial replacement of major appliances, HVAC equipment, pool reconditioning, and flooring.



APPENDIX 1

Site Photographs



1. TYPICAL BUILDING EXTERIORS



2. CONCRETE DRIVES AND PARKING AREAS



3. TYPICAL VIEW OF GARAGES



4. COMMERCIAL / RETAIL DEVELOPMENT AT THE WEST PORTION OF THE SITE



5. LANDSCAPE IRRIGATION SYSTEM/
STORAG TANK



6. CLOSE-UP VIEW OF TYPICAL EXTERIOR
MATERIALS



7. TYPICAL GARAGE FINISHES. NOTE AUTOMATIC GARAGE DOOR OPENER



8. MAINTAINANCE SHOP



9. PVC RAILINGS AT UPPER LEVEL PATIOS



10. CENTRAL MAIL KIOSK



11. TYPICAL INTERIOR STAIRS



12. LAUNDRY EQUIPMENT IN EACH UNIT



13. VIEW OF A TYPICAL APARTMENT KITCHEN



14. MICROWAVE VENT HOODS AND ELECTRIC RANGES IN KITCHENS



15. DINING AREA IN UNITS



16. INDIVIDUAL SECURITY SYSTEM



17. LIVING AREA FINISHES



18. TYPICAL INTERIOR FINISHES



19. PICNIC AREAS (SIX THROUGHOUT THE PROPERTY)



20. WATER METERS AND CPVC PIPING AT WATER HEATERS



21. ASPHALT SHINGLE ROOFING



22. FITNESS CENTER AT THE LEASING OFFICE BUILDING



23. SWIMMING POOL AREA BBQ GRILL LOCATED ADJACENT TO THE LEASING OFFICE



24. SIX- PICNIC AREA THROUGHOUT THE PROPERTY



APPENDIX 2

Freddie Mac Forms



APPENDIX 3

List of Areas Inspected

**Villas at Huffmeister Apartments
15050 Copper Grove Boulevard
Houston, Texas 77082**

Inspected by: Kashif Bazal

Inspected on: February 12, 2009

APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
105	3/2	Occupied	Good
204	1/1	Occupied	Good
305	3/2	Occupied	Good
404	1/1	Occupied	Good
504	1/1	Occupied	Good
604	2/2	Occupied	Good
704	1/1	Occupied	Good
804	2/2	Occupied	Good
912	1/1	Occupied	Good
1003	2/2	Occupied	Good
1104	1/1	Occupied	Good
1204	1/1	Occupied	Good
1305	2/1	Occupied	Good
1404	1/1	Occupied	Good
1505	2/1	Occupied	Good
1603	2/2	Occupied	Good
1704	1/1	Occupied	Good
1803	2/2	Occupied	Good
1903	2/2	Occupied	Good – No Access
2005	3/2	Occupied	Good
2104	1/1	Occupied	Good



List of Areas Inspected (continued)

**Villas at Huffmeister Apartments
15050 Copper Grove Boulevard
Houston, Texas 77082**

Inspected by: Kashif Bazal

Inspected on: February 12, 2009

APARTMENT NO.	TYPE (BR/BATH)	STATUS	COMMENTS
2203	2/2	Occupied	Good
2305	2/2	Occupied	Good
2414	2/2	Occupied	Good
2505	2/2	Occupied	Good
2601	2/2	Occupied	Good – No Access
2701	2/2.5 TH	Occupied	Good
2803	2/2 .5TH	Occupied	Good
2903	2/2.5 TH	Occupied	Good
3001	2/2.5 TH	Occupied	Good



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. Ms. Cathrerine Walker	Property Manager, Villas at Huffmeister Apartments (281) 550-1000
2. Mr. Alfanso Cabrera	Property Maintenance, Villas at Huffmeister Apartments (281) 550-1000
3. Administrative Staff	Harris County Development Department (713) 956-3000
4. Administrative Staff	Cy-Fair Volunteer Fire Prevention Department (281) 550-6663
5. Administrative Staff	City of Houston Solid Waste Department (713) 837-0311



APPENDIX 5

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-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
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.

JOHN J. ROMEIS
Staff Scientist

BS University of South Florida

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
Project Engineer

BA Loyola University of Chicago

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
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 and environmental consulting.