



PROPERTY CONDITION REPORT

McLaurin Building
1234 Business Park Blvd
Charleston, VA 60606



Prepared For:

Bill Comment
Commercial Enterprises
1000 Commercial Blvd
Greenville, BC 90900

Prepared By:

Robert E McCoy Jr., PE
Armco Inspections, LLC

Date of Site Review: April 1, 2008
Date of Report: April 7, 2008

ARMCO Project Number 08-0250.1



August 1, 2006

Bill Comment

<Client>

1000 Commercial Blvd

Greenville, BC 90900

RE: Property Condition Assessment
McLaurin Building
1234 Business Park Blvd
Charleston, VA 60606

ARMCO PROJECT NO. 08-0250.1

Dear Mr./Ms./Mrs. Comment:

ARMCO Inspections, LLC – (ARMCO) has completed a Property Condition Assessment (PCA) of the above referenced property. The report was conducted in accordance with American Society for Testing and Materials (ASTM) Standard Guide for Property Condition Assessments: E 2018-08, Standard & Poor's Property Condition Assessment Criteria, the scope of work provided by the client and generally accepted industry standards.

ARMCO certifies that to the best of its knowledge this report is true and accurate. We hope you find the report complete and informative. Please do not hesitate to contact us if you have any questions or if we can be of further service to you.

Sincerely,

ARMCO INSPECTIONS, LLC

Robert E McCoy Jr., PE
Principal



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Table 2	Capital Replacement Reserve Schedule

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PROJECT SUMMARY

Property Name:	McLaurin Building
Street Address:	1234 Business Park Blvd
City, State Zip:	Charleston, VA 60606
Primary Use:	Medium Rise Office
Year Built & Age:	1999 - 10 years old
Reported Occupancy:	92%
Number of Buildings:	1 Building
Number of Stories:	3 Stories
Total Building Area:	80,000 SFG
Net Rentable Area (NRA):	70,000 SFR
Site Area:	2.55 Acres
No. of On-Site Parking Spaces:	100 Spaces
No. of On-Site Handicap Parking Spaces:	10 Spaces
Parking Garage/ Carports:	None
Superstructure:	Conventional Steel Framing
Cellar/Basement/Crawl Space:	Slab-on-grade
Exterior Façade :	Brick, Split-Faced CMU and EIFS
Roof:	EPDM rubber single membrane
Heating:	Roof-mounted Split system Heat Pump Units
Air-conditioning:	Roof-mounted Split system Heat Pump Units
Electrical Wiring:	Copper
Number of Elevators:	2 Hydraulic Passenger
Fire Sprinkler:	100%



1.0 EXECUTIVE SUMMARY

1.1 General Description

The Subject Property, called McLaurin Building, consists of a 2.55-acre, rectangular - shaped parcel developed with 1 three-story office building with a total of 70,000 square feet of net rentable area. The building, which was constructed in 1999 is of steel-frame and concrete masonry unit (CMU) construction with exterior finishes consisting of brick, split-faced CMU and an insulation and finish system (EIFS). The roof covering is exclusively gravel ballasted EPDM rubber single membrane. The Subject Property is also improved with asphalt driveways and parking areas, cast in place concrete sidewalks, and landscaped areas in planters bordered by concrete curbing. On-site parking is for 100 vehicles in open asphalt paved lots.

1.2 General Physical Condition

The Subject Property was observed to be good condition. Maintenance appeared to be proactive. However, ARMCO identified items considered immediate repair or deferred maintenance as defined and itemized below:

Physical Deficiencies defined as immediate repair / deferred maintenance issue/s under this Scope of Work are as a result of the following:

- *Existing or potentially unsafe (health & safety) conditions,*
 - *Negative conditions that may significantly impact marketability or habitability,*
 - *Obvious material building code violations,*
 - *A poor or deteriorated condition of a critical element or system,*
 - *A condition that if left "as is," with an extensive delay in addressing same, would result in or contribute to critical element or system failure within one year or a significant escalation in repair costs.*
1. The parking lot striping was observed to be in poor condition. This condition is considered an immediate need that will be handled as a part of normal maintenance.

The structural elements of the building have performed adequately for the past **10** years. Assuming the recommendations in this report in reference to the Immediate and Physical Needs over the Term are made in an appropriate time frame; a preventive/remedial maintenance program is implemented continually; and all site systems and building components are replaced as necessary with an acceptable standard of care, this sites estimated remaining useful life (ERUL) should be at least an additional **50** years barring any natural disasters. This is based on the observation that the foundation, which has an expected useful life of 50 years plus, were observed to be functioning properly with no major deficiencies. Other site and building elements are replaceable. However, as the property ages, the maintenance program cost should be expected to increase.

1.2.1 Recent Capital Improvements

Management reported that there have been no recent capital improvements



1.2.2 Planned Capital Improvements

Planned capital improvements include parking lot sealing and striping within the next two months.

1.3 Opinions of Probable Costs

Based upon observations during our site visit and information received from our interviews with building management and service personnel, which for the purpose of this report was deemed reliable, ARMCO prepared general-scope, Opinions of Probable Cost based on an appropriate remedy for the deficiencies noted. Such remedies and their associated costs were considered commensurate with the Subject's position in the market and prudent expenditures. These opinions are for components of systems exhibiting significant deferred maintenance, and existing deficiencies requiring major repairs or replacement. Repairs or improvements that could be classified as (i) cosmetic, (ii) decorative, (iii) part or parcel of a building's renovation program or to reposition the asset in the marketplace, (iv) routine or normal preventative maintenance, or (v) that are the responsibility of the tenants were not included.

It is the intent of this report to reflect material physical deficiencies and the corresponding opinion of probable costs that are (i) commensurate with the complexity of the subject property and (ii) not too minor or insignificant. Opinion of probable costs that are either individually or in the aggregate less than a threshold amount of \$3,000 for like items are to be omitted from our review. If there are more than four separate items that are separate items that are below this threshold amount, but collectively total over \$10,000, such items will be included. Threshold amounts were adopted from ASTM "Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process" (ASTM E 2018-01).

Opinions presented in this report are from a combination of sources. The primary sources are from R. S. Means Repair and Remodeling Cost Data and R. S. Means Facilities Maintenance and Repair Cost Data, as well as ARMCO Inspections, LLC's past experience with construction projects. When appropriate, ARMCO solicited and obtained local subcontractor pricing, or utilized historical cost data provided by the property manager. Information furnished by site personnel or the property management, if presented, is assumed by ARMCO to be reliable.

Replacement and Repair Cost estimates are based on approximate quantities. A detailed inventory of quantities for cost estimating is not a part of the scope of this Report.

The following is a summary of Probable Costs. Refer to Table 1 "Immediate Repair and Deferred Maintenance Expenditures" and Table 2 "Capital Replacement Reserve Schedule":

- Immediate Repair/Replacement and Deferred Maintenance Expenditures
Cost Estimate: \$0
- Capital Replacement Reserves Expenditures- Long term costs (uninflated)
Cost Estimate (10 + 2 years): \$176,000 or \$978.00/Unit/year
- Capital Replacement Reserves Expenditures- Long term costs (inflated)
Cost Estimate (10 + 2 years):\$212,684 or \$1,182.00/Unit/year



1.4 Code Compliance

ARMCO did not note any obvious building or fire code violations for the Subject Property. According to representatives of the City of Charleston Building Inspection Department, there are no records of outstanding building permits or other issues. According to representatives of the City of Charleston Fire Department, there are no records of outstanding fire inspection violations or other concerns for the Subject Property. The Subject Property is zoned C-1 by the City of Charleston Zoning Department.

ITEM	CONTACT NAME & ADDRESS/ PHONE	COMMENTS
Fire Department	Capt. Marvin Jones – 990-444-9087	No outstanding violations on file
Building Department	Mr. Wilbur Jones – 990-444-9099	No outstanding violations on file
Zoning	Ms. Juanita Jones – 990-444-9089	Commercial

1.5 Document Review and Interviews

ARMCO was provided the following written documents for review:

- Current Rent Roll
- Roof Warranty Statement
- Site Plan
- Miscellaneous architectural drawings

The following people or organizations were interviewed by ARMCO staff during the site visit or report preparation:

- Mr. Joe Manager, Property Manager, Property Management Inc, 901-333-4567
- Mr. Steve Manager, Engineering Supervisor, Property Management Inc, 901-333-4567
- Mr. Jimmy King, Otis Elevators, 919-781-1555
- Captain Marvin Jones, City of Charleston Deputy Fire Marshal, 990-444-9087
- Mr. Wilbur Jones, City of Charleston Building Department 990-444-9099
- Ms. Juanita Jones, City of Charleston Zoning Department, 990-444-9089

1.6 ADA Opinion

This facility was constructed in 1999, after to the implementation of the Americans with Disabilities (ADA). Our survey of the Subject did not constitute an American with Disabilities Act (ADA) compliance audit; however, the buildings appear to be generally handicapped-accessible.



1.7 Flood Zone

A review of the Flood Insurance Rate Maps, published by the Federal Emergency Management Agency, was performed. According to Panel Number 3701001489J, dated May 6, 1885, the Property is located in Flood Zone X. Flood Zone X regions consist of areas out of a flood plain.

1.8 Seismic Zone

According to the 1997 Uniform Building Code, the Subject Property is located in Zone 0, which is an area of very low probability of damaging ground motion.

1.9 Site Visit Information

Date of Site Observation	April 1, 2008
Weather Conditions	Light rain

The following summarizes the building systems evaluated.

- Site Development
- Building Structure
- Building Exterior
- Building Interior
- Mechanical System
- Electrical System
- Plumbing Systems
- Conveyance System
- Life Safety/Fire Protection
- ADA Compliance

Inaccessible Areas:

ARMCO was not denied access to any areas.



2.0 PURPOSE AND SCOPE

2.1 Introduction

At the request of Mr. Bill Comment, (Client), a property condition assessment was performed by ARMCO Inspections, LLC (ARMCO) on the McLaurin Building property located at 1234 Business Park Blvd in Charleston Virginia (Subject Property). This assessment was performed in accordance with the Client's scope of work for Property Condition Assessments. The site visit occurred on April 1, 2008. This report was prepared and reviewed by Robert E McCoy Jr., PE, ARMCO Principal .

2.2 Purpose

The purpose of the Property Condition Report is to assess the general condition of the buildings, site, and other improvements at the referenced location. The Report will identify those areas that will require remedial repair work and will assign them an associated estimated remedial cost.

2.3 Authorization/ Reliance

All reports, both verbal and written, are for the benefit of Commercial Enterprises. This report has no other purpose and may not be relied upon by any other person or entity without the written consent of ARMCO. This Report speaks only as of its date.

We have performed our services and prepared the Report in accordance with applicable, generally accepted engineering, environmental or appraisal consulting practices. We make no other warranties, either expressed or implied, as to the character and nature of such services and product.

2.4 Scope

This Report is based on a site visit, in which ARMCO Inspections; LLC (ARMCO) performed a visual, non-intrusive and non-destructive evaluation of various external and internal building components. These systems included the roof, foundations, structural frame, building envelope, HVAC, electrical, and plumbing. The inspection also includes ancillary items such as; site drainage, pavement, sidewalks and landscaping. The Property Condition Report is not a building code, safety, regulatory or environmental compliance inspection.

ARMCO observed the interior spaces to determine its general character and condition. During the site visit we interviewed the available site personnel and/or property managers to add or confirm information. We reviewed available drawings or site documentation to confirm the general character of the construction.

Photographs were taken to provide a record of general conditions of the facility, as well as the specific deficiencies observed.

If any additional information is encountered concerning the facility, it should be forwarded to ARMCO for possible re-evaluation of the assumptions, conclusions and recommendations presented herein. The recommendations and opinions of cost provided herein are for observed deficiencies based on the understanding that the facility will continue operating in its present occupancy classification.

This Report is based on the evaluator's judgment of the physical condition of the components, their ages and their expected useful life (EUL). It is understood that the



conclusions presented are based upon the evaluator's professional judgment. The actual performance of individual components may vary from a reasonably expected standard and will be affected by circumstances that occur after the date of the evaluation.

The Report does not identify minor, inexpensive repairs or maintenance items which are clearly part of the property owner's current operating budget so long as these items appear to be taken care of on a regular basis. The report does address infrequently occurring "big ticket" maintenance items, such as exterior painting, deferred maintenance and repairs and replacements that normally involve significant expense or outside contracting.

The following terms are used throughout the report and may be defined as follows:

- Excellent:** New or like new
- Good:** Satisfactory as is
- Fair:** Satisfactory as is, however, may require short term and/or immediate attention
- Poor:** Requires immediate repair, replacement or significant maintenance.



3.0 SYSTEM DESCRIPTIONS AND OBSERVATION

3.1 Overall General Description

The Subject Property, called McLaurin Building, consists of a 2.55-acre, rectangular - shaped parcel developed with 1 three-story office building with a total of 70,000 square feet of net rentable area. The building, which was constructed in 1999 is of steel-frame and concrete masonry unit (CMU) construction with exterior finishes consisting of brick, split-faced CMU and an insulation and finish system (EIFS). The Subject Property is also improved with asphalt driveways and parking areas, cast in place concrete sidewalks, and landscaped areas in planters bordered by concrete curbing. On-site parking is for 100 vehicles in open asphalt paved lots.

The Subject Property is bound by Business Park Blvd to the north which tracks in a east west direction, west Widget Street to the east that tracks in a north-south direction, and South Blvd to the south which tracks in a east-west direction. The western perimeter of the Subject Property is adjacent to other commercial development.

The subject buildings appear to be constructed on reinforced concrete foundations with steel framing. The roof system consists of open steel bar joists supporting corrugated decking covered with lightweight concrete, insulating board and a gravel ballasted EPDM rubber single membrane. The interior walls and ceilings in the office areas are typically suspended ceiling tiles with painted wallboard/drywall walls. Floors are covered with a combination of 12" x 12" floor tile, and commercial grade carpet. The storage areas typically consist of exposed steel framing and bare concrete floors.

Progress Energy supplies 277/480 volt three-phase service to the Subject Property via a single utility owned pad mounted transformer located at the rear elevation of the building. Natural gas is provided to the site by Piedmont Natural Gas. The City of Charleston provides domestic water and sewer services. Electrical service is stepped down to 208/120 volt, three/single-phase service as required. The HVAC system consists of three roof mounted split-system heat-pump units with one serving each of the three floors.

3.2 Site/Site Improvements

3.2.1 Topography

Description:

The general vicinity is relatively flat with engineered grades for storm water drainage control.

Observations/Comments:

No observed or reported deficiencies were noted.

3.2.2 Storm Water Drainage

Description:

Storm-water surface drainage on the Property is accomplished via sheet flow throughout the site in various directions away from the subject building to interconnected storm-water catch-basins, which eventually drain to the municipal storm water system.



Observations/Comments:

No observed or reported deficiencies were noted.

3.2.3 Ingress and Egress

Vehicular access to the Property is provided from an asphalt-paved entrance to the north from Business Park Blvd. Asphalt-paved parking and drives are located to the north and east of the Subject building.

Observations/Comments:

No observed or reported deficiencies were noted.

3.2.4 Pavement, Curbing and Parking

Description:

Paving on the Property consists of asphalt-paved parking areas and driveways. The asphalt paved parking areas are original to the development. The Property provides asphalt-paved parking for 100 automobiles. The pavement striping was observed to be in good condition throughout the property.

Curbing consists of six-inch raised concrete curbs throughout the property.

No parking garages were observed on-site.

Observations/Comments:

The number and configuration of the parking spaces appears to be adequate for this type property. The ratio of on-site parking is 1.43 spaces per 1,000 SF of net rentable area.

The asphalt-paved areas of the Property were observed to be generally in good condition.

Asphalt parking areas typically have an EUL of 20 to 25 years depending on the level of maintenance, traffic and weather conditions. The EUL can be extended significantly with periodic sealing of these surfaces. ARMCO has included costs for periodic sealing and striping of the parking areas in Table 2.

3.2.5 Pavement Striping

Description:

Painted parking stall lines, driveway directional arrows and handicap stall designation striping and markings were noted throughout the asphalt-surface parking areas.

Observations/Comments:

No observed or reported deficiencies were noted. Pavement striping at the Subject Property was observed to be in good condition at the time of the inspection. Parking striping is original to the development. Periodic striping along with the anticipated seal coating is anticipated during the evaluation period.



3.2.6 ADA Parking Status, Curb cuts & Ramps

Description:

The Property provides 10 handicap accessible parking spaces with curb-cuts, proper striping and pole mounted signage located along the building frontages. Of these spaces, there are 2 van-accessible spaces.

Observations/Comments:

The number, configuration and appropriate signage of the parking spaces appear to meet current minimum ADA requirements. Ramps and curbs appear to meet ADA requirements. No observed or reported deficiencies were noted.

3.2.7 Flatwork and Associated Stairs and Railing

Description:

Flatwork consists of concrete walks around the perimeters of the Subject building.

Observations/Comments:

No observed or reported deficiencies were noted. Concrete flatwork appeared to be generally in good condition. Although minor cracks were observed, these can be handled under normal routine maintenance.

3.2.8 Landscaping and Appurtenances

Description:

Landscaped areas are provided in planters along the perimeters of the Property and consist of grassed areas, small trees, and shrubs with mulch on an automatic sprinkler irrigation system. .

Observations/Comments:

No observed or reported deficiencies were noted. Landscaping is maintained by an outside contractor. The landscaping and appurtenances should be maintained as part of routine maintenance.

3.2.9 Site Lighting

Description:

Property pole-top lighting and building-mounted floodlights illuminate the driveways, parking lots and the perimeter of the property. Photocells and timers control exterior lighting.

Observations/Comments:

Adequate lighting for both the open areas and around the subject building was observed. No observed or reported deficiencies were noted.

3.2.10 Waste Storage Area

Description:

Solid waste generated at the Property is disposed of in a solid waste compactor located and sheltered at the rear elevation service entrance and loading area to



the building. The solid waste compactor is the property of the solid waste contractor.

Observations/Comments:

No observed or reported deficiencies were noted.

3.2.11 Utilities

Description:

UTILITY	PROVIDER	ISSUE/ADEQUACY
Electric	Progress Energy	Adequate
Natural Gas	Piedmont Natural Gas	Adequate
Water	City of Charleston	Adequate
Sanitary Sewer	City of Charleston	Adequate
Storm Sewer	City of Charleston	Adequate
Telephone	Embarq	Adequate

Observations/Comments:

All necessary utilities are installed and available to the site and appear to be adequate for the needs of the Property. No observed or reported deficiencies were noted.

3.2.12 Site and Building Signage

Description:

A ground-mounted, masonry and steel property sign is located at the main entrance of the property.

Observations/Comments:

No observed or reported deficiencies were noted.

3.2.13 Amenities/Recreational Facilities

Description:

No site amenities or recreational facilities were noted at the time of the assessment.

Observations/Comments:

No observed or reported deficiencies were noted.

3.3 Structural Frame and Building Envelope

3.3.1 Foundations

Description:

Based upon our observation of the visible portions of the building and experience with this type of structure, the foundations appear to consist of reinforced concrete continuous spread perimeter footings with isolated pad footings at



column locations. A reinforced concrete slab is present within the perimeter footing(s). Subject Property architectural plans were unavailable for review to confirm the below ground components.

Observations/Comments:

Foundation and footing construction could not be verified while on-site due to concealed construction and conditions. Observations of the exterior walls revealed no apparent signs of cracking or movement that would indicate excessive settlement or an improperly installed foundation system. No observed or reported deficiencies.

3.3.2 Building Framework

Description:

The Subject buildings are constructed of steel framing with interior steel columns and supporting the multi-floor and roof system framing. The floor and roof framing is observed to consist of open steel bar joists with lightweight concrete covered corrugated steel decking.

Observations/Comments:

While observation of the ground floor slabs, superstructures and roof framing was limited to exposed elements, no signs of excessive deflection or movement were noted. Observed floors appeared level and stable. Walls and structural elements appeared to be plumb and/or level. Based upon these observations, the structures of the buildings were assumed to be in good condition. No evidence of structural failure or deficiencies was noted.

3.3.3 Parking Garage

Description:

No parking garages were observed on-site.

Observations/Comments:

No observed or reported deficiencies were noted

3.3.4 Facades or Curtainwall

3.3.4.1 Sidewall System (Building Envelope)

Description:

Building exteriors are finished with split-faced concrete masonry units (CMU) and brick veneer with tinted synthetic stucco on the front facades and parapets.

Observations/Comments:

No observed or reported deficiencies were noted.

Exterior maintenance such as painting, power washing, caulking, and sealing is typically required every six to eight years and/or brick pointing/wet sealing every ten to 15 years, depending on the quality of preparation of the surfaces, the quality of materials used and weather



conditions. The building is likely to require exterior maintenance during the loan term and costs are included in Table 2.

EIFS/synthetic stucco is used on the upper parapets and building facades. EIFS is a multi-layered exterior wall system consisting of a finish coat, a base coat, mesh and insulation board, all of which is mechanically secured or glued to plywood or another substrate. Research has discovered that if water enters the EIFS wall system through surface penetrations, around flashings at architectural details, and past caulked joints around window and door openings, the building's wood framing and sheathing rots. ARMCO did not identify any indications of water damage during the inspection. ARMCO, however, cannot attest to the long-term durability of EIFS or its effect on the superstructure.

3.3.4.2 Windows & Exterior Doors and Frames

Description:

Building façades include fixed, insulated windows with grade level entry doors. Window and main entry door framing is anodized extruded aluminum. Service doors are insulated painted metal with painted metal framing.

There is one loading dock with two metal framed manual roll-up doors.

Observations/Comments:

No observed or reported deficiencies were noted.

3.3.4.3 Parapets, Balconies, Elevated Walkways & Exterior Stairs

Description:

There are no balconies, elevated walkways, or exterior stairs at the Subject Property

Observations/Comments:

No observed or reported deficiencies were noted.

3.3.5 Roofing

3.3.5.1 Roof Type

Description:

The roof of the Subject building is constructed of open steel bar-joists supporting corrugated decking covered with lightweight concrete. The lightweight concrete roof deck is covered with insulating board and gravel ballasted EPDM single membrane. The EPDM membrane roof covering extends up the parapet walls to the formed aluminum parapet copings which, in turn, extend around the perimeter of the roof.

The roof is original. Based on our observations, the roof appears to be midway in the expected useful life of 20 years.

BUILDING/ ROOF	APPROX. SF	EFFECTIV E AGE	ROOF TYPE
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BUILDING/ ROOF	APPROX. SF	EFFECTIV E AGE	ROOF TYPE
Office building	28,000	10	EPDM membrane

3.3.5.2 Roof Drainage

Description:

The roof surfaces are sloped to direct storm water to interior roof drains that discharge to the underground network of storm drains which reportedly discharge into the municipal storm water system.

3.3.5.3 Warranty

Comments:

According to management, the 10 year roof warranty is expired.

3.3.5.4 Ancillary roof(s)

Description:

No ancillary roofs were identified at the time of the assessment.

3.3.5.5 General Condition

Description:

BUILDING/ ROOF	WARRANTY	CONDITION	ACTION REQUIRED*	ERUL (Estimated Remaining Useful Life)
Office building	None	Good	NM	12-15 years

Action*: NM=Normal Maintenance, IR=Immediate Repair /Replacement, RR=Replacement Reserves

Observations/Comments:

Based on the age and expected useful lives of the roofs, ARMCO does not anticipate the need for significant roof replacement during the term.

The flat EPDM roof was found to be in generally good condition with normal ponding, several loose/missing surface drain domed strainers and roof debris clogging roof drains – all maintenance items.

Based on the age of the roof and an EUL of 20 years, replacement is likely to be required during the loan term, and costs for the replacement have been included in Table 2.

Please be advised that the above observations and related comments are not to be interpreted as a full and comprehensive roof survey and should not be interpreted to mean the roof is free of leaks. Should a comprehensive report on the roof condition be required, the services of a qualified roof systems professional or consultant should be employed.



3.4 Mechanical, Electrical & Plumbing

3.4.1 HVAC Systems

Description:

Heating and cooling is provided to the building via three 30 ton roof-mounted split system heat pump units of Trane manufacture.. R-22 refrigerant is utilized at each compressor. The HVAC units are original to the development.

Observations/Comments:

No observed or reported deficiencies were noted. According to Mr. Joe Manager, building management owns and is responsible for the installation and maintenance of HVAC units. Based on their expected useful lives, ARMCO does not anticipate any replacement of units during the reserve term due to their age.

3.4.2 Electrical Systems

Description:

Electrical service enters the building via an underground feeder from one pad-mounted exterior transformer. Electrical service is 480/277 volt 3 phase 4-wire and is rated at 1,500 amperes 500 kVa total. The distribution wiring was reported and observed to be copper. Overload protection is provided by circuit breakers.

Bell South provided the telephone trunk lines to the property.

Observations/Comments:

In general, the electrical systems for the Subject Property, including switchboards, panel boards, lighting and wiring system appear in good condition and adequately sized for the intended use of the facilities

3.4.3 Plumbing Systems

3.4.3.1 Piping Systems

Description:

“As-built” plans of the Property were unavailable for review to determine the below ground components; thus, ARMCO was unable to physically identify all types of piping used throughout the Subject Property. However, according to available information and observations, potable water supply piping is copper and waste and vent piping is cast iron.

Observations/Comments:

No observed or reported deficiencies were noted. The supply, sewage and vent lines should be maintained as part of routine maintenance.

Pump replacement is performed by on-site personnel on an as-needed basis, and is considered routine maintenance. No observed or reported deficiencies were noted.



3.4.3.2 Domestic Hot Water

Description:

Domestic hot water to tenant spaces and common restrooms is provided by an estimated 20-gallon electric water heater located on each floor near the restrooms.

Observations/Comments:

No observed or reported deficiencies were noted. ARMCO did not observe any inoperable systems at the time of the inspection.

Given an EUL of ten to 15 years for a water heater, it is anticipated that some of the units will require replacement during the loan term. Costs for replacement are included in Table 2.

3.5 Vertical Transportation/Conveyor Systems

3.5.1 Elevators

Description:

The building is equipped with two (2) 2500 lb hydraulic passenger elevators manufactured by Schindler. The elevator controllers and pumps are located in a first floor utility closet. The passenger cabs are finished with carpeting, plastic laminate wall panels, stainless steel control panels and typical eggcrate ceilings. Full ADA compliance is provided with Braille, cab arrival and floor by-pass chimes and handsfree communication devices.

ELEVATOR	CAPACITY	MANUFACTURER	LAST INSPECTED	INSPECTION BY
2	2,500 lbs ea	Schindlerr	2/15/2008	NCDOL

Observations/Comments:

The elevators are/The elevator is maintained under an annual service contract that includes any overhauls and repairs required. The current elevator certificate is located in the elevator and is inspected by the State of North Carolina Department of Labor annually. Tags indicate that the elevator(s) were last inspected on 2/15/2008.

Contact was made with the local representative of Otis, which performs regular maintenance. It was reported that the elevator is in good condition. It is serviced on a regular basis, and is on a long-term maintenance contract.

No observed or reported deficiencies were noted.

3.5.2 Escalators

Description:

ARMCO did not observe any escalators at the Property at the time of the assessment.



3.6 Fire/ Life Safety

3.6.1 Fire Sprinklers

Description:

The Subject building is 100% served by city pressurized automatic wet-pipe sprinkler system. The fire sprinkler main is 6" in diameter and fitted with flow detectors and electronic tamper switches.

Observations/Comments:

No observed or reported deficiencies were noted. The sprinkler system is maintained by an outside contractor. The sprinkler system displayed a current inspection tag by Widget Sprinkler Company, dated 2/15/2008. No observed or reported deficiencies were noted.

3.6.2 Life Safety/Alarm Systems

Description:

The Subject buildings are equipped with a Blivet, Inc. central fire alarm panel with auto-dialer, audible and visual alarms, hard-wired smoke detectors, exit signs and emergency back-up lights. The central alarm system monitors the smoke detectors, sprinkler system and pull alarms, has communication abilities and alerts the local fire department and a monitoring company. Blivet Monitoring Co., an independent contractor conducts annual checks and maintenance of these on-site life safety features.

Observations/Comments:

No observed or reported deficiencies were noted. According to Mr. Steve Manager, tenants occupy the property under the provisions of lease agreements that hold the tenants responsible for the installation and maintenance of fire extinguishers. According to the City of Charleston Fire Department, no outstanding inspection issues are on file.

3.7 Interior Elements

ARMCO observed approximately 75% of interior tenant space as well as 100% of electrical rooms and mechanical rooms.

3.7.1 Common Areas

Description:

Common areas consist of lobby, corridors, and two sets of restrooms on each floor. The lobby is finished with marble floors, vinyl covered walls, and painted gypsum board ceiling. The corridors are finished with carpeted floors, vinyl covered walls, and acoustical ceiling tiles.

Restrooms each have multiple stalls. Finishes include ceramic tile flooring and wet walls, as well as acoustical ceiling tiles. Sinks are set into marble vanities. Each restroom is provided with one handicap-accessible stall while the lavatories are all handicap-accessible.

ITEM	CONDITION E, G, F, P	DESCRIPTION
Ceilings	G	Acoustical ceiling tile (ACT), painted drywall, wood trim.
Floors	G	Hardwoods, carpeting, bare concrete in storage areas, marble in lobby and vinyl tile.
Walls	G	Painted or vinyl covered drywall/wallboard throughout
Doors	G	Painted or stained solid core wood in painted metal or wood frames
Toilet Facilities	G	Multi-user with ceramic floor and wet walls, marble counter tops with wooden base cabinet, vinyl covered drywall and ACT ceilings

Observations/Comments:

No observed or reported deficiencies were noted. Based on the expected useful life of carpeting, ARMCO has included replacement in the reserve term.

3.7.2 Tenant Spaces

Description:

ARMCO observed the following tenant spaces:

VIEWED SPACE OBSERVATIONS		
Space/Unit	Condition (E,G,F,P)	Comments/Issue
100 – Widget Manufacturing Inc	G	Good condition, no deficiencies noted
200 – Blivet Communications	G	Good condition, no deficiencies noted
300 – You Name It LLC Holdings	G	Good condition, no deficiencies noted

The interior walls, ceiling and flooring vary based on tenant needs. Typical finishes in the tenant spaces consist of the following:

ITEM	CONDITION (E,G,F,P)	DESCRIPTION
Ceilings	G - F	Suspended ceiling tile, painted drywall; All hell broke loose in the Widget Bar and Grill - itsa mess

ITEM	CONDITION (E,G,F,P)	DESCRIPTION
Floor	G	Combination of vinyl floor tile, laminated wood, commercial grade carpet, and exposed concrete flooring.
Walls	G	Painted or vinyl covered drywall/wallboard and painted CMU
Doors	G	Doors are typically solid core painted or stained wood in painted metal frames
Toilet Facilities	G	None – All toilet facilities are in the common areas

Observations/Comments:

No observed or reported deficiencies were noted. According to Mr. Joe Manager, tenants are responsible for maintenance and replacement of their own finishes.



4.0 ADA COMPLIANCE

The scope of this report is limited to a general overview of the subject improvements common public areas (of improvements considered to be “Public Accommodations”) based upon the requirements of Title III of the Americans with Disability Act (ADA). Per Title III, disabled persons are to be provided accommodations and access equal to, or similar to, that available to the general public and requires that architectural and communication barriers in existing public accommodations be removed if they are “readily achievable” and are not an “undue burden”. Most states and local municipalities have adopted accessibility requirements that, in some cases, may be more stringent than the ADA. The review of the subject property for compliance with state and local accessibility requirements is beyond the scope of this report.

The purpose of this section is to identify certain obvious items that do not appear to be in general conformance with the Title III requirements; without inferring that correction of the reported items will bring the property into total compliance with the ADA. While opinions of cost to correct or remove noted barriers are provided herein, they do not constitute an opinion that elimination of the barriers is “readily achievable” and not an “undue burden” as defined by the ADA. The owner must determine this issue. The ADA is not intended to affect the contractual responsibilities existing in lease agreements between owners and tenants. Typically, the tenant is responsible for reviewing and making readily achievable accommodations in the tenants own lease/work space while the owner is responsible for the common areas of the improvements.

This facility was constructed in 1999, after the implantation of the ADA. Our survey of the Subject did not constitute an American with Disabilities Act (ADA) compliance audit; however, the property appears generally handicapped accessible. Handicap-designated parking spaces and curb cuts are provided, as well as exterior doors with adequate dimensions. Building management is responsible for their toilet rooms. Based on our cursory observations, no obvious items of non-conformance were observed.



5.0 QUALIFICATIONS

5.1 Limiting Conditions

The recommendations submitted for the subject project are based on available information and details furnished by the Property Manager and interviews with the tenants. The observations and recommendations presented in this report are time dependent, and conditions will change. The findings in this Report are not based on a comprehensive engineering study. During the site visit ARMCO Inspections, LLC did not gain access to all areas, perform any destructive tests, or operate any specific equipment.

ARMCO Inspections, LLC warrants that these findings have been promulgated after being prepared in accordance with generally accepted practice of the construction industry. No other warranties are expressed or implied. Our observations and resulting report are not intended to warrant or guarantee the performance of any building components or systems.

This report is intended to be utilized for the purpose of evaluating the general overall physical condition of the property. It is not intended to be used by an owner or borrower, or any other party for the purpose of evaluating specific building components and systems, nor is it intended to be used as an instrument in the purchase negotiations related to the acquisition of real property. The scope and purpose of such a report differs significantly, and may be considerably more detailed and tailored to the specific requirements of the client. This report was not prepared to the level of detail typically ascribed to engineering reports in the marketplace for real estate acquisitions.

The representations regarding the status of ADA Title III compliance were based on visual observation and without any physical measurement and, thus are only intended to be a good faith effort to assist the client by noting non-conforming conditions along with estimates of costs to correct and are not to be considered to be based on an in-depth study.

5.2 Consultant's Certification

On behalf of ARMCO Inspections, LLC, the undersigned hereby certifies that:

The report was prepared in a manner consistent with generally accepted industry practices and standards. ARMCO, or the individuals working on this assignment, are not affiliated with the property owners, its affiliates or representatives.

All information is true and correct, to the best of the undersigned's knowledge, and reflects the consultant's best professional opinion and judgment.

TABLE 1 IMMEDIATE REPAIRS COST ESTIMATE


Project No. 09-0250.1					April 7, 2008	
		Property: McLaurin Building 1234 Business Park Blvd. Hillsboro, VA 60606				
ITEM	QUANTITY	UNITS	UNIT COST	IMMEDIATE COST	COMMENTS	
No immediate items noted				\$0		
				\$0		
				\$0		
				\$0		
				\$0		
				\$0		
				\$0		
				\$0		
				\$0		
TOTAL ESTIMATED COST				\$0		

TABLE 2 RESERVE SCHEDULE

Project No. 09-0250.1																			4/7/2008	
Definitions																			Property: McLaurin Building	
EUL: Expected Useful Life																			1234 Business Park Blvd.	
EFF AGE: Effective age																			Hillsboro, VA 60606	
RUL: Remaining Useful Life																			0	
Quantity: Total Quantity Onsite																			Projected Term: 12	
																			Building Age: 10	
																			No. of Buildings: 1	
																			No. of Units: 15	
																			Gross sf: 80,000	
COST PER YEAR																				SUMMARY
ITEM	AVE EUL	EFF AGE	RUL	QUANTITY	UNIT COST	UNIT	SECTION/ PHOTO NO.	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	TOTAL RESERVES (ALL YEARS)
SITE IMPROVEMENTS																				
Sealcoat and stripe asphalt parking lots	5	1	4	30,000	\$0.10	SF	2.3.3	-	-	\$3,000	-	-	-	-	\$3,000	-	-	-	-	\$6,000
\$0																				
FAÇADE/EXTERIOR WALLS																				
Power wash caulk and repoint exterior	7	10	7	1	\$2,500	EA	2.5.1	-	-	-	-	-	-	\$2,500	-	-	-	-	-	\$2,500
ROOFING																				
Replace roof	20	10	10	28,000	\$5	EA	2.5.1	-	-	-	-	-	-	-	-	-	\$140,000	-	-	\$140,000
MECHANICAL, ELECTRICAL & PLUMBING SYSTEMS																				
Replace compressors in rooftop heat pumps	25	10	15	0	\$7,500	EA	2.5.1	-	-	-	-	-	-	-	-	-	-	-	-	\$0
Replace common area hot water heaters	10-15	10	2	6	\$250	EA			\$500	\$500	\$500									\$1,500
VERTICAL TRANSPORTATION																				
LIFE SAFETY/FIRE PROTECTION																				
\$0																				
INTERIOR ELEMENTS																				
Replace common area carpet	7-10	10	2	13,000	\$2	SF			\$26,000											\$26,000
\$0																				
TOTAL UNINFLATED								\$0	\$26,500	\$3,500	\$500	\$0	\$0	\$2,500	\$3,000	\$0	\$140,000	\$0	\$0	\$176,000
Inflation Factor @ 2.5%								100.00%	102.50%	105.06%	107.69%	110.38%	113.14%	115.97%	118.87%	121.84%	124.89%	128.01%	131.21%	-
TOTAL INFLATED								\$0	\$27,163	\$3,677	\$538	\$0	\$0	\$2,899	\$3,566	\$0	\$174,841	\$0	\$0	\$212,684
CUMULATIVE TOTAL INFLATED								\$0	\$27,163	\$30,840	\$31,378	\$31,378	\$31,378	\$34,277	\$37,843	\$37,843	\$212,684	\$212,684	\$212,684	-
RESERVE SUMMARY											Total Uninflated		Total Inflated							
Total Reserves											\$176,000		\$212,684							
Per Unit Reserves (All Years)											\$11,733		\$14,179							
Per Unit (Per Year)											\$978		\$1,182							



APPENDIX A -- PHOTOGRAPHS (Representative Samples / Typical Subject Images)



Photograph Number 1: Subject building entry driveway at Business Park Blvd



Photograph Number 2: Rooftop view of parking area



Photograph Number 3: Typical building elevation, landscaping and flatwork



Photograph Number 4: Rooftop view of HVAC systems



Photograph Number 5: Typical interior office view – note audible/visual fire alarm



Photograph Number 6: Typical interior office view



Photograph Number 7: Typical ADA accessible toilet area



Photograph Number 8: Subject building main switchgear

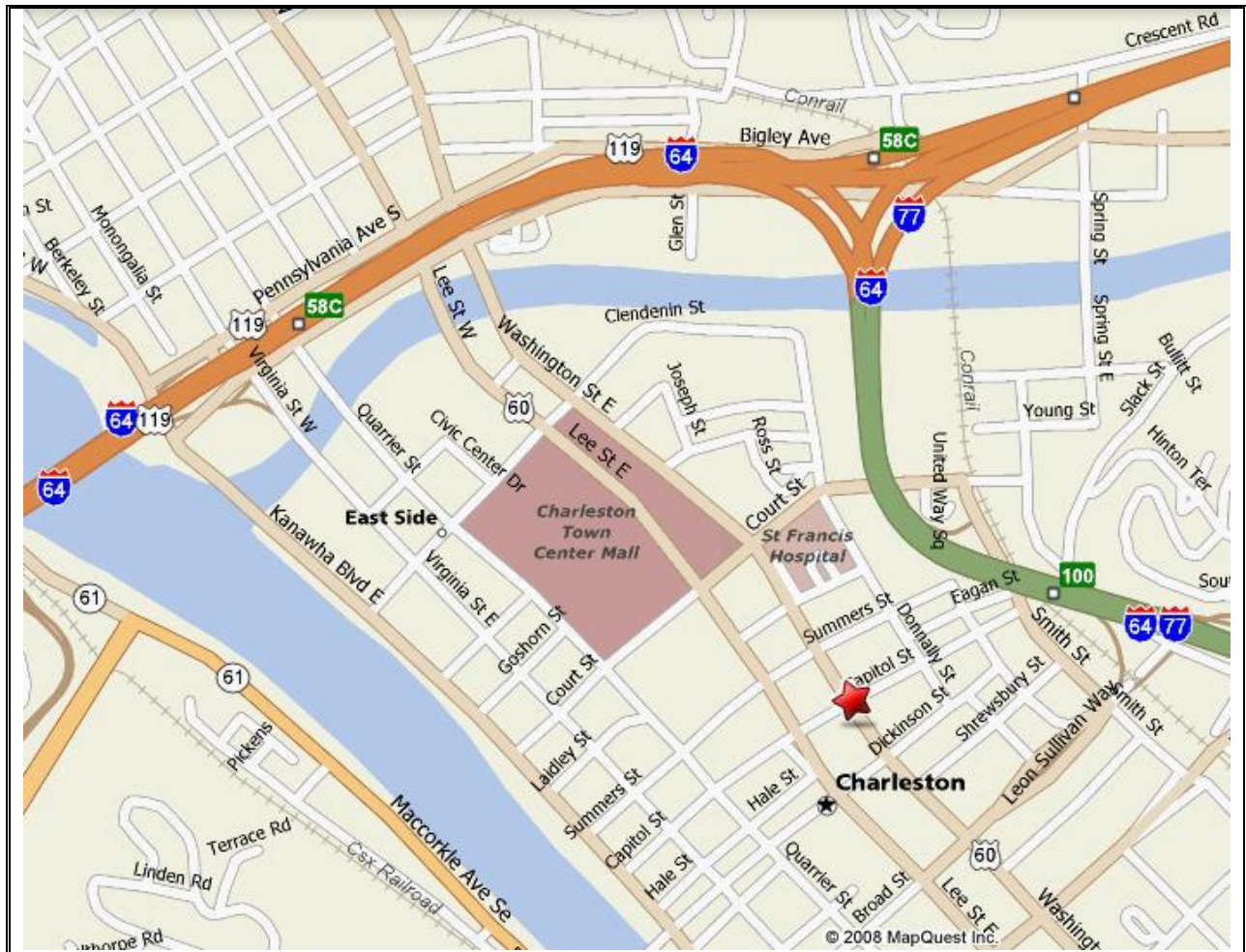


Photograph Number 9: View of dual hydraulic elevator pump/control area




Photograph Number 10: View of typical wet pipe sprinkler system with electric fire pump

APPENDIX B -- SITE MAPS



Note: Sitemap is representative sample only

SITE LOCATION MAP	DRAWING NOT TO SCALE N ↑
	<p>Site Name: McLaurin Building 1234 Business Park Blvd Charleston, VA 60606</p> <p>Project Number: 08-0250.1</p>



Note: Siteplan is representative sample only

SITE PLAN

DRAWING NOT TO SCALE

N↑



Site Name: McLaurin Building
1234 Business Park Blvd
Charleston, VA 60606

Project Number: 08-0250.1