FREMF 2013-K712 Mortgage Trust, Multifamily Mortgage Pass-Through Certificates, Series 2013-K712

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PRELIMINARY RATINGS (AS OF: 4/1/13)

CLASS	BALANCE/ NOTIONAL AMT	PRELIMINARY RATINGS	MORNINGSTAR DSC	MORNINGSTAR BLTV	CREDIT SUPPORT LEVELS
FREMF 2013-K712 Multifamily Mortgage Pass-Through Certificates					
A-1	$165,000,000	AAA	1.67x	76.6%	17.50%
A-2	$1,282,673,000	AAA	1.67x	76.6%	17.50%
X1 (2)	$1,447,673,000	AAA	N/A	N/A	N/A
X2-A (2)	$1,447,673,000	AAA	N/A	N/A	N/A
X2-B (2)	$307,082,384	AAA	N/A	N/A	N/A
X3 (2)	$307,082,384	NR	N/A	N/A	N/A
B	$131,606,000	A-	1.53x	83.6%	10.00%
C	$43,869,000	BBB+	1.49x	85.9%	7.50%
D (3)	$131,607,384	NR	1.38x	92.8%	0.00%
Total Issuance	$1,754,755,384				
Freddie Mac Structured Pass-Through Certificates, Series K-712 (SPC K-712)					
A-1 (1)	$165,000,000	AAA	1.67x	76.6%	17.50%
A-2 (1)	$1,282,673,000	AAA	1.67x	76.6%	17.50%
X1 (1) (2)	$1,447,673,000	AAA	N/A	N/A	N/A
X3 (1) (2)	$307,082,384	NR	N/A	N/A	N/A
Total Issuance	$1,447,373,000				

In determining the preliminary ratings on each class of securities issued by the Trust, Morningstar analyzed the properties securing each loan as enumerated herein to determine their stabilized as-is net cash flow (NCF) and value based primarily on the direct capitalization approach. The loans along with their corresponding as-is NCF and property value were then subjected to a series of economic and lending environment stresses in our proprietary CMBS Subordination Model to estimate their expected loss at each rating category. A description of this model is attached as Appendix A to this report. Note (1): The principal and interest payments on the Class A-1 and Class A-2 certificates and interest payments on the Class X1, and Class X3 certificates are guaranteed by Freddie Mac. Note (2): The Class X1, Class X2-A, Class X2-B, and Class X3 certificates will not have a Certificate Principal Amount and will not be entitled to receive distributions of principal. Interest will accrue at the respective pass-through rates based upon the corresponding Notional Amount. Note: (3): The Class D certificates are principal only and will not bear interest. NR – Not Rated; N/A – Not applicable; PR – Private Rating Issued

Estimated Closing Date: On or about April 23, 2013

Solely to the extent and subject to the scope of review enumerated herein, this report and the preliminary ratings noted above address certain credit risks and the extent to which the payment stream of the collateral is adequate to make payments required under the certificates based on information identified as subject to review herein and to the extent provided to Morningstar on the arranger's website for this transaction as of April 2, 2013 The below analysis, as well as Morningstar's ratings characteristics as described in Appendix C, further reflect the ratings analysis related to these preliminary ratings. Investors should be aware that the proposed transaction and certain documents related thereto are not finalized. Following Morningstar's receipt of final information and documentation, and the completion of Morningstar's review of such information and documentation, Morningstar may issue final ratings to certain subscribers. Such final ratings may differ from the preliminary ratings enumerated herein. Any final ratings will solely be available to Morningstar subscribers on a subscription basis.

The preliminary ratings are provided on an arranger pay basis while any related surveillance and analysis is provided to subscribers on a subscription pay basis. For the avoidance of doubt, your receipt of this report does not, in and of itself, make recipient a subscriber of Morningstar. For further information on Morningstar's subscription service, please contact Joe Petro pursuant to the contact information above.

Ongoing Surveillance Statement

Morningstar will monitor the ratings assigned to each Class of certificates on an on-going basis and publish monthly surveillance reports, Morningstar Dealviews, with respect to the trust on a subscription basis solely for subscribers. In addition, changes to ratings and related analysis with respect to each Class of certificates will be provided to subscribers on a subscription basis. Appendix B to this report provides details on our surveillance approach. Morningstar's ability to continually monitor this transaction is contingent on Morningstar's continued timely receipt of certain information and data regarding the collateral and transaction.

This report is an opinion and does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.

Morningstar publishes its current Form NRSRO and exhibits thereto at http:rating agency.morningstar.com. Morningstar maintains internal policies and procedures to manage conflicts which may include payment structures for ratings.

TRANSACTION SPOTLIGHT

Collateral	74 fixed-rate loans on 74 multifamily properties	**Mortgage Loan Seller**	Federal Home Loan Mortgage Corporation (Freddie Mac)
		Guarantor	Federal Home Loan Mortgage Corporation
Cut-off Date Balance	$1,754,755,384	**Depositor**	J.P. Morgan Chase Commercial Mortgage Securities Corp.
Structure	Sequential	**Trustee**	U.S. Bank National Association
Morningstar U/W Current DSCR (1)	1.80x	**Custodian**	Wells Fargo Bank, National Association
Morningstar U/W Amortizing DSCR (1)	1.38x	**Certificate Administrator**	Wells Fargo Bank, National Association
Morningstar U/W BLTV	92.8%	**Master Servicer**	KeyCorp Real Estate Capital Markets, Inc.
Morningstar U/W ELTV	83.0%	**Special Servicer**	Wells Fargo Bank, National Association

(1) "Current DSCR" refers to the loans' initial DSCR at cut-off; "Amortizing DSCR", which includes amortizing, non-amortizing, and partially amortizing loans, reflects the coverage for the portfolio after the IO period on the partial IO loans has expired.

Transaction Overview

The FREMF 2013-K712 Mortgage Trust Multifamily Mortgage Pass-Through Certificates (FREMF 2013-K712) are supported by the payment streams from 74 fixed-rate mortgage loans secured by 74 multifamily properties. The priority of payments on the certificates is generally based on a sequential pay structure. The loans have an aggregate initial pool balance of approximately $1.75 billion. The average initial principal balance is $23.7 million, and the loans range in size from nearly $3.5 million to $119.8 million. All the loans are balloon loans with original terms to maturity of 84 months. The properties, which consist mostly of garden-style apartments—59 of 74 properties—are in 18 states, with the five largest concentrations in California (11 properties, 19.5%), Texas (14 properties, 16.4%), Florida (8 properties, 11.5%), Tennessee (6 properties, 9.5%), and Arizona (7 properties, 7.3%). Washington and Virginia are the only other states with a concentration in excess of 5.0%. At $119.8 million (6.8% of the initial pool balance), The Enclave is the largest loan. No other loan is more than 4.3% of the initial pool balance.

Morningstar determined the preliminary ratings for each class of FREMF 2013-K712 certificates by analyzing 40 of the 74 loans (74% by cut-off date balance) and subjecting the aggregate net cash flow and capitalization rates to a variety of stresses in our proprietary CMBS Subordination Model. For those loans that we did not directly analyze, we applied a net cash flow haircut of 3.5% to the issuer's underwritten net cash flow to derive the Morningstar NCF. Morningstar will perform on-going monitoring of the rating on each Class of Certificates on a subscription basis in accordance with Morningstar's policies and procedures.

The Freddie Mac Structured Pass-Through Certificates, Series K-712 (SPC K-712) represent the pass-through of the entire beneficial interest of certain underlying securities issued by FREMF 2013-K712, including all principal, interest, guarantees and other payments. Each SPC K-712 security corresponds to its underlying FREMF 2013-K712 certificate of the same name.

All percentages shown herein are based on the cut-off date loan balances as a percentage of the aggregate cut-off date pool balance unless otherwise noted.

The Morningstar operational risk assessment ("ORA") ranking for KeyCorp Real Estate Capital Markets, Inc, the Master Servicer for the deal, is 'MOR CS1/Stable.' The ORA ranking for Wells Fargo Bank, National Association, which is acting as Special Servicer, is 'MOR CS2/Stable.' The full ORA assessment reports and additional information may be found at https://ratingagency.morningstar.com.

Morningstar Perspective

The pool of assets securing FREMF 2013-K712 exhibit certain credit characteristics that Morningstar views positively and are ultimately reflected in our assigned credit ratings. First, the pool is comprised of loans backed by properties that Morningstar believes exhibit less cash flow volatility over time. Our review and analysis of empirical data going back to the early 1980s reveal that multifamily properties experience less cash flow volatility than do office buildings or hotels. Accordingly, we apply less onerous cash flow stresses to those pools composed of properties with less volatile cash flow.

Second, most of the ten largest properties by balance are performing well and we expect them to continue to do so over the near term. These ten properties report recent occupancy rates of at least 91%, and Morningstar has underwritten occupancy for all 10 properties at or above 91%. Eight of the ten properties are reporting stable or improving NOI, with some showing substantial growth over the last two or three reporting periods. For example, the two largest loans, The Enclave (6.8%) and Halstead Arlington Apartments (4.2%), generated NOI increases of 11.1% and 8.4% from 2011 to the most recent reporting period.

Our two primary concerns with the pool are the lack of significant principal amortization and high loan leverage. Fifty-six of 74 loans (74.7% by cut-off balance) are structured with either term-IO or partial-IO payments. Morningstar's beginning weighted average LTV is 92.8%, and 49 loans (73.4% by balance) have a Morningstar LTV that exceeds 90%. These factors—interest-only payment periods and high leverage—are accounted for in our subordination model and reflected in our ratings.

Based on the information provided on the arranger's website as of March 25, 2013 (the date on which Morningstar's analysis on the underlying loans and properties was completed), Morningstar's analysis of the loans yielded aggregate net cash flow (NCF) of $128.0 million. The Morningstar NCF is lower than the most recent reported NCF (as reported in the issuer's final tape dated March 22, 2013) and Freddie Mac's underwritten NCF by 10.6% and 2.6%, respectively. Our NCF results in weighted-average current and amortizing DSCRs of 1.80x and 1.38x, based on the actual loan payment terms. The Morningstar NCF and DSCR, as well as certain other loan metrics and analytical assumptions for each loan are provided in the Loan Analysis Summary Table and are posted along with this presale report on Morningstar's website at http://ratingagency.morningstar.com.

Morningstar valued each of the properties using the direct capitalization method, with some adjustments made for upfront reserves and/or existing tax abatements or other tax incentives. Based on our combined NCF of $128.0 million and a portfolio weighted average cap rate of 6.77%, our total pool value is $1.89 billion, which is 24.1% lower than the reported aggregate appraised values. Based on the initial aggregate portfolio balance of $1.75 billion and Morningstar's aggregate value for the 74 properties, Morningstar's beginning and ending portfolio loan-to-value ratios are 92.8% and 83.0%. The cap rates, values and LTV ratios for each loan are provided in the Loan Analysis Summary Table.

Asset Summary Reports detailing Morningstar's analysis of the top 20 loans as well as a Loan Analysis Summary Table that provides our final net cash flow, capitalization rate and value for each loan/property, along with key loan and property characteristics for all loans, are distributed along with this presale report on Morningstar's website at http://ratingagency.morningstar.com. Asset Summary Reports for the top 10 loans are included in this presale report.

The Bears Say

- High beginning and ending loan leverage: The average and weighted average Morningstar beginning LTVs for the 74 loans are 92.8% and 91.7%; the ending LTVs are also high at 83.0% and 82.1%. Forty-nine loans (73.4%) have a Morningstar beginning LTV of 91% or higher, including 13 loans (18.0%) at 101% or higher.
- High leverage of Top 10 loans: Nine of the 10 largest loans have a Morningstar beginning LTV that exceeds 90%, including seven that exceed 95%.
- Partial or no amortization for the majority of loans: Fifty loans (67.5%) pay interest only for a portion of their loan terms, while six loans pay interest only for their entire terms (7.3%); 18 of the 74 loans (25.3%) amortize during their entire loan terms. Less amortization increases refinance risk, especially on those loans with high ending LTVs.
- Portfolio includes some older properties: Average age of the properties is 23.9 years, and 14 properties (15.3%) are at least 40 years old, including five (7.0%) that are more than 50. Two of the oldest properties, Capital Towers and Villas (52 years) and Metro 417 (88 years) are performing well in their respective markets and both exhibit positive trends in net rentable income and net operating income over the last three years The former is a mid-rise building in Sacramento, while the latter is a high-rise building in Los Angeles that underwent a full renovation in 2005 and offers high-end unit finishes and common-area amenities.

The Bulls Say

- Stable property type: Morningstar views multifamily as a property type that exhibits less cash flow volatility compared to hospitality, office, or retail properties.
- Distribution of DSCRs: All loans have a Morningstar amortizing NCF DSCR of 1.11x or better; 40 (51.8%) have an amortizing coverage of 1.31x or better, including 16 (17.4%) that exceed 1.50x coverage.
- Large percentage of properties built within 20 years: Thirty-three of the 74 properties (54.4%) are less than 20 years old.
- Stable or improving performance of the largest properties: On the basis of occupancy rates and NOI trends, most of the 10 largest properties exhibit stable or improving performance.
- Lack of loan concentration: The Top 10 loans are 32.0% of the initial pool balance. The largest loan is 6.8% but no other loan makes up more than 4.2% by balance and only the three largest loans are more than 3.0% of the aggregate pool balance.

Loans of Particular Interest

- The Enclave (6.8%): The largest loan in the pool at $119.8 million, The Enclave has a high Morningstar beginning LTV of 97.3%; and though it amortizes during the term, the loan's ending leverage is still high at 81.8% (based on our concluded value). Worth noting is that the collateral property is subject to three regulatory agreements that either restrict rents to a certain percentage of the area's AMI (average monthly income) or require the property owner to rent 20% or more of the units to "very low" or "low income" tenants, while setting aside another 143 units for tenants of "moderate income." However, the property is performing very well as evidenced by its current and past occupancy levels and positive income trends. As of January 2013 the complex is 98.0% occupied, and since 2010 both net rental income and NOI have increased by more than 15%.
- Halstead Arlington Apartments (4.2%): The second largest loan has a high Morningstar beginning LTV of 90.4% and pays interest only for the initial 24 months. On the positive side, since 2012 net rental income (gross potential rent minus vacancy and concessions) at the property backing the second largest loan grew by nearly $1 million in 2011 from 2010, and by nearly $300,000 in the trailing 12-month period ($1.29 million over the two-year period). Because the units in the nine-story high-rise in Arlington, Va. have high-end finishes and amenities, we assigned a property score of 2

("Good") to the property. Moreover, the roughly four-year-old property is well located in a submarket with strong real estate fundamentals and a low unemployment rate.

- Highpoint Apartments (3.7%): The third largest loan has a high Morningstar beginning LTV of 97.3% and pays interest only for the first 24 months of the loan term. The property securing the loan recorded a slight decline in NOI in the TTM period (-3.2%). However, NOI is up 11.0% since 2010, and the property has exhibited stable occupancy since 2010, averaging roughly 94%; it is 93.0% occupied as of year-end 2012.
- Cherry Creek Apartments (2.9%): The fourth largest loan pays interest only for the first 24 months and has a Morningstar beginning LTV of 99.2%. The collateral property in Hermitage, Tenn., west of Nashville, is 94.6% occupied as of year-end 2012, and net rental income and NOI are trending strongly positive, up 13.0% and 38.0%, respectively, since 2010. Further, the 28-year-old property is in good condition and well maintained.
- Park at Vineridge Apartments (2.0%): From 2011 to the end of 2012, the property's NOI dropped by 18.3% (based on an annualized 10-month statement); net rental income decreased by 2.0% because of a decline in occupancy, while expenses jumped by $390,000, or nearly 19%, year over year. In addition, the roughly 25-year-old property has substantial deferred maintenance according to the engineering report, which recommended immediate repairs of $1.1 million. However, the property is nearly 96% occupied and is in a submarket where additions to supply have been virtually nil over the last 18 months, according to Reis. Reis also predicts nominal future supply growth and annual rent growth of 3% over the next five years.

Property Site Visits

Morningstar analysts visited 40 of the 74 properties (63.8% by balance) including those backing the largest 11 loans, and assigned property quality scores to each. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. Factors such as the property's age, location and condition are considered in assigning the quality score. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our cap rates. We assigned a score of 2, "Good," to one property, Halstead Arlington Apartments (4.2%), and a score of 4—"Fair"—to one, Meridian Pointe Apartments (1.8%). We assigned average scores (score of 3) to the 38 other properties we toured. The weighted-average property quality score for the properties visited was 2.96 based on the initial allocated loan balances. Morningstar's observations from the site visits are provided in the individual asset summary reports and the properties visited are noted in our Loan Analysis Summary Table.

Credit Support Stresses

Morningstar's final net cash flow and capitalization rates for each property are matched with the corresponding loan characteristics and subjected to various stresses, including net cash flow declines, capitalization rate deterioration and default timing, in Morningstar's CMBS Subordination Model at each rating category. Additional stresses are applied to the cash flow of those properties contributing to portfolio level concentration risks. This is done separately to gauge the credit-worthiness of each loan during its term and at the balloon date. In the case of the latter, Morningstar additionally stresses the ability of the borrower to refinance the loan at higher loan constants. For instance, at the AAA level, Morningstar's analysis utilizes a stressed refinance loan constant of 12.0%.

The metrics shown below highlight the magnitude of cash flow and value decline after applying all of the stresses at each rating category. These are provided separately for the term default and balloon default analyses. By way of example, in assigning a rating of "AAA" to the Class A-1 certificates, we subjected our concluded net cash flows to a weighted-average 19.6% decline and our concluded values to a weighted-average 36.9% decline in the term default analysis. In the balloon default analysis, these weighted-average declines were 9.1% and 25.9%, respectively. The resultant credit support levels based on these stresses are then compared to the levels of the actual capital structure to determine the appropriate rating level for each class of securities.

Morningstar Subordination Model NCF and Value Stresses				
	AAA	**AA**	**A**	**BBB**
Morningstar NCF Decline (Term)	19.6%	18.0%	16.3%	14.7%
Morningstar Value Decline (Term)	36.9%	33.7%	30.7%	22.2%
Morningstar NCF Decline (Balloon)	9.1%	8.3%	7.6%	6.8%
Morningstar Value Decline (Balloon)	25.9%	23.6%	21.1%	15.0%

Morningstar Rating Characteristics

Appendix C of this presale report contains general characteristics of Morningstar's rating of CMBS transactions as well as characteristics specific to this transaction.

Transaction Comparison

The table below is a comparison of certain characteristics and metrics of the FREMF 2013-K712 transaction against the averages of other FREMF K 7-Year deals that Morningstar rated. *The K712 transaction is excluded from the averages presented.* The deal is significantly larger than any of the deals in the comparison group in terms of aggregate initial pool balance and number of loans. Other differences are worth noting. First is the relatively smaller loan-balance concentration in K712's Top 10 loans—32.0%—versus 39.1% for the cohort average. Some of this is due to K712's largest loan, The Enclave, making up less than 7% of the portfolio balance compared to more than 8.2% on average in the cohort. Second, the percentage of partial-term interest-only loans in K712 is 67.5%, nearly 10 percentage points below the cohort's 77.3% average, and lower than the percentage for any single deal in the comparison group. All things equal, loans that provide for an interest-only period will de-lever less during their loan terms thereby potentially increasing refinance risk at maturity.

Morningstar's cash flow variance—that is, the difference between our underwritten cash flow and that of the issuer—does not differ materially from the average for the cohort. Generally, the loans in the K7 series are underwritten by the contributors to a relatively high standard, as evidenced by average Morningstar NCF variances in the 2% - 3% range. K712's weighted average cap rate of 6.77% is below the cohort average. This is not unexpected as multifamily cap rates have become compressed over the last 24+ months. Morningstar's view is that cap rates for most property types, multifamily included, will reverse course at some point in the intermediate term, and therefore we have established cap rate floors as well as made some conservative adjustments in our subordination model to attempt to account for this.

The Morningstar Value Variance—the difference between our underwritten property value and that of the appraiser—is similar for both K712 and the cohort average. Our value variance for Freddie Mac 7-year deals is typically about 25% on average. Finally, in comparing the Morningstar beginning and ending LTVs, we see that the K712 LTVs are slightly lower than the comparison group average, though not materially so.

Metric / Characteristic	FREMF 2013-K712	FREMF K 7-Year Series Averages
Portfolio Characteristics		
Portfolio Balance (in $Millions)	$1,754.8	$1,270.8
Loan Count	74	61
Property Count	74	61
Number of Portfolio Loans	0	0
Top Loan (% of Portfolio)	6.8%	8.2%
Top 5 Loans (% of Portfolio)	20.5%	25.7%
Top 10 Loans (% of Portfolio)	32.0%	39.1%
WA Mortgage Rate	3.550%	4.071%
Loans With B-Notes (% of Portfolio)	0.0%	0.0%
Loans With Mezz Financing (% of Portfolio)	0.0%	0.0%
Loans Allowing Supplemental Financing (% of Porfolio)	100%	100%
Full Term Interest Only Loans (% of Portfolio)	7.3%	5.7%
Partial Interest Only Loans (% of Portfolio)	67.5%	77.3%
Leverage Metrics		
Mstar Cash Flow Variance (%)	-2.6%	-2.9%
Mstar WA Cap Rate	6.77%	6.96%
Mstar Value Variance (%)	-24.0%	-23.7%
Issuer WA DSCR	1.43x	1.35x
MStar WA DSCR	1.38x	1.31x
Issuer WA BLTV	71.1%	71.1%
Issuer WA ELTV	63.8%	64.7%
Mstar WA BLTV	92.8%	93.3%
Mstar WA ELTV	83.0%	85.0%
Capital Structure		
"AAA" Credit Support %	17.50%	16.54%
Class B Rating (10% Credit Support)	A-	---
Class C Rating (7.5% Credit Support)	BBB+	

Note: (1) Averages are based on three FREMF K-Series 7-year transactions rated by Morningstar.

Loan Portfolio Summary

General Loan Portfolio Characteristics

The primary assets of the trust are 74 fixed-rate loans secured by first liens on 74 multifamily properties. The loans are generally non-recourse; each has a seven-year (84 month) term, and each was originated within 12 months of the securitization date.

Loan Concentration

The pool of 74 mortgage loans has an aggregate initial pool balance of roughly $1.75 billion. The largest loan, The Enclave, is 6.8% of the total balance; however, no other loan has a balance that is more than 4.3% of the initial balance. The top ten loans, shown below, comprise 32.0% of the portfolio, a relatively small loan-balance concentration compared to other similar deals from the Freddie Mac shelf. These 10 loans are backed by garden-style (5), mid-rise (2), high-rise (2) and student (1) multifamily properties in six states. Some positive credit features of the top 10 are 1) at least partial amortization for all ten loans, 2) current DSCRs above 1.50x for eight loans, and 3) lack of a significant loan-balance concentration. One noteworthy credit-negative characteristic is the relatively high beginning and ending leverage for these loans. As a group they have a Morningstar weighted-average beginning LTV of 95.4%, with nine loans above 90%, including two above 100%. Moreover, only one loan has an ending LTV below 75%, though seven have Morningstar ending LTVs above 85%. All things equal, a higher LTV increases refinance risk at loan maturity and reduces potential recoveries if the loan defaults. Mitigating some of the risk is that seven of the top 10 properties have shown stable or positive NOI trends over the last few reporting periods, and all 10 reported recent occupancy rates of at least 91%.

Loan Name	Property Sub-type	City	State	Cut-off Balance	% of Cut-off Pool Balance	Morningstar Current DSCR	Morningstar Amortizing DSCR	Morningstar Beginning LTV	Morningstar Ending LTV
The Enclave	Garden	San Jose	CA	119,806,832	6.8%	1.20 x	1.20 x	97.3%	81.8%
Halstead Arlington Apartments	High Rise	Arlington	VA	73,100,000	4.2%	2.02 x	1.28 x	90.4%	80.9%
Highpoint Apartments	Mid Rise	Quincy	MA	65,633,000	3.7%	1.93 x	1.22 x	97.3%	87.0%
Cherry Creek Apartments	Garden	Hermitage	TN	51,000,000	2.9%	2.05 x	1.36 x	99.2%	89.2%
Capitol Towers And Villas	Garden	Sacramento	CA	49,950,000	2.8%	2.02 x	1.31 x	92.5%	85.0%
Metro 417	High Rise	Los Angeles	CA	49,630,561	2.8%	1.34 x	1.34 x	84.3%	71.5%
Bell Parkland	Garden	Parkland	FL	44,000,000	2.5%	2.13 x	1.40 x	95.6%	88.0%
Cityview At SoCo	Mid Rise	Austin	TX	39,000,000	2.2%	1.82 x	1.22 x	98.6%	86.5%
Axis West Campus Apartments	Student	Austin	TX	35,400,000	2.0%	2.02 x	1.32 x	100.3%	90.1%
Park At Vineridge Apartments	Garden	Altamonte Springs	FL	34,800,000	2.0%	1.87 x	1.24 x	102.2%	92.0%
Totals / Weighted Averages				**$562,320,394**	**32.0%**	**1.76 x**	**1.28 x**	**95.4%**	**84.3%**

Amortization Characteristics

All the loans require a final balloon payment at maturity. Six loans (7.3%) pay interest only during their entire loan terms and fifty loans (67.5%) pay interest only for a period of 12 to 36 months from the loan origination date before amortization begins.

Loan Name	Cut-off Balance	% of Cut-off Portfolio Balance	Morningstar Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR	Morningstar BLTV	Morningstar ELTV
Full Interest Only	7.26%	6	8.0%	2.24 x	2.24 x	85.2%	85.2%
Partial Interest Only	67.47%	50	7.2%	2.00 x	1.32 x	85.1%	85.1%
Amortizing	25.28%	18	7.2%	1.35 x	1.35 x	76.8%	76.8%

Pari-Passu Notes

None of the mortgage loans is structured as a *pari-passu* loan.

Originators

The loans were originated by the following entities and then acquired by the mortgage loan seller: Beech Street Capital, LLC, Berkadia Commercial Mortgage LLC, Berkeley Point Capital LLC, CBRE Capital Markets, Inc., Centerline Mortgage Partners Inc., Financial Federal Savings Bank, Holliday Fenoglio Fowler, L.P., HSBC Realty Credit Corporation (USA), Jones Lang LaSalle Operations, L.L.C., KeyCorp Real Estate Capital Markets, Inc., M&T Realty Capital Corporation, Magna Bank, NorthMarq Capital, LLC, Oak Grove Commercial Mortgage, LLC, PNC Bank, National Association, Prudential Affordable Mortgage Company, LLC, Walker & Dunlop, LLC (for itself and as successor-in-interest to CWCapital LLC), Wells Fargo Bank, National Association.

Loan Purpose

Thirty-two loans (36.3%) were used to refinance existing debt and the remaining 42 (63.7%) were for acquisition financing.

Loan Purpose	% of Initial Pool Balance	# of Loans
Refinance	36.28%	32
Acquisition	63.72%	42
Total	**100%**	**74**

Related Borrowers

Certain groups of the underlying mortgage loans were made to borrowers under common sponsorship. (See table below for the five largest groups.) Mortgage loans to a related borrower pose additional risks. For example, financial difficulty at one property could cause the owner to defer maintenance at another property in order to cover expenses at the troubled property or the owner could attempt to avert foreclosure on one mortgaged property by filing a bankruptcy petition that might have the effect of interrupting monthly payments for an indefinite period on all related mortgage loans. Despite the fact that the sponsors of several borrowers are related, borrowers are generally structured as a single purpose entity. There is an increased risk of consolidation with respect to affiliated entities upon a bankruptcy of a sponsor or principal.

A nonconsolidation opinion providing comfort over consolidation risks was not provided for all such loans. As legal review (other than noted in the Scope of Analysis above) was not performed on all of the loans in the related borrower groups aggregating 5% or more of the pool we have assumed that the nonconsolidation opinions, organizational structure and organizational documents are in forms customary for a prudent lender. While nonconsolidation opinions were received for certain loans, there is no guarantee that an attempted consolidation would not be successful or that costs, fees and/or expenses would not be incurred. Mortgage loans in this portfolio with borrowers under common sponsorship are shown in the following table.

None of the underlying mortgage loans is cross-collateralized or cross-defaulted with any other mortgage loan in the pool.

Loans with Common Borrower Ownership	Cut-off Date Principal Balance	% of Cut-off Pool Balance
The Enclave	119,806,832	6.8%
Highpoint Apartments	65,633,000	3.7%
Echo Ridge	19,769,954	1.1%
Total	**205,209,787**	**11.7%**
Finisterra Apartments	25,750,000	1.5%
The Residences At Stadium Village	25,750,000	1.5%
St. Johns Plantation Apartments	23,900,000	1.4%
Lumiere Chandler Condominiums	18,500,000	1.1%
Green Tree Place Apartments	18,000,000	1.0%
Total	**111,900,000**	**6.4%**
Park At Vineridge Apartments	34,800,000	2.0%
Kirkman Apartments	22,080,000	1.3%
Windemere Lakes Apartments	17,830,000	1.0%
Twelve Oaks Apartments	17,600,000	1.0%
Total	**92,310,000**	**5.3%**
Cherry Creek Apartments	51,000,000	2.9%
Arbors Of Brentwood Apartments	23,050,000	1.3%
Total	**74,050,000**	**4.2%**
Bell Parkland	51,000,000	2.5%
Rattan Creek Apartments	23,050,000	1.6%
Total	**74,050,000**	**4.1%**

Tenants In Common

The borrower of the Campus Edge Apartments loan (1.2%) owns the mortgaged real property as tenants-in-common.

In many tenant-in-common ownership structures, each tenant-in-common owns an undivided share in the subject property. If a tenant-in-common desires to sell its interest in the property and is unable to find a buyer or otherwise desires to force a partition, the tenant-in-common has the ability to request that a court order a sale of the property and a subsequent distribution of the proceeds to each tenant-in-common owner proportionally. To reduce the likelihood of a partition action, each tenant-in-common borrower under the underlying mortgage loan referred to above has waived its partition right. However, it is possible that this waiver would not be enforceable if challenged or that it would not be enforced in a bankruptcy proceeding.

Two added risks are 1) that the enforcement of remedies against tenant-in-common borrowers may be prolonged because each time a tenant-in-common borrower files for bankruptcy, the bankruptcy court stay is reinstated; and 2) that the bankruptcy, dissolution or action for partition by one or more of the tenants-in-common could result in an early repayment of the related mortgage loan, a significant delay in recovery against the tenant-in-common borrowers, a material impairment in property management and a substantial decrease in the amount recoverable on the related mortgage loan.

Loan Portfolio Metrics

Debt Service Coverage Ratios

Based on Morningstar's net cash flow, the portfolio has weighted-average current and amortizing DSCRs of 1.80x and 1.38x. All 74 loans have an amortizing coverage of 1.11x or better, and the majority (71 loans, 95.8%) has a coverage that exceeds 1.20x.

DSCR on Morningstar NCF	% of Initial Pool Balance	# Loans	Morningstar Debt Yield	Morningstar BLTV	Morningstar ELTV
< 1.00	0.00%	0	-	-	-
1.00 - 1.10	0.00%	0	-	-	-
1.11 - 1.20	4.20%	3	6.43%	103.18%	90.30%
1.21 - 1.30	43.99%	31	6.73%	96.32%	85.01%
1.31 - 1.40	24.65%	18	7.31%	94.21%	83.79%
1.41 - 1.50	9.75%	6	7.77%	90.33%	81.07%
> 1.50	17.41%	16	8.64%	82.84%	77.07%

Portfolio Leverage

With average and weighted-average (by loan balance) Morningstar beginning LTVs of 92.1% and 92.8%, respectively, the portfolio's leverage is relatively high. As the table below shows, the LTVs for the bulk of the loans fall in the 91% to 100% range (36 loans, 55.3%). Morningstar's beginning LTVs for 69 of the 74 loans (97.3%) are 81% or higher while 49 (73.4%) are at least 91%, including 13 (18.0%) that are at least 101%.

Leverage on Morningstar Value	% of Initial Pool Balance	# Loans	Morningstar Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR
< 70.0	1.30%	3	11.31%	2.39 x	2.12 x
70 - 75	0.00%	0	-	-	-
76 - 80	1.39%	2	9.06%	2.62 x	1.82 x
81 - 85	14.58%	10	7.99%	1.87 x	1.62 x
86 - 90	9.36%	10	7.59%	1.75 x	1.48 x
91 - 95	24.88%	19	7.32%	1.88 x	1.36 x
96 - 100	30.45%	17	6.88%	1.72 x	1.27 x
101 - 105	14.55%	11	6.81%	1.77 x	1.26 x
> 105	3.48%	2	6.88%	1.49 x	1.24 x

Loan Structural Components

SPE and Bankruptcy Remoteness

The borrowers for all the loans are structured as a single-purpose borrowing entity whose organizational documents or the terms of the loan documents limit their activities to the ownership of only the related mortgaged real property or properties and, subject to exceptions, including relating to subordinate debt secured by the related mortgaged real properties, generally limit the borrowers' ability to incur additional indebtedness other than trade payables and equipment financing relating to the mortgaged real properties in the ordinary course of business. Although a borrower may currently be a single purpose entity, in certain cases the borrowers may not have been originally formed as single purpose entities, but at origination of the related mortgage loan (or related whole loan, as applicable) their organizational documents were amended. That borrower may have previously owned property other than the related mortgaged property and may not have observed all covenants that typically are required to consider a borrower a "single purpose entity." Also, nonconsolidation opinions which provide certain legal comfort over consolidation risks were not delivered for certain loans.

Most of the borrowers and their owners do not have an independent director whose consent would be required to file a voluntary bankruptcy petition on behalf of the borrower. One of the purposes of an independent director of the borrower is to avoid a bankruptcy petition filing which is intended solely to benefit an affiliate and is not justified by the borrower's own economic circumstances. Borrowers that do not have an independent director may be more likely to file a voluntary bankruptcy petition and therefore less likely to repay the related mortgage loan in full. Other than as specifically noted in the Scope of Analysis section of this presale report, Morningstar has not received verification that nonconsolidation opinions were delivered for the mortgage loans, which opinions provide certain legal comfort over consolidation risk.

Defeasance / Voluntary Prepayment

All of the loans provide for certain restrictions and/or requirements with respect to prepayments during a portion of their respective loan terms. Sixty-eight loans (93.9%) prohibit voluntary prepayment for a specified period of time, followed by an open prepayment period. Defeasance is permitted after the second anniversary of the securitization closing. The remaining six loans (6.1%) require that voluntary prepayments made during a specified period of time be accompanied by a prepayment premium or yield maintenance charge.

Property Releases / Substitutions

Sixty-eight loans (93.9%) allow the borrower to release the related mortgaged property through defeasance of the underlying loan. None of the loans provides any other collateral release provisions or allows for collateral substitutions by the related borrower.

Subordinate Debt / Future Subordinate Debt

None of the 74 loans is subject to existing secured subordinate debt; however, all 74 loans are permitted to incur an additional limited amount of subordinate debt beginning 12 months after the mortgage loan origination date, subject to certain DSCR and LTV thresholds, and in some cases, EGI thresholds. The permitted second mortgage debt includes indebtedness secured by the property. The rights of the trust mortgage lender and junior lender will be governed by an intercreditor agreement, pursuant to which the holders of the junior interests will have certain rights including rights to cure defaults and rights to purchase the mortgage loan.

Though the payments on the second mortgage debt are subordinated to the mortgage loan held by the trust, the presence of additional debt introduces risks to the senior debt including:

- Reduced borrower skin-in-the-game thereby removing incentives to maintain or improve the competitiveness of the property resulting in lower rental revenue. We believe limiting the combined LTV to the original senior loan LTV helps mitigate this concern.

- The presence of additional debt increases the difficulty of refinancing a mortgage loan at the maturity date; the LTV ceiling helps mitigate this risk.

- The filing of a petition in a bankruptcy by the borrower may stay the senior lienholder from taking enforcement action and/or receiving cashflows on the loan. This may expose the senior loan to higher losses. We believe this risk is partially mitigated by Freddie Mac serving as both the intended junior lender and as the guarantor of the Class A-1, Class A-2, Class X1, and Class X3 securities.

Loan Features / Concerns

Based solely on a review of the documents enumerated herein, the following are highlights of certain material loan features and/or concerns.

Loans with Morningstar LTV > 100%
Based on Morningstar's property valuations, 13 loans (18.0%) have a beginning LTV in excess of 100%. A loan with a high LTV has higher refinance risk and potentially lower recoveries under a default, all things equal. Axis West Campus Apartments (2.0%), the #9 loan in the pool, has a Morningstar LTV of 100.3%. and the #10 loan, Park at Vineridge Apartments (2.0%), has a beginning LTV of 102.2%.

Sponsors with Past Bankruptcy, Foreclosure, or Default
The key principals or sponsors of the borrowers on certain loans in this portfolio have defaulted on one or more obligations in the past, which may mean they are more likely to declare default again in the future. There can be no assurance that such circumstances will not impact the sponsor's or borrower's ability to maintain the property or pay amounts due on the loan. The sponsor for Cherry Creek Apartments (2.9%) reported at least one (1) current or recent default.

Sponsor or Borrower Litigation
The sponsors of the Surprise Lake Village Apartments loan (1.5%) disclosed a lawsuit involving Fannie Mae in connection with the related sponsor's failure to cause a prepayment premium to be paid in connection with an unrelated mortgage loan. The sponsor reported that all amounts owed under the related promissory note were satisfied, as well as attorneys' fees and costs, and the lawsuit was dismissed in 2009. There can be no assurance that such circumstances will not impact the sponsor's or borrower's ability to maintain the property or pay the amounts due on the loan.

Purchase Options
With respect to certain loans, certain parties, such as tenants, mezzanine holders and adjacent owners, may have a purchase option, right of first refusal and/or right of first offer to purchase all or a portion of the related property. In addition, the controlling class has a right to purchase a defaulted loan under certain circumstances. Such rights may impede a refinance, foreclosure, sale and/or marketability of the loan and/or property.

Repurchase Obligation
The mortgage loan seller may be required to repurchase its mortgage loans from the trust due to a material breach of a representation or warranty or a document defect. However, there is no assurance that the holder of such repurchase obligation will have sufficient assets at such time to fulfill its obligation to repurchase the loan.

Notice of Insurance Termination
Some of the loans do not provide for prior notice to the lender of termination of insurance. Therefore, while the servicer is required to force-place insurance as required by the pooling and servicing agreement, there may be delays and/or a lapse in coverage if the servicer is not otherwise aware of such termination. Any such delays or lapse in coverage may adversely impact the loan, property and/or cashflow and ultimately, the ratings.

Condominium Ownership
In the case of condominiums, a board of managers generally has discretion to make decisions affecting the condominium and there is no assurance that the related borrower will have any control over decisions made by the related board of managers. Decisions made by that board of managers, including decisions regarding assessments to be paid by the unit owners, insurance to be maintained on the condominium and many other decisions affecting the maintenance of the condominium, may have an adverse impact on any underlying mortgage loans that are secured by condominium interests. There is no assurance that the related board of managers will always act in the best interests of the borrower under those mortgage loans. Further, due to the nature of condominiums, a default on the part of the borrower will not allow the applicable special servicer the same flexibility in realizing on the collateral as is generally available with respect to properties that are not condominiums. The rights of other unit owners, the documents governing the management of the condominium units and the state and local laws applicable to condominium units must be considered. In addition, in the event of a casualty with respect to a mortgaged real property which consists of a condominium interest, due to the possible existence of multiple loss payees on any insurance policy covering the mortgaged real property, there could be a delay in the allocation of related insurance proceeds, if any. Consequently, servicing and realizing upon a condominium property could result in greater delay, expense and risk than with respect to a mortgage loan secured by a property that is not a condominium.

The following mortgage loans are secured by a property that is, in whole or in part, a condominium:

- Halstead Arlington Apartments (4.2%) – The sponsor reported that the related borrower owns 97.4% of the related condominium units.
- Village At Wildcreek (1.1%) – The sponsor reported that the related borrower owns 100% of the related condominium units.

- Lakeside Village Apartments (0.7%) – The sponsor reported that the related borrower owns 90% of the related condominium units.
- NoHo Lofts (0.7%) – No information was provided regarding the borrower's ownership interest in the related condominium units.
- Trellis Apartments (0.5%) – The sponsor reported that the related borrower owns 100% of the related condominium units.
- Strata Luxury Apartments (0.5%) – The sponsor reported that the related borrower owns 100% of the related condominium units.

For the six above-mentioned loans, in each related security instrument, each related borrower generally agreed, among other things, (i) that all condominium documents are subordinated or subject to the related loan documents; (ii) that, so long as the related loan is outstanding, the condominium documents will not be modified or amended without the prior written consent of the lender; (iii) that no portion of the condominium units and no portion of the common elements have been sold or encumbered and/or that it will not sell or encumber any such portions without the express written consent of the lender; (iv) that it will operate the related property solely as a rental apartment project and (v) that it will indemnify the lender from and against any and all losses or damages arising out of the failure of the related borrower to comply with any laws or regulations related to the condominium. However, there is no assurance that the related borrower will abide by the foregoing agreements.

The following mortgage loans are also secured by a property that is, in whole or in part, a condominium:

- Echo Ridge (1.1%) – In the related loan agreement, the related borrower generally agreed (i) not to transfer, sell or encumber any portion of the related mortgaged real property and (ii) to operate the related mortgaged real property as multifamily rental apartments.
- Lumiere Chandler Condominiums (1.1%) – The sponsor reported that the related borrower owns 77.5% of the related condominium units. The related borrower has control over the related condominium board. In the security instrument, the borrower generally agreed, among other things, (i) that, so long as the underlying mortgage loan is outstanding, the condominium documents will not be modified or amended without the prior written consent of the lender, provided that the borrower may modify the terms of the rules and regulations without lender's prior written consent and the related borrower may cause the condominium association to enter into the third amendment to condominium declaration in the form attached to the related loan documents; (ii) that no portion of the condominium units and no portion of the common elements have been sold or encumbered and/or that it will not sell or encumber any such portions without the express written consent of the lender, except as otherwise permitted under the related loan documents; (iii) that it will operate the related property solely as a rental apartment project and (iv) that it will indemnify the lender from and against any and all losses or damages arising out of the borrower's failure to comply with any laws or regulations related to the condominium, except that lender will not be indemnified from liability for any losses, costs, liabilities or damages arising out of the willful misconduct or gross negligence of the lender, the loan servicer or their respective agents or employees.

Property / Collateral Summary

This section provides information on the mortgaged properties in the pool. Asset Summary Reports providing property details and Morningstar's line item analysis are available for the top 20 loans. Reports for the top 10 loans are included in this presale report. In addition, an overview of Morningstar's analysis for each property including the final net cash flow, capitalization rate and value is available in Excel format in our Loan Collateral Summary Table, which, along with all of the Asset Summary Reports, can be accessed through Morningstar's website at http://ratingagency.morningstar.com, in the Ratings Report section.

Property-type Composition
The pool's 74 loans are secured by first-mortgage liens on multifamily properties. Six properties are categorized as student housing properties (7% by balance); there are no assisted/independent living facilities, co-ops, or senior housing properties in the pool. The high exposure to multifamily properties is factored into Morningstar's subordination levels. However, it is our view that multifamily properties are relatively more stable in terms of their cash flow than other property types. Moreover, the FREMF 2012-K712 properties have at least an average geographic distribution, and, with few exceptions, are generally of average or slightly better quality in terms of their location and/or physical condition.

The average age of the properties is roughly 24 years. Five properties are more than 50 years old.

Age in Years	# of Properties	% of Cut-off Balance
>50	5	7.0%
40 -50	9	8.3%
30 -39	8	7.5%
20 -29	19	22.7%
10 - 19	16	26.1%
<10	17	28.3%
Totals	**74**	**100%**

Geographic Composition
As the tables below show, the properties have average regional and state distributions. California and Texas have the largest concentrations at 19.5% and 16.4%, respectively.

Morningstar Region	% of Cut-off Portfolio Balance	# of Properties
Mid-Atlantic Region	2.28%	3
Midwest, Eastern Region	0.00%	0
Midwest, Western Region	3.25%	3
New England Region	3.74%	1
Southern, Atlantic Region	9.56%	5
Southern, East Coast Region	22.66%	16
Southern, West Coast Region	18.65%	16
Western, Mountain Region	12.02%	11
Western, Northern Pacific	27.84%	19
Western, Southern Pacific	0.00%	0
Non-USA	0.00%	0

State Concentrations in Excess of 5.0%

State	% of Cut-off Portfolio Balance	# of Properties
California	19.47%	11
Texas	16.36%	14
Florida	11.51%	8
Tennessee	9.49%	6
Arizona	7.26%	7
Washington	6.46%	7
Virginia	5.24%	2

Property Quality

Morningstar assigns a property quality score to every property in a pool of loans. We do this both for properties that we visit and those we do not. Factors such as the property's age, location, condition, and amenities are considered in assigning the quality score. For those properties we do not tour in person, we rely on the assessments and conclusions in the various related third party reports, as well as pictures and maps, to determine our quality score. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our cap rates.

Morningstar Property Score	Property Quality
1	Excellent
2	Good
3	Average
4	Fair
5	Poor

Morningstar analysts visited 40 of the 74 properties (63.8% by balance) including those backing the largest 11 loans, and assigned property quality scores to each. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. Factors such as the property's age, location and condition are considered in assigning the quality score. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our cap rates. We assigned a score of 2, "Good," to one property, Halstead Arlington Apartments (4.2%), and a score of 4—"Fair"—to one, Meridian Pointe Apartments (1.8%). We assigned average scores (score of 3) to the 38 other properties we toured. The weighted-average property quality score for the properties visited was 2.96 based on the initial allocated loan balance.

Quality Score	# of Properties	% of Cut-off Balance
1	0	0.0%
2	1	4.2%
3	72	94.1%
4	1	1.8%
5	0	0.0%

Ownership Interest

Seventy-three of 74 properties securing the loans have fee simple ownership; one property, Broadstone Grand Avenue (1.2%), has both fee simple and leasehold ownership.

Collateral Features / Concerns

Based solely on a review of the materials enumerated herein, the following reflect highlights of certain material property features and/or concerns.

General Risks Associated with Multifamily Properties

The short-term nature of the rental leases in multifamily properties quickly and adversely affected their financial performance in the initial stages of the recent deep recession. Renters are better able to relocate to another city or neighborhood upon the loss of a job. Renters can take in roommates, move to lower rent apartments or move in with family. The shadow supply of single-family houses for rent adds to the competition. These factors have led to lower rents and higher vacancy rates in this property sector. However, as the economy has begun to stabilize, multifamily properties have shown signs of recovery.

Morningstar's net cash flow stresses in the CMBS Subordination Model are typically based on historically observed declines since the early 1980s. In the case of multifamily properties, however, such stresses are multiples of empirical findings and reflect Morningstar's view that the adverse effects of the recent deep recession exceed the experience of the past 30 years.

Morningstar believes that multifamily properties exhibit lower net cash flow volatility than other property types such as offices, retail and hospitality. Accordingly, under our analytical approach multifamily properties are subjected to lower net cash flow stresses than those applied to other property types.

Property-type Concentration Risk

The portfolio has high property-type concentration (all multifamily properties). Morningstar quantitatively addressed this risk by further stressing cash flows on those properties (all in this instance) contributing to the risk. This led to lower Morningstar-stressed DSCRs and higher Morningstar-stressed LTV ratios. The Morningstar DSCR and LTV ratios shown in the Loan Analysis Summary Table do not reflect the model's quantitative adjustments for these risk factors.

As supported by historical performance along with our general view of future performance, Morningstar believes multifamily properties will continue to exhibit lower net cash flow volatility than most other property types. Accordingly, as measured in dollar terms, the additional stress to account for property type risk in the case of multifamily properties is less than it would be for equivalent exposure to more volatile property types such as office properties.

Risks Associated with Specialty Multifamily Properties

Multifamily properties which limit tenancy to or have high concentrations in certain demographics may be subject to additional risks beyond those risks or a traditional multifamily property. Such specialty properties in this portfolio include the following.

- Student Housing Properties – These properties have a significant number of units (20% or more of total tenancy) leased to college students. Such properties may be reliant on the financial well-being of the nearby college or university and may be directly adversely affected by new on-campus housing. Student tenants also have a higher turnover rate than other types of multifamily tenants and student leases may have terms that are less than 12 months. The annual occupancy rate at these properties is dependent upon the expertise of the property manager to lease the units before the start of the academic year. Furthermore, properties with student tenants are more susceptible to damage and everyday wear and tear.

  Morningstar classifies six properties representing 7.0% of the portfolio as student housing properties. Another five properties (4.8%) have a student concentration of 15% or more. The three largest loans with a significant concentration of student tenants are: Axis West Campus Apartments (2.0%), Meridian Pointe Apartments (1.8%), and Campus Edge Apartments (1.2%).

- Military Housing Properties – These properties have a significant number of units (20% or more of total tenancy) leased to tenants who are members of the armed services. Base closings and the transient nature of military service may adversely affect the rental stream from these properties. Morningstar classifies one property, Nantucket Gate Apartments (1.4% of the portfolio), as a military-housing property.

- Income Restricted Properties – These properties have a significant number of units (20% or more of total tenancy) subject to income restriction requirements or which receive subsidiaries or tax credits in return for providing affordable housing. Limitations associated with this sector may constrain the ability of the properties to increase rental rates to cover rising operating expenses or may limit the tenant base.

  Morningstar classifies nine properties (13.9%) as income-restricted multifamily properties. The largest loan, The Enclave (6.8%) is backed by an income-restricted multifamily property.

- Healthcare Related Properties – These properties include independent living or congregate care facilities and assisted living facilities. Such properties may receive a substantial portion of their revenues from government reimbursement programs, primarily Medicaid and Medicare, which are susceptible to factors such as statutory and regulatory changes, and delays by fiscal intermediaries and government funding restrictions. Providers of assisted living and other medical services may also be affected by the reimbursement policies of private insurers. All this can adversely affect revenues from the operation of a healthcare-related property. Furthermore, providers of assisted living and other medical services are highly regulated by federal, state and local laws, which may increase the cost of operation, limit growth and, in extreme cases, result in suspension or cessation of operations.

  Morningstar does not classify any properties in this portfolio as a healthcare-related property.

The following table outlines properties backing Top 20 loans that have significant exposure to specialty tenants.

Property	Cut-off Balance	% of Cut-off Balance	Military	Student	Corporate
Highpoint Apartments	$65,633,000	3.7%	1.0%	5.3%	
Capitol Towers And Villas	$49,950,000	2.8%			6.1%
Metro 417	$49,630,561	2.8%		7.4%	9.0%
Cityview At SoCo	$39,000,000	2.2%		10.0%	
Axis West Campus Apartments	$35,400,000	2.0%		100%	
Axcess 15	$33,558,000	1.9%		8.0%	5.0%
Indigo Park Apartments	$32,216,000	1.8%	2.0%	38.0%	3.0%
Meridian Pointe Apartments	$30,848,204	1.8%		100.0%	
University Center Apartments	$28,915,897	1.6%		14.0%	
Surprise Lake Village Apartments	$26,840,000	1.5%	5.0%		
Alta Chesapeake Ridge	$25,935,000	1.5%	16.0%		

Risks Associated with Older Properties
Nineteen loans (20.3%) are secured by properties built before 1980. The age of the properties may affect their competitive standing and potentially impact their ability to sustain existing cash flow levels. However, the risk may be partly mitigated by extensive renovation programs or geographic location. Of particular note, the largest two loans, Capitol Towers And Villas (2.8%) and Metro 417 (2.8%), are backed by properties built in the 1961 and 1925, respectively.

Environmental Concerns
An environmental report was prepared for each property securing a loan no more than 16 months prior to the cut-off date. In some cases, the environmental testing at the properties revealed the presence of asbestos containing materials, lead based paint, mold and/or radon, conditions not uncommon for certain types of commercial or multifamily properties. Some borrowers under the underlying mortgage loans may not have satisfied all post closing obligations required by the related loan documents with respect to environmental matters.

- Halstead Arlington Apartments (4.2%): the environmental consultant indicated that the related property was formerly the site of a leaking UST and that the leaking UST was removed from the related mortgaged real property. The related environmental consultant reported that leaking UST is considered a historical recognized environmental condition and recommended no further action.
- Capitol Towers And Villas (2.8%): the environmental consultant identified a historical leaking UST related to the property and reported that a portion of the property is suspected to have contained USTs. environmental consultant reported that the USTs were removed from the property. The consultant recommended no further action. In addition, the environmental consultant reported that groundwater contamination due to impacts by solvents, metals and petroleum hydrocarbons is present on a portion of the property due to an industrial facility located in the vicinity of the property. The consultant recommended no further action or investigation.

- Metro 417 (2.8%): the environmental consultant reported that the property is identified in certain environmental databases in connection with the disposal of photo-chemicals and photo processing waste by former tenants. The environmental consultant recommended no further action. The consultant also reported that the property is identified in an environmental database in connection with the disposal of off-specification, aged or surplus inorganics, unspecified oil-containing waste, asbestos-containing waste and other organic solids and is listed on an additional environmental database in connection with a certain emergency power generator located at the property The consultant reported that no further action is required with respect to the foregoing circumstances related to the property.
- Alta Chesapeake Ridge (1.5%): the environmental consultant reported that the property was involved in a significant sewer water release in November 2010, which released 44,000 gallons of sewer water. The environmental consultant reported that water samples collected and analyzed to detect the presence of fecal coliform and E. coli. The consultant reported that no additional remediation is required.

According to the issuer, the borrowers under the following underlying mortgage loans did not satisfy all post-closing obligations required by the related loan documents with respect to environmental matters:

- Halstead Arlington Apartments (4.2%): the environmental consultant reported groundwater contamination in connection with a UST formerly located at the property and a groundwater use restriction prohibiting the use of any potable water wells on the property. Although the related borrower has obtained a certification of satisfactory completion in connection with the groundwater contamination from the Virginia Department of Environmental Quality ("VDEQ"), the related borrower is required to maintain a carbon filtration system and provide monthly reports to the VDEQ.
- Highpoint Apartments (3.7%): the environmental consultant reported that certain polyaromatic hydrocarbons and lead were identified in soils located at the property in connection with a landfill and quarry formerly located at the property. The environmental consultant recommended that the related borrower comply with certain activity and use limitation obligations and conditions, which include the development and implementation of a cover maintenance plan prepared by a licensed site professional. In addition, the consultant reported that as a condition to obtaining certain environmental permits related to the property, the City of Quincy Conservation System ("CQCS") requires the related borrower to (i) clean all catch basins located on the property at least once per year and send a report of the completion of such work to the CQCS and (ii) incorporate a maintenance program with respect to all permanent detention basins located on the property. The consultant recommended that the related borrower comply with the requirements of the CQCS. In addition, the consultant recommended that the borrower implement an annual inspection and maintenance program in connection with the oil/water separator related to the parking areas located at the property and that such oil/water separator be pumped and cleaned by a qualified contractor as needed.
- Park At Vineridge Apartments (2.0%): the environmental consultant identified certain groundwater monitoring wells located on the property in connection with trichlorethene ("TCE") contamination in the groundwater detected at a property adjacent to the mortgaged property The environmental consultant reported that the Florida Department of Environmental Protection ("FDEP") recommended that additional groundwater monitoring be conducted at the mortgaged property and, if TCE levels remain stable or TCE levels recede, obtain a letter of no further action from the FDEP and pursue closure of all monitoring wells located at the property.
- Surprise Lake Village Apartments (1.5%) the environmental consultant recommended the remediation of certain hydraulic fluid staining detected near a trash composter located at the property.
- Springs At Mountain View Apartments (1.4%): the environmental consultant identified a 300-gallon diesel AST located on the property and recommended that the related borrower install spill containment measures to minimize the potential impact of any release from the AST.

Securitization Trust Summary

Priority of Payments on FREMF 2013-K712 Trust Certificates

The priority of payments on the FREMF 2013-K712 Mortgage Trust Certificates generally follows a sequential-pay structure, as outlined below.

(1) Interest on the Class A-1, Class A-2, Class X1, Class X2-A, and Class X2-B Certificates, pro-rata.
(2) Principal paydown of the Class A-1 Certificates until paid in full, up to the principal distribution amount (see footnote 1).
(3) Principal paydown of the Class A-2 Certificates until paid in full, up to the principal distribution amount (see footnote 1).
(4) Reimbursement of loss reimbursement amounts to the Class A-1 and Class A-2 Certificates, pro-rata.
(5) Guarantor Reimbursement amounts on Class A-1, Class A-2, and Class X1 Certificates.
(6) Guarantor Timing Reimbursement amounts on Class A-1 and Class A-2 Certificates, to the extent interest payable on Class B and Class C certificates is covered (see footnote 2).
(7) Interest on the Class B Certificates.
(8) Principal paydown of the Class B Certificates until paid in full, up to the principal distribution amount (see footnote 2).
(9) Reimbursements of loss reimbursement amounts to the Class B Certificates (see footnote 2).
(10) Interest on the Class C Certificates.
(11) Principal paydown of the Class C Certificates until paid in full, up to the principal distribution amount.
(12) Reimbursements of loss reimbursement amounts to the Class C Certificates.
(13) Interest on the Class X3 Certificates.
(14) Guarantor Reimbursement amounts on Class X3 Certificates.
(15) Guarantor Reimbursement Interest Amounts on Class A-1, Class A-2, Class X1, and Class X3 Certificates
(16) Principal paydown of the Class D Certificates until paid in full, up to the principal distribution amount.
(17) Reimbursements of loss reimbursement amounts to the Class D Certificates.
(18) All remaining proceeds to the Class R Certificates.

Note 1: On or after the distribution date when the aggregate certificate balance of the Class B, Class C and Class D Certificates have been reduced to zero (after taking into account allocations of losses and unanticipated expenses), principal paydown of the Class A-1 and Class A-2 Certificates converts to a pro-rata basis.

Note 2: Guarantor Timing Reimbursement amounts payable in item (5) are limited to ensure adequate funds to cover the interest payment obligations on the Class B and Class C Certificates. These amounts are not applied to pay down principal nor to reimburse loss amounts on the Class B Certificates.

Allocation of Losses on FREMF 2013-K712 Trust Certificates
Losses on the Trust Certificates are generally allocated in a reverse sequential order -- *first*, to the Class D Certificates, *second*, to the Class C Certificates, *third*, to the Class B Certificates, until the balance of those certificates have been reduced to zero, and then to the Class A-1 and Class A-2 Certificates, on a pro rata basis. The Notional Amount of the Class X1 and Class X2-A Certificates will be reduced by the aggregate amount of losses allocated to the Class A-1 and Class A-2 Certificates. The Notional Amount of the Class X2-B and Class X3 Certificates will be reduced by the aggregate amount of losses allocated to the Class B, Class C, and Class D Certificates.

Rated Final Distribution Date
The rated final distribution date of each class of certificates for both trusts is May 2045. Morningstar's ratings on the certificates address the likelihood of the timely receipt by holders of all payments of interest to which they are entitled on each distribution date and the ultimate receipt by holders of all payments of principal to which they are entitled on or before the rated final distribution date.

Freddie Mac Series K-712 Structured Pass-Through Certificates (SPC K-712)
Upon issuance of the underlying certificates, the depositor will transfer the A-1, A-2, X1, and X3 classes into a trust created pursuant to a master trust agreement. The trust will then issue the SPC certificates corresponding to the related underlying certificates. The master trust agreement, together with the related supplement, is intended to provide pass-through payments to the SPC certificates of payments received on the underlying certificates. The trustee and administrator under such documentation are currently anticipated to be Freddie Mac. While the SPC certificates reflect the ratings of the underlying certificates, it is possible that risks or concerns present under the master trust agreement and/or the related supplement for the SPC certificates may result in an adverse impact on the SPC certificates with no impact on the underlying certificates. In addition, while Morningstar intends to monitor and perform surveillance on the SPC certificates, such monitoring and surveillance is dependent on Morningstar's receipt of sufficient information and notices to perform such activities.
The following are certain structural risks related to the SPC certificates:

- Morningstar's ability to perform surveillance and rate the SPC certificates is premised on Morningstar's receipt of information from both the underlying trust and the SPC trust. The trust agreement(s) may not provide for notices and/or reporting and other information to Morningstar on a timely basis to enable current and timely monitoring and surveillance of the SPC certificate ratings. Because the rating agency may obtain knowledge of these various items later, surveillance activities and any rating adjustments may occur later than if prior notice of such items was provided.
- While many CMBS conduit deals provide for rating agency confirmation over certain material amendments, modifications and other items, the SPC trust documents do not provide for rating agency confirmation. In addition to the lack of rating agency confirmation for amendments, modifications, removal of the trustee and other items, notice of such items may be provided to the rating agency after such items are effectuated. Because the rating agency may obtain knowledge of these various items later, surveillance activities and any related rating adjustments may occur later than if rating agency confirmation and/or prior notice of such items was provided.
- Funds collected from the underlying certificates are commingled under the master trust agreement with funds collected on various transactions. Morningstar generally prefers a segregated account.
- Freddie Mac is currently serving as administrator and trustee under the trust agreement. If Freddie Mac were removed or resigned from such roles, the ability to obtain a replacement trustee and/or administrator may be limited due to a lack of provision for payment of fees to such successor or replacement in the trust agreement.
- An indemnity may be payable from the SPC trust as provided in the SPC trust documents. Any costs, expenses, indemnities, or any other amounts payable under the master agreement could adversely impact the SPC certificates under circumstances where the rating on the underlying certificates is not impacted.

Representations, Warranties & Enforcement Mechanisms

Pursuant to Rule 17g-7 and incorporated by reference into this presale report, is our report providing the representations, warranties, and enforcement mechanisms available to investors for this transaction and comparing them to the representations, warranties, and enforcement mechanisms available to investors for similar securities. This report titled, "Representations, Warranties & Enforcement Mechanisms – FREMF 2013-K712", appears on our website at http://ratingagency.morningstar.com under the "Ratings Reports" tab.

Trust Structural Features/Concerns

Based solely on a review of the documents enumerated herein, the following are highlights of certain material trust structural features and/or concerns.

Rights of Subordinate Debtholders
Pursuant to the terms of co-lender, participation and mezzanine intercreditor agreements, the applicable holder of the B note, junior participation and/or mezzanine lender may have certain cure rights, purchase option rights and certain consent and/or consultation rights with respect to the applicable loan. In addition, holders of B notes and junior participations may have rights to replace the special servicer for the related loan and appoint a replacement special servicer. These rights may impact the special servicer's workout strategy and/or the timing for modifications on the loan and a sale of the loan. In addition, such removal and appointment rights may create conflicts of interest with respect to the special servicer. However, the special servicer is required to act in accordance with the servicing standard without regard to such conflicts. Second mortgages may entail similar and/or additional risks.

Pooling and Servicing Agreement
While the pooling and servicing agreement provides that the certificate administrator and trustee shall not be responsible for the failure of realization in foreclosure resulting from the failure to properly file or record an assignment of mortgage, we assume that the certificate administrator, custodian, trustee and/or other party(ies) will comply with pooling and servicing agreement provisions requiring appropriate filings and/or related actions related to any foreclosure proceedings.

Directing Certificateholder
The directing certificateholder initially will be the holder of a majority interest in the Class D certificates until the outstanding principal balance of such certificates is less than 25.0% of the initial principal balance of such class. Thereafter, the directing certificateholder will be the holder of a majority interest in the Class C certificates until the outstanding principal balance of such certificates is less than 25.0% of the initial principal balance of such class. Thereafter, the directing certificateholder will the holder of a majority interest in the Class B certificates until the outstanding principal balance of such certificates is less than 25.0% of the initial principal balance of such class. Thereafter, Freddie Mac, the holder of the underlying A-1 and A-2 certificates, will act as the directing

certificateholder. It is anticipated that BVF-III K712, L.L.C, a Delaware limited liability company, will serve as the initial directing certificateholder. Such entity is an affiliate of the borrowers with respect to the underlying mortgage loans secured by the properties identified as The Enclave, Highpoint Apartments and Echo Ridge (collectively, 11.7% of the initial pool balance). Therefore, an Affiliated Borrower Loan Event will exist with respect to these mortgage loans as of the deal closing date.

The directing certificateholder is granted certain rights and powers with respect to the mortgage pool including, but not limited to, the right to purchase defaulted loans, the right to replace the special servicer with or without cause, and consent rights with respect to various servicing matters.

Replacement of Special Servicer

The special servicer can be terminated and replaced by the directing certificateholder, with or without cause. This mechanism does not afford voting rights to other certificate holders as has been found in some other recent CMBS new issuances.

Limited Rating Agency Confirmation/Notice

While many CMBS conduit deals provide for rating agency confirmation over certain material loan amendments, modifications and/or borrower requests and rating agency confirmation over certain material amendments to the pooling and servicing agreement, rating agency confirmation over loan and pooling and servicing agreement amendments are very narrow in this transaction. In addition, notice of such items may be provided to the rating agency after such items are effectuated. Because the rating agency may obtain knowledge of these various items later, surveillance activities and any related rating adjustments may occur later than if rating agency confirmation and/or prior notice of such items was provided.

In addition to limited rating agency confirmation as noted above, prior notice of changes to the rating agencies and rating agency confirmation is not contemplated for any loans under $10 million. This could cause delays in receiving information and therefore, performing surveillance on such assets.

Conflicts of Interest

There are various conflicts of interest among and between various parties to the transaction. For example, the special servicer may pay all or a portion of its compensation to any party, including, without limitation, the directing holder. However, the special servicer and master servicer are required to service the assets without regard to their respective compensation arrangements. Morningstar's analysis assumes the various parties comply with their duties.

Transfer of Rights

Pursuant to the offering documents, Freddie Mac may potentially transfer Freddie's consent, consultation, and other rights and various obligations and activities related to the transaction, except certain limited activities related to the SPC certificates, to another entity ("Entity") without rating agency confirmation or prior notice to the rating agencies or other consents. Any such transfer and resulting Entity may expose the transaction to various risks including, among others: (i) the Entity may not have the experience, capital and/or resources to undertake any obligations or exercise any rights of Freddie Mac, (ii) the Entity may have various conflicts due to various relationships including that such Entity is not precluded from being the borrower or a borrower affiliate of any loan in the transaction, and (iii) delays in approvals, consents and/or obligations by and of the Entity may result in connection with the transfer and transition by Freddie Mac to such Entity. Any such transfer may adversely impact the rated certificates and any related surveillance action on the rated certificates may be delayed in the event prior notice of such transfer and sufficient related information is not provided to Morningstar.

Freddie Servicing Guide

While the pooling and servicing agreement requires the servicers to comply with a typical CMBS servicing standard ("CMBS Servicing Standard"), the servicers are also required to comply with Freddie Mac's Multifamily Seller/Servicer Guide (the "Guide"). If the CMBS Servicing Standard and the Guide conflict, the servicers are required to comply with the Guide. Morningstar prefers servicers to be required to comply, at a minimum, with the CMBS Servicing Standard. As the Guide is not static and can vary over time, there is no assurance that this Guide will hold servicers to a standard equal to or higher than a CMBS Servicing Standard at all times. It is our understanding that the current Guide is commonly used by Freddie in servicing multifamily loans. In addition, we have assumed that the Guide is and will continue to be generally consistent with a CMBS Servicing Standard. However, if this assumption is not true and the Guide standards are at any time lower than a CMBS Servicing Standard, such reduced standards may result in delays, waivers, amendments, actions, inaction, consent or a lack thereof that produce different results and adversely impact the borrower, property and/or the loan and therefore, may impact the ratings.

Reserve Accounts

The following reserve and escrow accounts are funded at closing or on an on-going basis.

Real Estate Tax Escrows
Seventy-three of the 74 loans (99.2%) provide for monthly or upfront escrows to cover property taxes on the related properties. In the case of monthly escrows, borrowers are generally required to deposit on a monthly basis an amount equal to one-twelfth of the annual real estate taxes and assessments. The escrows are under the control of the master servicer.

Insurance Escrows
Forty-nine loans (58.1%) provide for monthly or upfront escrows to cover insurance premiums on the properties. The borrowers for the remaining 25 loans will be required to escrow for insurance premiums if the performance of the related property fails to meet certain thresholds. In the case of monthly escrows, the related borrower is generally required to deposit on a monthly basis an amount equal to one-twelfth of the annual premiums payable on the insurance policies that the borrower is required to maintain. In most cases, the escrows will be under the control of the master servicer.

Recurring Replacement Reserves
These accounts cover the costs of capital replacements and repairs during the calendar year to keep each property in condition consistent with other properties in their respective market segment and locations. Sixty-four loans (85.6%) provide for monthly payments into reserve for replacement accounts. The borrowers for the remaining 10 loans will be required to escrow for replacement reserves if the performance of the related property fails to meet certain thresholds. Disbursements from this account are made to the borrowers to cover the costs of replacements at the properties and are not for the costs of routine maintenance.

Engineering Reserves
These reserves are intended cover the deferred maintenance items that were identified in the related property condition assessments and which are required to be corrected within 12 months from loan origination. In a significant number of cases, the engineering reserve for a mortgaged property is less than the cost estimate in the related property condition report because the mortgage loan seller may not have considered various items cited in the report significant enough to require a reserve and/or various items have been corrected. In the case of several properties the engineering reserve was a significant amount and substantially in excess of the cost estimate set forth in the inspection report. Not all engineering reserves are required to be replenished. The balance of reserves in the escrow account will be about $5.8 million at the securitization closing date.

Third Party Reports

Appraisals
Appraisal reports, prepared by an independent third-party appraisal firm were received and reviewed as part of Morningstar's analysis for all of the properties. With the exception of two appraisals, all of the appraisal reports were prepared within the past twelve months from the date of this report.

Property Condition Assessments
Property condition reports, prepared by an independent third-party engineer were received and reviewed as part of Morningstar's analysis for all of the properties. All of the engineer reports were completed within 16 months of the date of securitization. These reports identified deferred maintenance items and quantified long-term capital expenditure needs. Up-front reserves of $10.16 million were required to be deposited into an Engineering Reserve Account on the loan origination date to cover any deferred maintenance items at the properties. In addition, 64 loans (85.6%) require a monthly reserve for replacement account which can be used to repair or renovate the related properties as needed. The remaining ten loans have springing-type replacement reserve accounts.

Environmental Site Assessments
Phase I environmental site assessments (ESAs) were prepared by independent third-party environmental consultants. All of the environmental reports were prepared within the past 16 months. These reports were reviewed as part of Morningstar's analysis for each of the properties. For several of the properties, the ESAs and other assessments recommend minor repairs, further investigation, requesting agency "no further action" determinations or cleanups. A Phase II site assessment was not recommended, nor were any conducted, for any property in the pool. Significant environmental concerns raised by the ESAs, if any, are noted in the related Asset Summary Reports.

Seismic
Twenty-one properties (30.7%) are in an earthquake-prone area (seismic zone 3 or 4). Probable Maximum Loss (PML) is used to estimate building damageability during a 475 year earthquake; if an asset has a PML of less than 20.0%, additional mitigation is not considered necessary. Seismic studies conducted for all of these properties found that one property, Fountain Villas (0.9%) has a probable maximum loss (PML) of greater than 18.0%. No property in the pool is required by Freddie Mac to be covered by earthquake insurance.

Flooding
Eight properties (12.6%) have flood insurance in place as of securitization. The largest of these are The Enclave (6.8%), Lakes at Pembroke (1.4%), and North Village II (1.1%).

Scope of Analysis

In evaluating the properties and determining Morningstar cash flows and values, we reviewed the following materials to the extent we deemed necessary for our analysis and as provided on the arranger's website for this transaction as of March 28, 2013 for every property: the offering materials (as applicable), the historical financial statements (for the most recent three years unless the property did not have three years of operating history available), issuer's underwriting and supporting analysis and notes, most recent available rent rolls, Reis Reports, when available, property appraisals, environmental site assessments, property condition assessments, and other market and property information as available. In certain cases, to the extent we deemed necessary for our analysis and as provided on the arranger's website for this transaction as of the date hereof, we also reviewed seismic reports, surveys, leasing brochures, photographs of the properties and maps of the surrounding areas. All of the third party reports were completed within 12 months of the securitization date.

While the arranger website may provide additional documentation, data and/or other information, Morningstar's review is generally limited to the information enumerated herein. Morningstar did not engage in discussions with any person or entity obligated to make payments under the loan.

A more detailed description of Morningstar's collateral analysis approach is enumerated below. For more detail on the reports and individual Morningstar analysis of certain properties, please refer to the Asset Summary Reports. Appendix C of this presale report contains general characteristics of Morningstar's rating of CMBS transactions as well as characteristics specific to this transaction.

Morningstar utilized external legal counsel to perform a legal review of certain items in the transaction relevant to Morningstar's ratings analysis. In this transaction, such counsel solely reviewed the following materials available on the arranger website as of March 28, 2013: (i) the March 28, 2013 posted draft information circular, (ii) the following for The Enclave loan: (a) loan summary for The Enclave loan, (b) the agreement of limited partnership of BMEF Enclave Limited Partnership dated December 17, 2012, (c) the limited liability company agreement of BMEF Enclave GP, L.L.C. dated December 28, 2012, (c) opinions of Richards Layton & Finger dated December 28, 2012 regarding authority to file bankruptcy, DE LLC matters, power and authority and other matters (d) opinion of Bingham McCutchen dated December 28, 2012 regarding enforceability and other matters and (e) opinion of Bingham McCutchen dated December 28, 2012 regarding nonconsolidation, (iii) the March 28, 2013 posted draft pooling and servicing agreement, (iv) the March 14, 2013 posted form intercreditor agreement for supplemental financing,(v) the March 27, 2013 posted draft offering circular supplement regarding the K-712 SPCs and (vi) the March 22, 2013 posted draft mortgage loan purchase agreement. Certain groups of loans are under common ownership and/or control by related borrowers and certain of such loan groups exceed 5% of the balance of the pool on an aggregate basis by loan group. With respect to such loan groups, we have assumed that the nonconsolidation opinions, organizational structure and organizational documents related to such loan groups are in forms customary for a prudent lender.

In addition, legal counsel intends to review the following documents upon posting of such documents on the arranger website prior to issuance of the final ratings: (i) the K-712 SPC certificates terms supplement to pass-through certificates master trust agreement, (ii) the K-712 SPC master trust agreement (which we are assuming will be the same as the June 1, 2010 master trust agreement used in connection with the K-024 SPCs), (iii) true sale opinion(s) for the sale of the loans to the depositor and the securitization trust and relating to the transfer of the K-712 SPC certificates into the master trust, (iv) corporate and enforceability opinions of the servicer, special servicer, trustee, certificate administrator, custodian, depositor and loan seller and the general deal level opinion related to certain tax matters and (v) versions of the documents enumerated in the preceding paragraph posted as of the date of issuance of final ratings. Unless enumerated on the prior list, no external legal counsel review was performed with respect to such documents. Therefore, leases, hedges and related documents, contribution and/or allocation agreements, management agreements, estoppels, title reports, insurance contracts, environmental assessments, guarantees, indemnities, liens or related searches, financial statements, rent rolls, surveys, financing statements, easement agreements, intercreditor and subordination agreements (except as enumerated in the above paragraph), among others, were not reviewed by external legal counsel. As legal review of title policies was not performed, Morningstar has assumed such policies do not contain any judgments, tax liens, or other issues that would materially adversely affect any borrower, property owner, property or the mortgagee's lien and security interest in any collateral for the loans. In addition, as legal review of local law opinions for each property was not performed, Morningstar has assumed that local law opinions were (or will be) provided for all relevant jurisdictions, on customary forms and with rating agency reliance.

Morningstar Approach to Collateral Review

Morningstar utilizes a bottom-up analytical approach to rating CMBS issuances. We begin with a comprehensive review and analysis of the loan collateral in the trust, using the information provided on the arranger's website as of the date thereof and subject to the review enumerated herein.

General Underwriting Approach
While the idiosyncrasies of commercial real estate require that each loan be treated separately, an overview of the Morningstar property analysis methodology should be helpful in understanding how Morningstar arrived at its final cash flows and values. The methodology overview in this section is general in nature and only applies to the relevant property types.

Third Party Data
Morningstar uses third-party data from leading industry research companies to supplement its own proprietary information and information provided to us on the arranger's website as of the date thereof.

Rents and Vacancies
Current rents and vacancies are reviewed along with market information from third-party providers, appraisals and Morningstar proprietary data. Morningstar analyzes rents and vacancies for each category of tenant to best define the market rent and vacancy for that category. For more information on our analysis for any particular property, please see the Asset Summary Report for such property.

Morningstar analyzes the current rents and vacancies alongside the our final market rents and vacancies, and compares the subject and market net rents based on the subject property's tenant category mix, to determine whether the property is outperforming or underperforming the market. If it is determined that the property is underperforming the market, rents and vacancies are underwritten as-is, unless otherwise noted in the Asset Summary Report for that asset.

In cases where we determine that the property is performing above the expected market levels, Morningstar analyzes the expected rollover for the property. It is then assumed that as the leases roll, the property's rent and vacancy will move toward market levels. If actual rollover is low, a minimum amount of roll is assumed.

This process culminates with five scenarios, each moving the property closer to market. A weighted average is then calculated with the result being the Morningstar rent and vacancy, as reported in the Asset Summary Report.

Historical Financial Statements
Historical financial statements are reviewed and adjusted for one-time charges and non-cash items, such as depreciation, extraordinary capital repairs and interest expense.

Fixed expenses (i.e., taxes, insurance, and ground rent) are underwritten to actual numbers whenever available, and to the most recent year with a 3.5% inflation factor, whenever actual numbers are not available.

Other Income and Variable Expenses are generally underwritten as a percentage of Effective Gross Income, based on three years of operating results, with more weight given to the most recent year.

Tenant Reimbursements are calculated based on the historical recovery ratio, grossed up to take into account lost reimbursements due to vacancy, with more weight given to the most recent years.

Capital Items
Capital expenditures are generally underwritten to the reserves recommended in the engineer's report with an additional 10.0% cushion. In the event a property condition report is unavailable, Morningstar underwrites multifamily $250 per unit and student housing properties have a minimum reserve assumption of $250 per bed.

Capitalization Rates

Morningstar uses current market capitalization rates for each property in a transaction. The analysis begins with the analyst looking to Morningstar's current capitalization rate for a given property type within a given MSA. If the property is not in an MSA covered by Morningstar, Morningstar will look to either a higher regional capitalization rate or a proxy market that may better represent the market in which an individual property is located.

Morningstar then makes adjustments based on property sub-type and property score. In the case of retail properties, we rely on sales per square foot data, assuming a reliable number of tenants are reporting.

Morningstar compares this capitalization rate with the appraiser's capitalization rate and the capitalization rate of the sales comparables provided in the appraisal. Unless otherwise noted in the Asset Summary Report, Morningstar will use the highest of these three capitalization rates.

Other Items

Morningstar may consider reserves, legal issues and other special circumstances to determine if additional adjustments are required. Any adjustments should be noted in the related Asset Summary Report.

Morningstar Value

Morningstar then applies the capitalization rate to the Net Cash Flow to determine the value of the property. The capitalized value is then further adjusted to reflect the additional value contributed by upfront reserves, escrows, and other miscellaneous items.

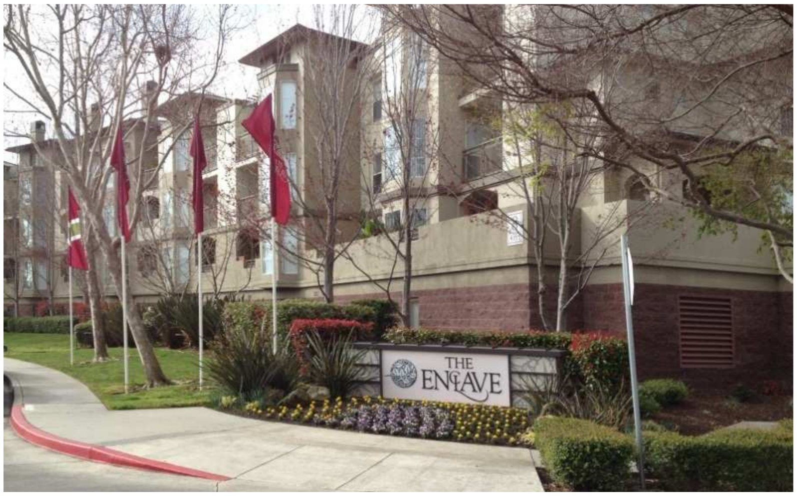
Morningstar considers the above collateral analysis and the legal analysis in conjunction with Morningstar's subordination model (described at www.Morningstar.com) to determine the preliminary ratings.

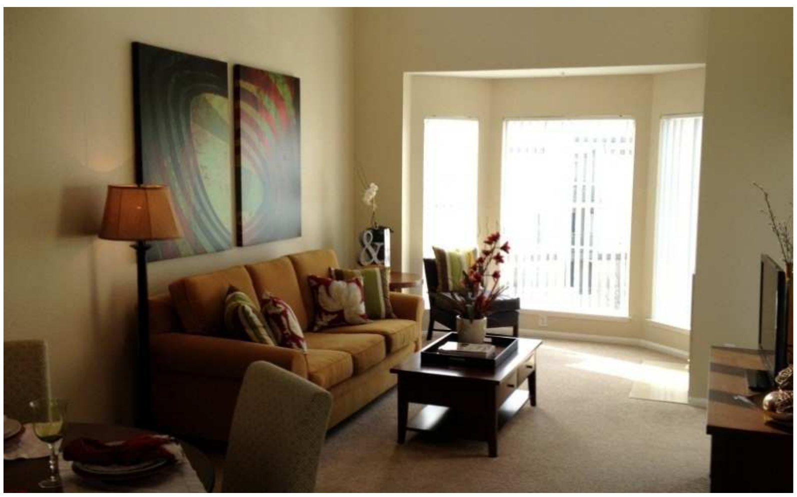
Morningstar Loan/Property Analysis Summaries

Asset summary reports (ASRs) are included with this presale report for the top 20 loans and are available by accessing Morningstar's website, by going to the Ratings Report section. These reports provide the line-item analysis along with corresponding assumptions used by Morningstar.

The Enclave

Analyst: Ed Barrett (267)-960-0530
Analytical Manager: Rob Grenda (267) 960-6023





Property Summary		
Property Type	Multifamily/Garden	
Location	San Jose, CA	
Year Built/Renovated	1998/N/A	
Multifamily Units	637	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	98.00%	As of: 1/31/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$120,422,000	($189,046/unit)
Loan Amount (Cut-Off Balance)	$119,806,833	($188,080/unit)
Loan Term (months)	84	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	3	
Interest Rate	3.06000%	

Morningstar Analysis		
Current DSCR	1.20 x	
Amortizing DSCR	1.20 x	
Beginning LTV	97.26%	
Ending LTV	82.53%	
Capitalization Rate	6.00%	
Morningstar Occupancy	95.00%	
Net Operating Income	$7,650,555	
Net Cash Flow	$7,390,982	
Value	$123,183,028	($193,380/unit)
Debt Yield	6.17%	
Morningstar Site Visit	No	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$119,806,833	3.06000%	1.20 x	1.20 x	97.3%	82.5%
Total	**$119,806,833**	**3.06000%**	**1.20 x**	**1.20 x**	**97.3%**	**82.5%**

Morningstar Summary

Morningstar Perspective

The Enclave loan is a seven-year, $120,422,000 ($189,046 per unit) loan which provided acquisition financing of the property at a purchase price of $173,750,000. The borrower contributed $53,328,000 of cash equity at the time of closing. The Enclave is a 637-unit apartment complex located in San Jose, CA that operates as a conventional multi-family complex but has 277 units set aside for low income housing. Situated on a 15.9 - acre site, the property consists of eight three-story garden-style apartment buildings. As of the January 31, 2013 rent roll, the property was 98% occupied and is considered to be in good overall condition.

Morningstar's analysis of the property resulted in a net cash flow of $7.39 million, which is 6.9% lower than the trailing-twelve-months ending November 30, 2012 figure of $7.93 million. The net cash flow decrease over the trailing twelve months is mainly attributable to an increase in insurance, repairs and maintenance and management expenses, as a result of the change in property ownership. Morningstar's effective gross income is 0.9% higher than the trailing twelve months, an increase that is driven by improved rental rates from the reporting date to underwriting. We underwrote to an average rental rate of $1,706 per unit per month, which is slightly lower than the current average in-place rent of $1,712 per unit per month, as of January 31, 2013.

We have underwritten to a vacancy rate of 5.0% which exceeds the current vacancy rate of 2.0%, and is higher than the Reis average vacancy in the submarket of 3.5%. The appraiser's concluded vacancy rate was 5.0%. Historical vacancy rates at the property were 2.5% to 3.2% over the past 3 years. Morningstar's value for the property is $123.1 million ($193,380 per unit), a 30.4% variance from the appraised value of $176.8 million. The resulting Morningstar LTV and DSCR are 97% and 1.20x (amortizing), respectively. In-place revenues are considered sustainable as rents in the market are projected to grow over each of the next four years, per Reis.

The property is well located within an area that generally reports high occupancy rates and above average demand. Given the occupancy characteristics of the competitive properties surveyed, as well as the current and historical occupancy at the subject, Morningstar believes this vacancy rate figure is well-supported. Our estimate of gross potential rent is below the appraiser's estimate and the current rent and only slightly higher than recent historical performance. Although there is a large amount of new supply coming over the next several years, there appears to be ample tenant demand that would allow for stable performance at the property. The demand for the subject is expected to be sufficient based on the continuing economic and population growth in the area. Rent levels are anticipated to continue to appreciably increase throughout 2013 and into the foreseeable future. Concessions are not prevalent in the immediate area but may make a comeback with the addition of new supply. Additionally, demand is expected to remain stable in the subject's immediate market area based upon the general location in San Jose which will provide additional strength for the multi-family market due to the submarkets expected economic expansion.

The Bears Say

- New supply of 10,113 units, in various stages of construction, are scheduled to enter the market, thus increasing competition for properties in the submarket.
- Property Condition – The property has experienced microbiologically induced corrosion in the fire sprinkler system. (See description of problem below.)
- Tax Abatement – The property has been underwritten assuming the State of California will approve a California Welfare Exemption tax abatement. A legal opinion has been received by the issuer that indicates the property meets the requirements. (See description below.)
- Regulatory Agreement – The property is subject to three Regulatory Agrements. (See description below.)

The Bulls Say

- The metropolitan area is poised to continue to be among the highest growth areas in the near term due to strong demographic trends and expanding payrolls in the technology and manufacturing industries.
- The Bureau of Labor Statistics, non-farm employment in the metropolitan area, consisting solely of Santa Clara County, CA, was up 29,600 jobs or 3.4% from twelve months earlier and was up 53,400 jobs or 6.3% over 24 months.
- The current vacancy rate at the subject is 2.0%. The historical rate at the property was 2.5% to 3.2% over the past three years.
- The subject property is in good physical condition with stable and sustainable cash flows.

Property Description

The property consists of eight, three-story garden style apartment buildings that house 637 apartment units, one clubhouse and one pool house. The property is located in San Jose, California in Santa Clara County and was built in 1998. Of the 637 units, 277 units are set aside to serve low income households and as such operate under three different regulatory agreements.

Under these agreements, there are currently 277 units subject to restricted units. Of the 277 units, 134 consist of low income housing tax credit units and the remaining 143 consist of a moderate income program in which the city of San Jose reimburses the landlord the difference between the tenants' contracted rent and the designated market rent for the unit type. While there is no formal Section 8 program in place, 52 units have Section 8 tenants that have a portable voucher.

The property has 91 efficiency units averaging 503 square feet, of which, 19 are used as affordable units. For the units at market, the appraiser estimated that rent levels range from $1,525 to $1,625 per month per unit. For the affordable units, the appraiser estimated a rental rate of $982 per month per unit. According to Reis, efficiency units in the subject's market area had a rental rate of $1,264 per unit per month. The rent roll provided by the borrower indicated rents of $1,433 per month per unit. Morningstar underwrote efficiency units at $1,433 per month per unit.

The property has 259 one bedroom units averaging 711 square feet, of which, 53 are used as affordable units. For the units at market, the appraiser estimated that rent levels range from $1,650 to $1,850 per month per unit. For the affordable units, the appraiser estimated a rental rate of $1,047 per month per unit. According to Reis, one bedroom units in the subject's market area had a rental rate of $1,646 per unit per month. The rent roll provided by the borrower indicated rents of $1,592 per month per unit. Morningstar underwrote one bedroom units at $1,592 per month per unit.

The property has 287 two bedroom units averaging 1,026 square feet, of which, 62 are used as affordable units. For the units at market, the appraiser estimated that rent levels range from $2,075 to $2,150 per month per unit. For the affordable units, the appraiser estimated a rental rate of $1,255 per month per unit. According to Reis, two bedroom units in the subject's market area had a rental rate of $2,037 per unit per month. The rent roll provided by the borrower indicated rents of $1,897 per month per unit. Morningstar underwrote one bedroom units at $1,897 per month per unit.

There is an extensive amount of amenities available to residents such as a river trail that is adjacent to property, a gated entrance with controlled access, gated underground parking, a media center, fitness center, business center, two lighted tennis courts, three heated pools, two spas, picnic area, sundeck and cabana, and storage spaces.

The property is located in a mature area of San Jose. The predominant use in the area is residential, including numerous single-family developments and multi-family sites. There are several commercial retail developments located along nearby major roads and are easily accessible from the property. The property is well positioned with respect to commercial services, major roads, public transportation, and community services and has above average access and exposure to major freeways in North San Jose. Based on Morningstar's site visit, the condition and appeal of the neighborhood were deemed to be generally good.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	91	14.3%	503
One Bedroom	259	40.7%	711
Two Bedroom	287	45.1%	1,026
Total	**637**	**100.0%**	**823**

Market Overview

The property is located within the San Jose metropolitan area. San Jose is the third largest city in California and the tenth largest in America. San Jose is known as the capital of Silicon Valley due to its concentration of technology firms. The area is served by the Norman Y. Mineta San Jose International Airport and Interstate 880 and 680 as well as Highway 101, which provide access to nearby regions. San Jose boasts a strong multifamily market with a 96.5% occupancy rate. Asking rents are projected to increase 4.8% on average over a five-year period.

As it has in the past, strong growth in the Silicon Valley's high technology sector is again leading the region's economic recovery and the recovery of local real estate markets. Job growth numbers are similar to those seen during strong expansion periods. According to the U.S. Bureau of Labor Statistics, non-farm employment in the metro, consisting solely of Santa Clara County, was up 29,600 jobs (3.4%) in August from 12 months earlier and was up 53,400 jobs (6.3%) over 24 months. Recent expansion by information, telecommunications, social media, and e-commerce entities continue to drive local economic and real estate expansion.

Bureau of Labor Statistics data show the recovery is broad based as it spans across a number of major private industry sectors. Employment in the local information sector as of August was up 3,700 jobs (7.4%) from 12 months prior. The increase in professional and business services employment over the same time span was 7,000 jobs (4.1%). Manufacturing, with its large high-tech component, saw a gain of 1,800 jobs (1.1%) year-over-year. Even the construction sector has seen the return of growth: employment data for August was up 3,900 jobs (12.2%) from August 2011.

With the boost to the employment sector, low vacancy and increasing rents, real estate expansion is right behind it. According to Reis, there are currently 32 multi-family apartment projects containing a total of 10,113 units either proposed, planned or currently under construction within the Northeast San Jose submarket.

The primary reason for the sudden acceleration in construction, aside from the fundamentals of a strong San Jose market, is a legal loophole that has since been closed. The court decision, known as the Palmer Decision, made it possible for developers to eliminate city imposed low-income requirements. As a result, nearly every developer with a permitted project in San Jose rushed to break ground in the past year and a half.

Another cause for the rush to market of new units is a city governed plan called Vision North San Jose. This plan for North San Jose, where the majority of the new construction is taking place, is to ensure a balance between industrial and residential development in order to maintain proper market demand and make sure housing and employment move simultaneously.

Despite the onslaught of potential supply, Reis estimates that in the longer-term, vacancy rates will only slightly increase over the next 12 to 18 months and then peak at 6.1% in 2015, and rental rates will continue to climb into 2017. Rei's' expectation is that these planned units will take a significant amount of time to penetrate the market. In the meantime, new jobs are being added to the market, employment is increasing and population growth from in-migration will occupy the majority of the new supply. In the near-term, rent levels are anticipated to continue to increase throughout 2013 and demand is expected to remain stable in the subject's immediate market area.

Likewise, Marcus and Millichap believes that while demand may not keep pace with the surge in development now under way, the resultant increases in vacancy will be moot: rates in the rage of 3.0% to 3.5% are expected for the foreseeable future and rent growth will remain robust. With the recovery of the national single-family market expected to pose challenges to apartments around the country, the San Jose market should see only a minimal threat as the San Jose-Sunnyvale-Santa Clara, CA metropolitan area has a 39.6% renter occupied market, compared to the higher 40.4% in California and the lower 30.1% in the United States, further support for the increased supply.

According to Reis, the subject property is located in the Northeast San Jose submarket. Vacancy in the Northeast San Jose sub-market ranged from as high as 5.1% in late 2009 to a low of 3.5%, which is the current vacancy rate. While vacancy has remained low over the last few years, it is important to note that there have been very few additions to supply in the sub-market, however, the additions that were added in 2012 were absorbed easily. Over the next three-year period (2013 to 2015), according to Reis, the Northeast San Jose sub-market vacancy rate is projected to progressively increase to 6.1% by 2015, as supply is added. As for rents, average rental rates have increased each of the last five years and Reis projects that this trend in rental growth will continue through 2017. According to the appraisal, based on a survey of 2,821 units at six multifamily rental developments, vacancy rates at comparable developments ranged from 3.6% to 6.4% with an average vacancy rate for the surveyed properties of 4.98%. Morningstar underwrote the subject at 5.0% vacancy despite being no more than 3.5% vacant over the past four years and in-place rents that are below market.

Reis anticipates that the metro area is poised to continue to be among the highest growth metro areas in the near term due to strong demographic trends and expanding payrolls in the technology and manufacturing industries. The overall outlook of the area is positive as is the outlook for the subject.

Sponsorship/Management

The borrowing entity is BMEF Enclave Limited Partnership, single-purpose Delaware limited partnership. The property is managed by Berkshire Property Advisors, L.L.C., a borrower controlled management company. The contract management fee is 4.0%.

Tax Abatement

Real property tax exemptions are not automatically transferrable to a new owner and upon transfer a new owner must re-apply to the California State Board of Equalization and the Santa Clara County Tax Assessor. Also, real property tax exemptions are granted based on the ownership entity and not necessarily the property operations. The seller of the property had the abatement in place; the issuer has asked for and received a legal opinion regarding the property's eligibility; the legal opinion states that the property, in its current status, meets the requirements of the state of California Welfare Exemption tax abatement. The application period typically takes six months and during that period the borrower has requested that the property be removed from the tax roll for the year the loan closing occurs, and will receive the tax abatement for that year. A carveout is in place to protect the lender from any losses associated with the inability to secure the abatement. Morningstar underwrote the loan at the current abated tax amount; applying the full tax amount of $2,250,000 after additional assessments are applied, the DSCR goes from 1.20x to 1.11x.

Regulatory Agreements

The property is subject to three regulatory Agreements. The first is an Affordability Agreement with the Redevelopment Agency of the City of San Jose expiring in 2023, three years post loan maturity. This agreement requires that 20% of the units be set aside for Vey Low Income Households (50% of AMI) and an additional 143 units be set aside for households of moderate income (120% of AMI).

The second is a Regulatory Agreement and Declaration of Restrictive Covenants with the city of San Jose, expected to run through 2015, five years prior to loan maturity. This agreement requires 20% of the units be rented to low income tenants and restricts rents to 30% of 1/12th of 50% of AMI per month.
The third Regulatory Agreement is a Regulatory Agreement with the Tax Credit Allowance Committee. The Tax Credit Allowance Committee similarly requires 20% of the units be set aside for Very Low Income households (50% of AMI). The agreement expires in 2030, ten years post loan maturity.
The maximum income and rent levels are based on the median family income statistics for Santa Clara County and are derived by the U.S. Department of Housing and Urban Development (HUD). Income levels are determined by household size. HUD correlates household size with the number of bedrooms in a particular unit, allowing conversion of income limits to unit type by number of bedrooms (1.5 persons per bedroom).

The maximum LIHTC rents (net of utility allowances) at 50% AMI in the subject's Santa Clara County market area is $982 for studio units, $1,047 for 1BR units, and $1,255 for the 2BR units. The appraiser reported that there are 277 units subject to restricted rents. Of the 277 units, 134 consist of Low Income Housing Tax Credit (LIHTC) units and the remaining 143 consist of a moderate income program in which the city of San Jose (formerly administered by the Redevelopment Agency of San Jose which is no longer an operating entity) reimburses the landlord the difference between the tenant's contracted rent and the designated market rent for the unit type. While the subject does not have a project-based Section 8 program in place, the appraiser indicated approximately 51 to 52 units have Section 8 tenants that have a portable voucher. Management cannot deny a tenant a unit if they are in possession of a portable Section 8 voucher despite not having designated units for the program. With respect to the moderate income program in place at the subject, the income limits are currently set at 120% of AMI and rent limits are set at 110% of AMI.

Based on the rent comparable provided by the appraiser and on the subject's condition and good physical attributes, amenities and the historical achieved rents, we conclude that the subject's current LIHTC rents are achievable and sustainable in the market area.

Property Condition

There are extraordinary capital expenses at the property that are related to leaks caused by bacteria that have collected over time in the fire sprinkler system and have settled on the bottom of the pipes in several of the buildings. The problem is known as microbiologically induced corrosion and affects fire sprinkler systems. Over the years, it has created holes in the pipes that drip, forming rust. There is a chemical treatment that flushes the system and prevents the growth of the bacteria. The borrower has received bids and budgeted funds to chemically treat the impacted buildings and will address leaks as necessary.

The borrower has placed $376,250 in a repair escrow to fund the chemical flush of the fire sprinkler system and repair leaks over the following year. The process is designed to kill the bacteria and prevent future leaks from occurring. An additional $101,875 has been placed in escrow to fund the anticipated leak repairs over the next six years. The property condition reported noted only minimal immediate repairs outside the sprinkler issue.

Morningstar Analysis

	Morningstar	2011	2012	TTM 01/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$13,046,779	$11,794,623	$12,701,130	$12,804,105	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	251,305	194,208	243,740	224,402	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	197,078	179,843	193,916	191,675	
Less: Vacancy Loss	-662,193	-372,889	-377,235	-392,554	
Less: Concessions & Collection Loss	0	-80,340	-46,177	-24,263	
Effective Gross Income	**$12,832,970**	**$11,715,445**	**$12,715,374**	**$12,803,365**	**$12,893,105**
Expenses					
Real Estate Taxes	$1,656,547	$1,355,021	$1,665,832	$1,549,917	
Property Insurance	334,389	177,907	181,863	196,053	
Utilities	779,283	741,792	756,586	748,799	
Repairs and Maintenance	579,689	503,865	461,406	560,347	
Janitorial	0	0	0	0	
Management Fees	513,319	351,025	380,601	393,859	
Payroll & Benefits	1,067,683	1,056,935	1,099,056	1,067,773	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	72,936	83,761	41,299	37,854	
Professional Fees	4,235	6,636	2,213		
General and Administrative	174,333	182,854	188,573	184,694	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$5,182,414**	**$4,459,794**	**$4,777,429**	**$4,739,296**	**$4,983,254**
Net Operating Income	**$7,650,555**	**$7,255,651**	**$7,937,945**	**$8,064,069**	**$7,909,851**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	259,574	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$259,574**	**$0**	**$0**	**$0**	**$235,690**
Net Cash Flow	**$7,390,982**	**$7,255,651**	**$7,937,945**	**$8,064,069**	**$7,674,161**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$1,706
Vacancy (%)	5.0%

Morningstar has estimated rent at $1,706 per unit per month which is in-line with the average in-place rents as of the December 31, 2012 rent roll. Vacant units reserved for very low income households were underwritten at the rent restriction maximum. The subject's in-place average rent as of December 2012 was $1,706 and is less than the 4Q 2012 Reis submarket rent of $1,813, and is significantly lower than appraisal market rent estimate of $1,890. The most recent reported in-place rent as of January 31, 2013 at the subject was $1,712 per unit per month.

Over the past two years, total economic vacancy at the subject has ranged between 2.9% and 3.6%. The subject's current vacancy rate is 3.6% as of December 31, 2012. Market vacancy in the subject's area is 3.5%, according to Reis. Based on information from the appraiser and Reis, a vacancy rate of 5% was underwritten on a stabilized basis recognizing the subject's location and area's historical vacancy rate. This rate includes consideration for concessions and bad debt.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted.

Morningstar underwrote real estate taxes to the current actual tax bill less the sewer expense ($181k) which is accounted for in the property's utility expenses. The issuer has underwritten real estate taxes based on the purchase price times the mill rate, less the 20% tax abatement, plus assessments. Assessments were determined based on current taxes, however, the sewer tax assessement was removed, due to it being included on the property operating statements as a utility expense. Underwritten taxes are less than the appraisal, because appraisal taxes are based on the direct cap appraised value ($198,730,000) less the 20% abatement.

Capital Items

A reserve for future capital expenditures is underwritten at $407 per unit, a 10% increase over the engineer's recommended reserves of $370 per unit. .

Valuation Drivers

The sales comparables indicate a capitalization rate range of 4.1% to 4.8%. The appraiser concluded a capitalization rate of 4.50%. The appraiser indicated that the subject was considered superior in terms of overall physical characteristics to all the comparable properties in the competitive set.

Morningstar's base capitalization rate for conventional properties in the San Jose market was concluded to be 5.8%. Based on our understanding and position on the restricted rental apartment market, there are reasons to conclude that the capitalization rate for the subject should be above the market rate conclusion. Overall, we believe the multiple affordability agreements and the risk of losing the welfare property tax exemption warrants consideration for additional risk to this property. Overall, we added 20 basis points to the concluded rate and the resulting Morningstar capitalization rate is 6.0%; 150 basis points higher than the appraisal capitalization rate of 4.50%.

Halstead Arlington Apartments

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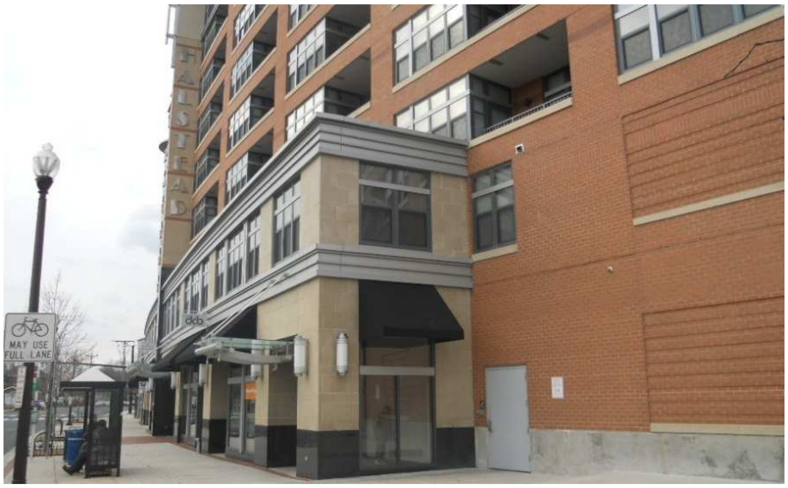

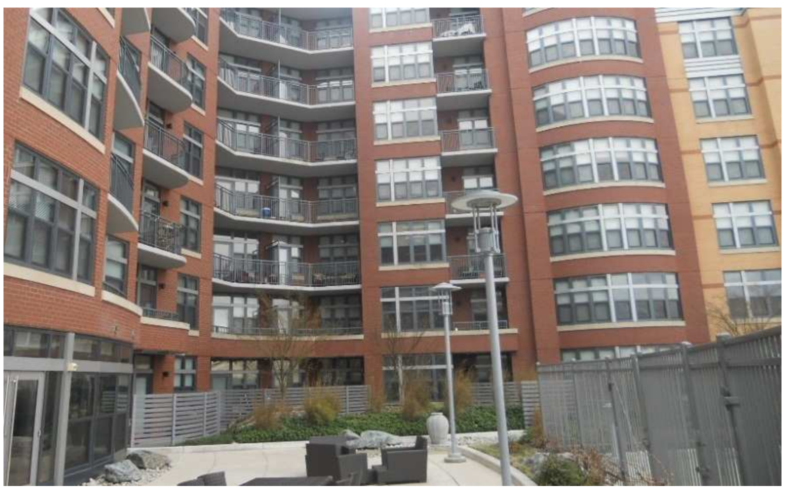

Property Summary		
Property Type	Multifamily/High-Rise	
Location	Arlington, VA	
Year Built/Renovated	2009 / n/a	
Multifamily Units	269	
Net Rentable Sq. Ft. (Other)	35,105	
Occupancy	94.05%	As of: 12/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$73,100,000	($271,747/unit)
Loan Amount (Cut-Off Balance)	$73,100,000	($271,747/unit)
Loan Term (months)	84	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	5	
Interest Rate	3.38000%	

Morningstar Analysis		
Current DSCR	2.02 x	
Amortizing DSCR	1.28 x	
Beginning LTV	90.36%	
Ending LTV	81.11%	
Capitalization Rate	6.15%	
Morningstar Occupancy	91.01%	
Net Operating Income	$5,095,073	
Net Cash Flow	$4,979,039	
Value	$80,899,357	($300,741/unit)
Debt Yield	6.81%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$73,100,000	3.38000%	2.02 x	1.28 x	90.4%	81.1%
Total	**$73,100,000**	**3.38000%**	**2.02 x**	**1.28 x**	**90.4%**	**81.1%**

Morningstar Summary

Morningstar Perspective

The Halstead Arlington Apartments loan is a seven-year, $73.1 million ($271,747 per unit) refinancing of an existing $75.9 million loan to develop the property in 2009 for $120.0 million. The loan is interest-only during the first two-years. The property was appraised for $124.0 million and the loan represents a 59.0% loan-to-appraised value ratio. The property is a 269-unit, 9-story high-rise apartment building in Arlington, Virginia, approximately 7.5 miles southwest of the Washington DC central business district (CBD). The property is currently 94.1% occupied as of the 12/31/12 rent roll, with average rents of $2,288 per unit per month. Historical occupancy over the past two years has averaged 94.7% since stabilizing 2011. Net Rentable Income (NRI) continues to improve with average net rents growing from $1,971 per month in 2010, to $2,059 in 2011 to $2,168 as of the most recent trailing twelve months ("TTM") ending 12/31/12. This growth has maintained while the property continued to stabilize.

The property is subject to a condominium structure, including condominium association. Under that structure, there are three units that comprise the condominium, the residential space (88.9% interest), the commercial space (8.5% interest) and a commercial Unit 001 with 2.6% interest (the Arlington Free Clinic). The sponsor owns 100% of the residential and remaining commercial retail units, equating to a 97.4% interest. Based on the ownership interest, the sponsor controls the condominium association.

The commercial portion consists of 35,105 square feet of ground floor retail. However, as mentioned previously, 8,112 square feet is wholly-owned by the Arlington Free Clinic, Inc. The owned collateral is leased to tenants, which include a café, restaurant/bar, salon, liquor store and gym. Although the retail space is currently 95% occupied, we underwrote retail vacancy at 32.8% because the largest retail tenant World Gym (10,292 square feet) is currently delinquent in their rent.

Morningstar's net operating income ("NOI") of $4.98 million is nearly $256,000, or 4.9% below the NOI in the TTM period ending 12/31/12. While Morningstar underwrote gross potential rent ("GPR") and vacancy to in-place, the main sources of the NOI variance are our treatment of minimum management fees, slightly higher utilities, advertising and capital items.

Morningstar visited the property on March 21, 2013. The property occupies an entire city block at the southwest corner of Columbia Pike and South Walter Reed Drive. There is a subterranean parking garage, operation of which is subject to agreements between the borrower and Arlington County. There are retail storefronts along both streets, with a hair salon and a World Gym on Walter Reed and two restaurants and a liquor store along Columbia Pike. The building presents very well, with an impressive entry lobby with a high ceiling. The lobby area also features a fitness center and business center, as well as a comfortably furnished lounge area with a large flat screen television. Apartments are well maintained and spacious, with living rooms that have plenty of windows. Kitchens feature granite countertops, stainless steel appliances and dark wood cabinets. Some units on higher floors have excellent views. The property's two closest direct competitors, Penrose Square and Siena Park, are on the other side of Columbia Pike, one and two blocks away.

Based upon our evaluation, Morningstar assigned a property quality score of 2 to the property which rates the property as good. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. Factors including the property's age, location, and condition are considered in assigning the quality score. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our capitalization rates.

The Bears Say

- The largest single retail tenant (World Gym) is delinquent in rental payments. The space represents 10,292 square feet (41.5%) of the remaining 24,813 square feet of owned retail collateral. The tenant made a $20,000 payment in October 2012 and is under negotiations to restructure their lease/rent with another operator with a new base rate of $23.48 per square feet. The appraiser estimated market rent for this space at $21.00 per square foot. Because of the tenant's delinquent rent, no base rent was underwritten for this space by either the issuer or Morningstar.
- Highly leveraged with a beginning loan-to-value of 90.36% based on Morningstar's calculated Net Cash Flow ("NCF") of $4.98 million. The loan is also interest-only for the first two-years. The risk is mitigated by the Morningstar interest only DSCR of 2.02x on sustainable cash flow that is 4.9% less than the TTM ending 12/31/12. Much of this difference is attributable to our underwriting of higher utilities, management fees, advertising/marketing and tenant improvements and leasing commissions associated with the commercial retail space. Morningstar's amortizing DSCR of 1.28x provides a relatively low level of support in the event of a downturn.
- The property was completed in 2009 and did not stabilize until 2011 and thus there is limited historical operating information. Current multifamily occupancy is 94.1% based on the 12/31/12 rent roll. Considering delivery in 2009, the lease-up to near market conditions was relatively quick. Much of this can be attributed to the experienced property management company. The market occupancy for multifamily was 95% based on the appraisal and 94.8% based on properties with a similar vintage (2000-2009).

The Bulls Say

- ❖ Newer property, completed 2009, reached stabilization in 2011. The property offers nice amenities, including fitness center, spa, pool and virtual golf, as well as ground floor retail and a covered parking garage. The property is also close to the Washington DC central business district (CBD).
- ❖ The Northern Virginia market continues to remain a high rental performer according to Reis. Average asking rents were up 3.3% over the prior year ending 2011 with asking rents forecasted to increase more than 4.4% on average over the next five years. Vacancy is expected to remain fairly constant at the low 4% range over that same period while maintaining positive absorption.
- ❖ Established property management company. The third-party management company, established in 1988 manages a portfolio of over 100 communities with over 35,000 units under management. Much of the successful lease-up can be attributable to the company's effective management of the property.
- ❖ Supply and demand trends in the region for the retail market are expected to remain stable according to the appraisal. Rental rates have been flat, while vacancy has increased somewhat. Given the subject's location, the appraiser indicated that long-term prospects for the market are good.
- ❖ Arlington County has a large concentration of professional and business services (28.7%) and government (27%) employment sectors, as of 2011. The largest major employer in the County includes the Department of Defense (36,000 employees), followed by the Arlington County Government & Schools (7,200 employees), Department of Justice (5,200 employees), Department of State (4,500 employees) and Department of Homeland Security (3,500 employees) as of 2011. This bodes well based on the close proximity to employment centers, strong transportation links and cultural amenities in the Washington area.
- ❖ The U.S. Bureau of Labor Statistics (BLS) reports an unemployment rate of 3.2% in April 2012 for the Arlington County, compared to the 5.1% for the Washington MSA. The average unemployment rate (2000-2010) was 2.7%, consistently lower than the Washington MSA of 3.9%, which is an indication of the strength of the Arlington County economy over the longer term.

Property Description

The subject property is a 296-unit, nine-story apartment complex with ground floor retail in the city of Arlington, Virginia, within the greater Washington-Arlington-Alexandria, DC-VA-MD-WV metropolitan area. The property was completed in 2009 and consists of a single class A, nine-story high-rise building situated on 1.576 acres. The property includes a two level below-grade parking garage with 460 parking spaces and 128 metered parking spaces for the ground floor retail space and visitors, representing a 1.71 spaces per unit ratio.

Common area amenities include a two story decorative main lobby with floor to ceiling wall fountain, state of the art fitness center, virtual golf driving range and indoor putting green, clubhouse with pool area and lounge area, outdoor swimming pool with sundeck and barbeque grill, concierge service, controlled access to the lobby and tenant parking areas. The exterior landscaping includes small trees and shrubbery where space permits and the courtyard includes trees, various types of shrubs and flowers. There are six hydraulic elevators, four of which are accessible via the main lobby and service the residential floors. There are two elevators that service the below grad parking levels and are accessible via the street level.

Unit amenities include hardwood cabinets in kitchens and bathrooms, ceramic tile, granite countertops, stainless steel appliances (refrigerator, electric range/oven combination with exhaust hood, microwave, dishwasher and sink), garbage disposal and a stackable washer/dryer. Select units include a patio/balcony, storage units, walk-in-closets and hard wood floors.

The commercial space is all ground level retail with triple net leases.

Arlington is an urban county best known as the home of the Pentagon and Arlington National Cemetery. The area has high-density commercial and residential development around Metrorail stations in the Rosslyn-Ballston and Jefferson Davis Highway (Route 1) corridors. Arlington's central location in the Washington metropolitan area and convenient access to major employment centers including Alexandria, Crystal City, Pentagon City, Rosslyn, Tyson's Corner and the Dulles Corridor has increased its residential housing demands.

Unit Type Mix

The property is subject to a condominium structure, with three units, the residential space (88.9% interest), the commercial space (8.5% interest) and a commercial Unit 001 with 2.6% interest (the Arlington Free Clinic). The residential space consists of 269 total units with an average unit size of 933 square feet. The majority (57.6% of the units) are concentrated in one-bedroom floor plans ranging in size from 753 square feet to 997 square feet with an average size of 813 square feet. There are 102 (37.9%) one-bedroom units ranging in size from 1,163 square feet to 1,321 square feet with an average of 1,154 square feet and 12 (4.5%) studio/efficiency floor plans with an average of 612 square feet.

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
Studio/Efficiency	12	4.5%	612
One Bedroom	155	57.6%	813
Two Bedroom	102	37.9%	1,154
Three Bedroom	0	0.0%	0
Townhomes/Other	0	0.0%	0
Total	**269**	**100.0%**	**933**

There is also 35,101 square feet of commercial space in the building, including 8,112 square feet of non-owned space owned by the Arlington Free Clinic, Inc. (condominium Unit 001). The owned commercial space collateral totals 26,993 square feet, leaving a single space of 1,225 square feet physically vacant. Morningstar's adjusted rent is based on the appraiser's estimate of market rent. As mentioned above, World Gym is currently delinquent in their rents and has been underwritten as vacant.

Top Five Tenants					
Tenant	**Occupied Sq. Ft.**	**Annual Base Rent**	**Morningstar Adjusted Rent**	**Lease Expiration**	**Lease Term**
Lost Dog Café	3,423	$148,969	$119,805	9/30/2024	15.0 yrs
P. Brennan's Rest/Bar	6,421	$246,310	$224,735	3/31/2020	10.0 yrs
World Gym	10,292	$0	$0	1/31/2021	10.0 yrs
DCB Salon	1,490	$49,543	$52,150	9/30/2021	10.0 yrs
Liquor Store	4,142	$155,325	$144,970	1/31/2022	10.0 yrs
Total/Average	**25,768**	**$600,146**	**$541,660**	**-**	**11.0 yrs**

Market Overview

Halston Arlington Apartments is located in the city of Arlington, Virginia, Arlington County, within the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA.

The collateral property is located in the Columbia Pike multifamily submarket, within the larger Suburban Virginia metro market, according to Reis. According to Reis in the fourth quarter 2012, the mean and median per unit asking rent for the submarket were $1,630 and $1,565, which are lower than in-place rent of $2,288 per unit at the subject. The mean and median vacancy for the submarket were 3.7% and 3.4%, respectively in the fourth quarter. Class A properties, according to Reis have an average market asking rent of $1,922 per unit with a market vacancy of 3.5% and vintage properties of a similar age (2000-2009) have an average market asking rent of $2,190 with a market vacancy of 5.2%.

The appraisal identified five comparable properties, all located within two miles of Halstead Arlington Apartments. Average comparable per unit rental rates ranged between $1,700 and $2,541 (average - $2,111 per unit). The appraiser estimated market rent for this property to be $2,345 per month with market vacancy of 5%. The appraisal reported comparable property occupancy levels between 95% and 99%, with an average of 97.1%.

For the purposes of estimating market rent and vacancy for the residential portion, Morningstar utilized the appraiser's estimate, which was $2,345 per month and vacancy of 5%. Our estimate of market rent net of vacancy is greater than in-place economics as of the most recent rent roll and as a conservative measure we therefore underwrote multifamily rents to the in-place rent with a 5% minimum vacancy.

Sponsorship/Management

The borrowing entity is a private single-purpose, Delaware limited liability company.

The property management is Bozzulo Management Company, a third party management company established in 1988 and based in Greenbelt, Maryland. Bozzuto Management Company operates as a subsidiary of The Bozzuto Group, Inc. The contract fee is 2.75% of effective gross income.

Morningstar Analysis

	Morningstar	2010	2011	TTM 12/31/12	Issuer Underwriting
Income					
Gross Potential Rent	$8,327,896	$8,109,501	$8,354,385	$8,111,516	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	188,632	155,288	173,896	197,878	
Percentage Rent	0	0	0	0	
Parking Income	120,315	89,553	113,333	128,539	
Other Income	154,251	134,360	158,242	184,445	
Less: Vacancy Loss	-745,680	-693,635	-349,162	-412,738	
Less: Concessions & Collection Loss	-310,150	-1,469,823	-1,063,001	-466,504	
Effective Gross Income	**$7,735,265**	**$6,325,243**	**$7,387,693**	**$7,743,136**	**$7,828,452**
Expenses					
Real Estate Taxes	$924,068	$795,929	$825,181	$911,904	
Property Insurance	70,184	67,393	66,024	65,030	
Utilities	364,319	365,737	335,896	345,434	
Repairs and Maintenance	293,518	372,129	300,897	283,592	
Janitorial	0	0	0	0	
Management Fees	232,058	184,286	194,147	188,244	
Payroll & Benefits	514,839	633,830	578,570	497,429	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	117,775	124,028	43,409	95,627	
Professional Fees	1,200	103,349	51,529	2,515	
General and Administrative	122,231	125,405	162,535	118,098	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,640,192**	**$2,772,087**	**$2,558,188**	**$2,507,873**	**$2,598,159**
Net Operating Income	**$5,095,073**	**$3,553,157**	**$4,829,505**	**$5,235,263**	**$5,230,293**
Capital Items					
Leasing Commissions	$17,115	$0	$0	$0	
Tenant Improvements	17,115	0	0	0	
Capital Expenditures	81,803	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$116,033**	**$0**	**$0**	**$0**	**$74,244**
Net Cash Flow	**$4,979,039**	**$3,553,157**	**$4,829,505**	**$5,235,263**	**$5,156,049**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$2,288
Apartment Vacancy (%)	6.0%
Rent per Square Foot (Retail)	$26.87
Commercial Vacancy (%)	32.8%

As of the 12/31/12 rent roll, average multifamily rents were $2,288 per unit and vacancy was 5.95%. Based on a review of the Reis submarket, the appraiser's rent conclusion and the appraiser's rent comparables, Morningstar determined the market rent to be consistent with the subject's in-place rent of $2,288 per unit along with a minimum market vacancy at 6.0%. The commercial space was underwritten based on the 12/31/12 rent roll, net of the gym space, with in-place rents and vacancy.

Parking Income consists of income from the residents and income from the retail shoppers and visitors. Residents can purchase a parking space for $100 per month while retail shopper/visitors pay for parking on an hourly basis via a central metering system. Morningstar underwrote to a 3-year weighted average which was slightly lower than the most recent income reported in the TTM.

Other income includes RUBS (Ratio Utility Billing System) program, as well as laundry and miscellaneous fees.

Expenses

Expenses were underwritten based on either historical weighted averages or the most recent period, adjusted for inflation.

Real Estate Taxes were underwritten based on the appraiser's estimate of $924,068 for 2012. It should be noted that based on the latest Arlington Virginia tax assessment, it appears that the 2013 taxes have decreased to $920,957 (based on the latest 2012 general tax). Morningstar underwrote to the higher appraiser's estimate, given that the 2013 general tax rate remains unpublished as the date of this report.

Insurance was underwritten based on the actual insurance premium inflated by 5%, consistent with the issuer.

Management Fees were underwritten to a minimum 3.0% of effective gross income.

Professional Fees was underwritten based on the borrower's budget.

Overall, expenses were 34.1% of effective gross income, which is slightly higher than the TTM ending 12/31/12 of 32.4% and the appraiser's estimate of 30.7%.

Capital Items

A reserve for future capital expenditures is underwritten at $304 per unit, a 10% increase over the engineer's recommended reserves. In addition, Morningstar underwrote tenant improvements and leasing commissions for the retail space.

Valuation Drivers

Morningstar's multifamily capitalization rate for the Suburban Virginia is 6.5% and the retail capitalization rate was 7.6%. The capitalization rate was blended to 6.65% based on the subject's percentage of revenue for each portion of sub-property type. In addition, there was a downward adjustment of 50 basis points for the good property score. The final Morningstar capitalization rate was 6.15%. This estimate is more conservative than the appraiser's capitalization rate of 4.5% and the capitalization rates from appraiser's sales comparables which averaged 4.6%.

Highpoint Apartments

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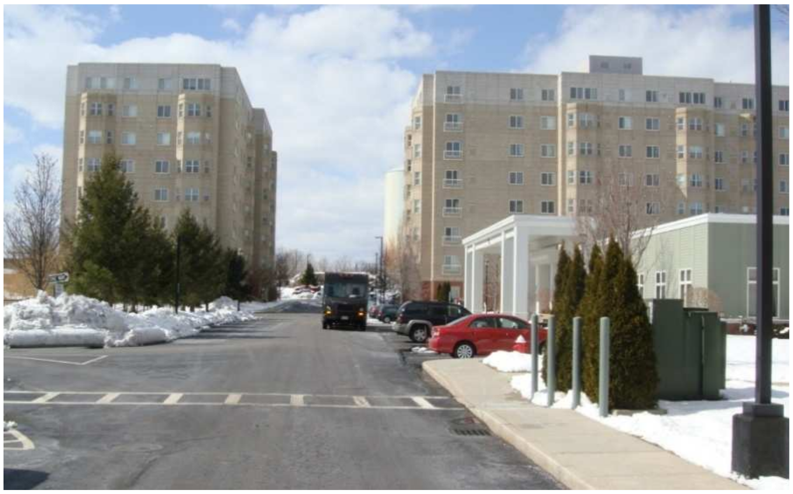
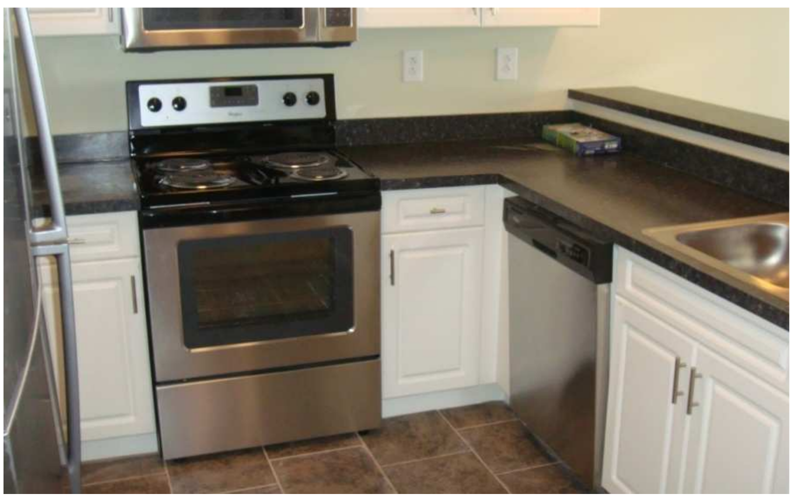
Analytical Manager: Rob Grenda (267) 960-6023





Property Summary		
Property Type	Multifamily/Mid-Rise	
Location	Quincy, MA	
Year Built/Renovated	2004/N/A	
Multifamily Units	394	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	93.15%	As of: 12/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$65,633,000	($166,581/unit)
Loan Amount (Cut-Off Balance)	$65,633,000	($166,581/unit)
Loan Term (months)	84	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	9	
Interest Rate	3.36000%	

Morningstar Analysis		
Current DSCR	1.93 x	
Amortizing DSCR	1.22 x	
Beginning LTV	97.27%	
Ending LTV	87.29%	
Capitalization Rate	6.30%	
Morningstar Occupancy	93.00%	
Net Operating Income	$4,391,571	
Net Cash Flow	$4,250,740	
Value	$67,472,060	($171,249/unit)
Debt Yield	6.48%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$65,633,000	3.36000%	1.93 x	1.22 x	97.3%	87.3%
Total	**$65,633,000**	**3.36000%**	**1.93 x**	**1.22 x**	**97.3%**	**87.3%**

Morningstar Summary

Morningstar Perspective

The $65,633,000 ($166,581 per unit) 7-year loan facilitated the acquisition of the property in June 2012. The loan has an interest-only period of 24 months. Built in 2004, Highpoint Apartments is a well-located mid-rise apartment complex in Quincy, Massachusetts. Quincy is about 10 miles south of Boston, and about two miles from Quincy Bay. Though the property is still relatively new, about $480,000 was spent between 2009 and 2011 on water submeters, controlled access systems, garage repairs, landscaping improvements and common area carpet replacements.

Located in Norfolk County, Quincy is a medium-sized city, with a population of over 92,000 (2010 U.S. Census). Most of Quincy is densely populated, with the exception of Blue Hills Reservation, an undeveloped state park area that covers almost four square miles in the southwest section. The median value of a home or condominium unit in Quincy was $346,800 in 2009, up from $181,500 in 2000. Local home prices have actually increased somewhat since 2009, and continue to keep home ownership out of the reach of some residents. While the median home price increased by 91% from 2000 to 2009, the average asking rent in the South Shore submarket rose by just 18% over the same period, according to Reis statistics. The difference in the rate of increase of the cost of buying versus renting should support continued rental demand at or near current occupancy rates.

Morningstar's net cash flow is higher than the trailing-ten months through December 2012 annualized by 9.0%, primarily due to the above-normal capital expenditures reported during the period. Morningstar's amortizing debt service coverage and LTV are 1.22 times and 97.3%. The property's net operating income declined from 2011 to the 10-month annualized period ended Dec. 31, 2012 due primarily to increases in real estate taxes and management fees.

The property appears to be well positioned to remain competitive in its local market, as occupancy is consistently in a range from 92% to 96%. A competitive amenities package, along with a good location and rents that are reasonable for the local area should help the property maintain occupancy in the recent historical range. New development is occurring at a relatively restrained pace compared to recent years, with an expected annual average inventory increase of less than 1% through 2017.

The Bears Say

- The special permit under which the property was developed carries a requirement that at least 4.8% of the units must be leased to tenants 55 years of age or older, and that management operate a shuttle to the Quincy Center "T" station one mile away.
- There was a decline in collections during the first half of 2012, though this was attributable to the previous owner's allowing occupancy to slip in the months prior to the sale of the property. More recent reporting has shown improved collections.
- Parts of the local area including sections of the property and adjacent parcels were used extensively as a quarry and later a landfill over a period of roughly 100 years. The environmental assessment used the term historical recognized environmental condition with respect to that history.

The Bulls Say

- The property has a complete amenities package, appropriate for a property in its price range.
- Occupancy has been 92% to 96% over the past three years.
- Though the South Shore submarket trails the overall Boston area apartment market in terms of occupancy and average rent, it is a well-performing submarket in a metro area that has a very strong apartment market.
- The borrower-related management company has more than 40 years of experience, is headquartered in Boston, and manages more than 30,000 apartment units across the U.S.

Property Description

The property is a 394-unit mid-rise apartment complex consisting of four 8-story buildings, plus a clubhouse and a three-level parking garage. The property was completed in 2004 on 21.93 acres, and contains 666 parking spaces including the 325 garage spaces. The location is about 10 miles south of downtown Boston, about two miles west of Quincy Bay and less than one mile east of I-93, providing direct access to Boston. Common amenities include a clubhouse with a fitness center, billiards room, business center and community lounge, swimming pool, tennis courts, barbecue area, fenced-in dog park, and free shuttle service to the Quincy Center "T" stop. Units include fully equipped kitchens with high-end standard appliances and ceramic tile and formica countertops, carpeted bedrooms and living areas, walk-in closets and full size washers and dryers.

The previous ownership spent roughly $480,000 between 2009 and 2011 on water submeters, controlled access systems, garage repairs, landscaping improvements and common area carpet replacements.

The property is in an area that was involved in quarry activity from the late 1800s until the 1930s. Part of the property was a quarry that was later used as a landfill. The environmental assessment report noted that discovery of polyaromatic hydrocarbons and lead in the soil was reported to the Massachusetts Department of Environmental Protection (DEP) in 1987. Also, chromium and lead were detected and reported in 2000. Remediation activities were documented, although a 2004 statement requires continued implementation of an Activity and Use Limitation (AUL). Restrictions include prohibitions against development of single family homes, subsurface activities that could disturb contaminated soil or groundwater, use of soils for cultivation of fruits and vegetables among others. Any excavations on the property are subject to compliance with all terms of the AUL. The environmental report referred to the quarry and landfill conditions as an historical recognized environmental condition.

An order from the City of Quincy Conservation Commission issued in 2000 requires that all catch basins must be cleaned at least once per year, and the results reported to the Commission.

Morningstar visited the property on March 20, 2013. The property sits at the highest elevation in its immediate area south of Boston, and has unobstructed views of Boston Harbor and the downtown skyline. There is an ongoing renovation program that is scheduled to upgrade 197 units in 2013. Some units will get new lighting and painting, while others will also get new kitchen countertops and stainless steel appliances. Renovations also will upgrade the clubhouse, improve landscaping, add a dog park and a barbecue area with fire pits. A lobby and first floor renovation is also planned for all buildings, which will update lighting and entranceways.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	1	0.3%	607
One Bedroom	188	47.7%	830
Two Bedroom	205	52.0%	1,167
Total	**394**	**100.0%**	**1,005**

Market Overview

Highpoint Apartments is in the South Shore / Route 128 South submarket of the Boston apartment market, as defined by Reis. Within this submarket, the average asking rental rate was $1,546 per unit per month as of fourth quarter 2012, though it was much higher for properties completed between 2000 and 2009 at $1,932 per unit per month. Following a period of relatively light apartment development in the 1980s and 1990s, 28% of the submarket's inventory was built from 2000 to 2009. The overall submarket asking rate represents an increase of 0.1% from the prior quarter and 1.7% from one year earlier. The weighted average rent at the subject was $1,665 per unit per month. The appraisal concluded a market rent of $1,708 per unit per month. Morningstar underwrote rents at $1,665 per unit per month. Reis predicts that asking rents will increase at an average annual compound rate of 3.2% from 2013 through 2017.

Within this submarket, the overall vacancy rate was 4.1% as of fourth quarter 2012. Aside from a brief backup at the beginning of 2010, the overall vacancy rate in the submarket has declined steadily since reaching a cyclical peak of 9.2% in the third quarter of 2009. From over 9% in 2009, vacancy dropped to just 4.0% in the third quarter of 2012 before backing up slightly in the fourth quarter. Reis forecasts vacancy rates for the submarket to fall to 2.3% in 2013 and go even lower to below 2% by 2016 and 2017. The appraisal identified a set of six properties with a weighted average occupancy of 95.8% compared to 93.1% at the subject. The appraisal concluded a market vacancy of 5%. Morningstar underwrote vacancy at 7.0%, or near the most recent reported level.

According to Reis, 3,524 units were added to the submarket from 2005 through 2012, a 13.3% increase over the previous inventory, with 1,944 of those coming between 2005 and 2007. The forecast calls for 912 units over the next five years, which would represent an increase of 3.9% over the current inventory. This modest level of anticipated supply growth should be in line with expected demand growth in the coming years.

Sponsorship/Management

The borrowing entity is a single-purpose entity, a Delaware limited liability company. The property manager is a borrower-related company.

Morningstar Analysis

	Morningstar	2010	2011	T10 12/31/12 annualized	Issuer Underwriting
Income					
Gross Potential Rent	$7,872,120	$7,674,824	$7,500,049	$7,741,592	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	193,449	72,356	174,775	197,338	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	316,076	257,595	311,047	366,551	
Less: Vacancy Loss	-556,184	-415,954	-309,796	-592,226	
Less: Concessions & Collection Loss	-242,713	-982,131	-367,518	-117,907	
Effective Gross Income	**$7,582,748**	**$6,606,690**	**$7,308,557**	**$7,595,347**	**$7,499,967**
Expenses					
Real Estate Taxes	$861,011	$674,969	$731,370	$882,683	
Property Insurance	98,500	69,153	70,179	97,052	
Utilities	477,918	469,976	453,668	463,009	
Repairs and Maintenance	489,411	429,498	422,934	522,839	
Janitorial	0	0	0	0	
Management Fees	303,310	131,227	144,613	243,478	
Payroll & Benefits	740,811	683,344	721,111	722,611	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	77,130	79,975	77,435	73,979	
Professional Fees	16,888	7,740	12,360	30,564	
General and Administrative	106,150	87,739	97,276	133,435	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	20,048	-1,615	19,198	13,382	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$3,191,177**	**$2,632,006**	**$2,750,144**	**$3,183,032**	**$3,027,626**
Net Operating Income	**$4,391,571**	**$3,974,684**	**$4,558,413**	**$4,412,315**	**$4,472,340**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	140,831	667,907	350,652	512,852	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$140,831**	**$667,907**	**$350,652**	**$512,852**	**$128,050**
Net Cash Flow	**$4,250,740**	**$3,306,777**	**$4,207,761**	**$3,899,463**	**$4,344,290**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$1,665
Vacancy (%)	7.0%

Rent was underwritten at $1,665 per unit per month, which is also the most recent reported in-place average rent. Vacancy was underwritten at 7.0%, which was close to the most recent reported vacancy of 6.9%, and higher than the average of the last three historical periods of 6.1%. The Reis submarket vacancy was 4.1% overall and 4.3% for properties completed from 2000 to 2009. The appraisal comparable properties had a vacancy of 4.8% including the subject property.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Morningstar underwrote real estate taxes at the appraisal's number, which is higher than the reported expense for 2010 and 2011. Morningstar underwrote management fees to 4.0% of effective gross income based on the actual contract. The actual contract rate with the related management company is 3% for management and an excess fee of 1%.

Capital Items

A reserve for future capital expenditures is underwritten at $357 per unit per year, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

The appraisal's capitalization rate analysis is based on the rates of recent comparable apartment sales and market surveys. The appraisal concluded that the direct capitalization rate for the subject is 5.5%. The sales included in the appraisal's comparison resulted in an average 4.92% capitalization rate. Morningstar's base multifamily cap rate for Boston is 6.3%. As Morningstar made no adjustments to the base capitalization rate, the final Morningstar capitalization rate is 6.3%.

Cherry Creek Apartments

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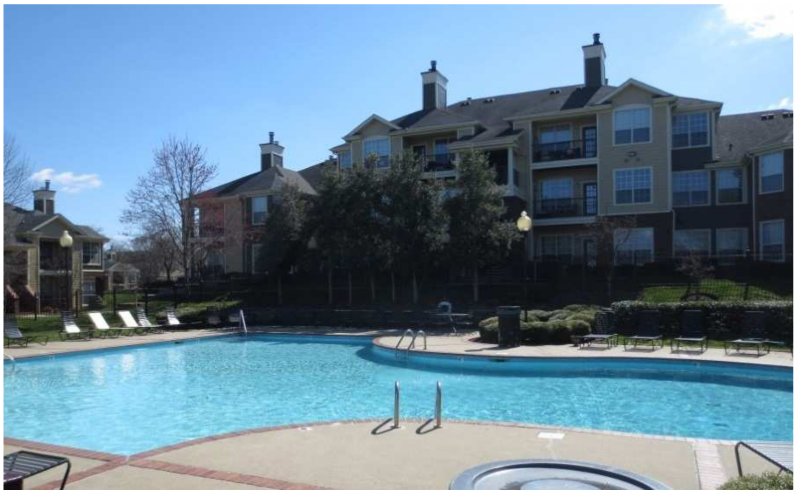
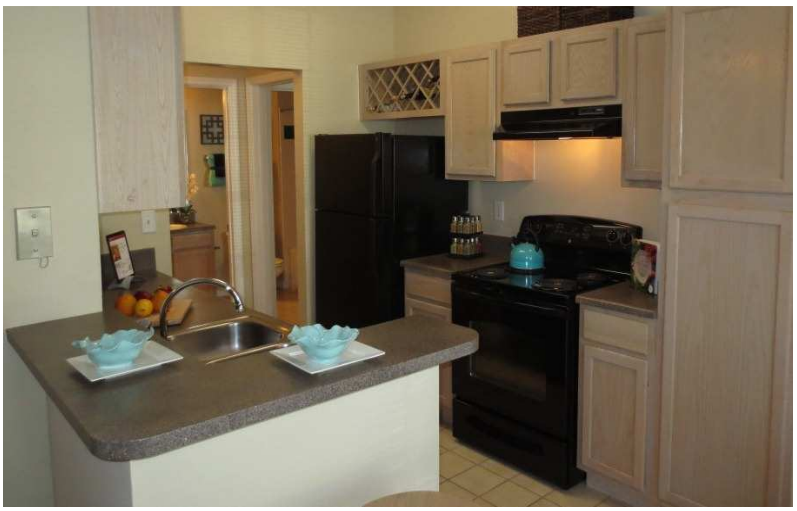
Analytical Manager: Rob Grenda (267) 960-6023





Property Summary		
Property Type	Multifamily/Garden	
Location	Hermitage, TN	
Year Built/Renovated	1985/2003	
Multifamily Units	627	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	94.60%	As of: 12/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$51,000,000	($81,340/unit)
Loan Amount (Cut-Off Balance)	$51,000,000	($81,340/unit)
Loan Term (months)	84	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	7	
Interest Rate	3.63000%	

Morningstar Analysis		
Current DSCR	2.05 x	
Amortizing DSCR	1.36 x	
Beginning LTV	99.21%	
Ending LTV	89.46%	
Capitalization Rate	7.40%	
Morningstar Occupancy	94.60%	
Net Operating Income	$4,033,088	
Net Cash Flow	$3,804,108	
Value	$51,406,859	($81,989/unit)
Debt Yield	7.46%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$51,000,000	3.63000%	2.05 x	1.36 x	99.2%	89.5%
Total	**$51,000,000**	**3.63000%**	**2.05 x**	**1.36 x**	**99.2%**	**89.5%**

Morningstar Summary

Morningstar Perspective

The Cherry Creek Apartments loan is secured by the fee-simple interest in a 627-unit, garden-style apartment complex located in Hermitage, TN. The seven-year, $51 million ($81,340 per unit) loan provided proceeds to facilitate the acquisition of the subject property for a purchase price of $64.4 million ($102,711 per unit). Based on the appraised value of $65.9 million, the original loan amount equated to an 77.4% loan-to-appraised value. Built in phases between 1985 and 1999, the subject is comprised of 246 one-bedroom units (average 827 square feet), 330 two-bedroom units (average 1,087 square feet) and 51 three-bedroom units (average 1,402 square feet). On average, units at the subject property are larger than those at comparable properties.

Morningstar visited the property on Wednesday, March 20th. Based on visual inspection of the property, it appears to be attractive, well maintained and offers a competitive amenity package compared to its competitive set. The property's exterior exhibits very good curb appeal is considered to be in average to above average condition. The subject neighborhood enjoys good access, both within the neighborhood, as well to the surrounding Nashville metropolitan area due to its close proximity to Interstate 40. At the time of our site inspection, the on-site property manager reported that the subject property was 97% occupied with an active waiting list. Majority of tenancy are young professionals (Deloitte and Bridgestone are two of the bigger employers nearby). Based on our cursory survey of the market, Cherry Creek appeared to be the nicest multifamily development in the Hermitage market.

Rents at the subject are on average higher than the comparables listed in the appraisal as well as Q4 2012 Reis data. This is mainly attributable to the fact that units at the subject property are on average larger than those of i's comparable set and the broader market. Additionally, over 160 of the units at the subject property have been rehabbed and upgraded and according to the sponsor, these units are currently generating a rent premium of anywhere from $45 to $115 (based on unit type). Cherry Creek has reported stable occupancy and operating history over the past several periods with occupancy averaging 95.96% over the last three years. Effective Gross Income ("EGI") has grown 15% over this same timeframe and Net Operating Income ("NOI") has grown by approximately 25%. Given these trends, along with the fact that there are only a minimal number of multifamily projects in development or planned for the next five years[1], the property should continue to perform well and in-place cash flows are considered strong and sustainable. Morningstar's underwriting analysis yields a DSCR (interest-only) and LTV of 2.05x and 92% respectively. Once amortization commences, the DSCR is estimated to be 1.36x. Our estimated value of $51.4 million ($81,989 per unit) is 22% less than the appraised value of $65.9 million ($110,845 per unit). Although we consider this a highly levered loan, amoritization over the last five years of the loan as well as the upward trend in cash flows mitigate a majority of this risk.

The Bears Say

- High initial loan-to-value ratio of 99% based upon Morningstar's value.
- Two year interest-only period will limit deleveraging of the asset.
- There are over 900 units in development or planned stage in the subject submarket.

The Bulls Say

- Stable operating history - The vacancy rate at the property was 5.4% as of 12/31/2012. Historical vacancy rates at the property ranged from 4.0% to 5.0% over the past three years.
- Market fundamentals continue to trend in the right direction with submarket vacancy decreasing in each of the last three years, while rents continue to grow (albeit at a very slow pace).

Property Description

The subject is a 627-unit garden-style apartment property that was built in phases in 1985, 1996 & 1999. Common amenities include controlled access, clubhouse with lounge area, three swimming pools, fitness center, tanning room, racquetball court, business center, tennis court, laundry facility, sand volleyball court, walking trail, car care center and garage parking. Unit amenities include a range/oven, refrigerator, dishwasher, garbage disposal and a patio/balcony area. Most of Phase I and III units feature a washer and dryer and all Phase II units feature washer and dryer connections. Phase II and III units feature a fireplace. Recent capital improvements included asphalt seal coating and restriping, resurfacing of the swimming pools, exterior, siding replacement, roof replacement for phase I, full exterior painting and upgrades to phase I units with new appliances and cabinets.

[1] It is our opinion that it is unlikely that any new project would compete with the subject, given where Cherry Creek is positioned in the market.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
One Bedroom	246	39.2%	827
Two Bedroom	330	52.6%	1,087
Three Bedroom	51	8.1%	1,402
Total	**627**	**100.0%**	**1,011**

Market Overview

The property is located in Donelson/Hermitage/Wilson County submarket (as defined by Reis), nine miles east of the Nashville CBD. The property is located along the south side of Central Pike, less than one mile west of Old Hickory Boulevard. Primary access to the neighborhood is provided by Interstate 40, which is located just south of the property. Directly north of the property, across Central Pike is the TriStar Summit Medical Center. The nearest retail/commercial development is Northlake Village, a shopping center anchored by Panera Bread, Kroger and Outback, which is located one mile east of the property.

Vacancy in the Donelson/Hermitage/Wilson County sub-market ranged from as high as 10.3% in 2008 to a low of 3.6% which is the current vacancy rate. Submarket vacancy has decreased in each of the last four years and the submarket has experienced positive absorbtion in each of the last 12 quarters. Rents have remained stable over this period and have mirrored these positive trends, albeit slightly. Over the next three-year period (2013 to 2015), according to Reis, the Donelson/Hermitage/Wilson County sub-market vacancy rate is projected to progressively decrease to 3.0% by 2016. As for rents, average rental rates, with the exception of a slight decrease in 2009, rents have increased each of the last six years and Reis projects that this trend in rental growth will continue through 2016 with an annual growth rate of just under 3%. According to the appraisal, based on a survey of 2,507 units at seven multifamily rental developments (including the subject), vacancy rates at comparable developments ranged from 1.0% to 8.0% with an average vacancy rate for the surveyed properties of 4.1%.

Sponsorship/Management

The property is managed by Harbor Group Management Co. ("HGM"), a borrower-controlled management company. The principals of the management company have been in the real estate industry since 1985. HGM manages $3 billion of residential apartment communities, office buildings, medical office buildings and shopping centers throughout the United States. It currently manages over 50 properties with 23,000 units in ten states, with 1,957 units in the local area.

Morningstar Analysis

	Morningstar	2010	2011	TTM 11/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$6,952,176	$6,824,817	$6,842,203	$6,784,357	$6,885,264
or					
Base Rent	0	0	0	0	
Laundry/Vending	1,098	0	0	2,209	
Expense Reimbursement	194,609	199,876	204,599	194,813	
Percentage Rent	0	0	0	0	
Parking Income	76,041	52,204	72,497	82,729	
Other Income	316,330	212,174	387,386	343,799	
Less: Vacancy Loss	-381,198	-291,367	-251,007	-210,255	
Less: Concessions & Collection Loss	-286,424	-970,859	-608,637	-286,424	
Effective Gross Income	**$6,872,633**	**$6,026,845**	**$6,647,041**	**$6,911,229**	**$6,770,049**
Expenses					
Real Estate Taxes	$647,570	$585,905	$584,422	$625,671	
Property Insurance	130,205	127,929	131,928	125,802	
Utilities	398,898	398,667	417,570	329,235	
Repairs and Maintenance	393,278	352,685	355,767	332,491	
Janitorial	0	0	0	0	
Management Fees	206,179	222,380	167,359	194,049	
Payroll & Benefits	732,130	745,647	684,118	699,735	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	132,512	159,761	106,590	115,947	
Professional Fees	7,659	0	0	6,200	
General and Administrative	191,114	183,471	147,711	158,120	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,839,545**	**$2,776,445**	**$2,595,465**	**$2,587,249**	**$2,724,666**
Net Operating Income	**$4,033,088**	**$3,250,400**	**$4,051,576**	**$4,323,980**	**$4,045,383**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	228,980	188,100	188,100	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$228,980**	**$188,100**	**$188,100**	**$0**	**$208,164**
Net Cash Flow	**$3,804,108**	**$3,062,300**	**$3,863,476**	**$4,323,980**	**$3,837,219**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$924
Vacancy (%)	5.4%

Gross Potential Rent - In-place average rental rate of $924 is considerably higher than Reis data and appraiser's concluded rental rate however appraiser's estimates did not include the $45-$115 rent premium on the 160 units that have been rehabbed. Appraisal was completed in June 2012. Additionally, over 61% of the units at the subject property are 2 and 3 BR.

Concessions - Issuer's concessions are based on the 5/31/12 T-3 operating statement. Our number is based on the T-9 annualized statement as of 11/30/12. Property was acquired by the Borrower in July and concessions have declined.

Vacancy – Underwritten to the current vacancy rate of 5.4% which is slightly higher than the historical three-year average.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted.

Management Fee: Underwritten to minimum Management Fee of 3%. Contract rate with borrower-related entity is 2.5%.

Capital Items

A reserve for future capital expenditures is underwritten at $365 per unit per year, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

The Morningstar base multifamily capitalization rate for the Nashville MSA is 7.40%. No adjustments have been made to our base cap rate which is 115 basis points. The resulting Morningstar capitalization rate of 7.0% is 100 basis points higher than the appraisal capitalization rate of 6.25% and 105 basis points higher than the average of the sales comparables provided in the appraisal.

Capital Towers and Villas

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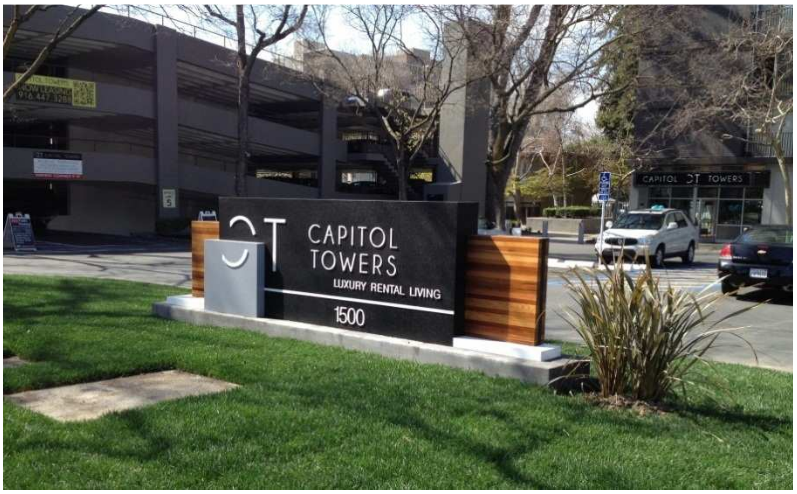

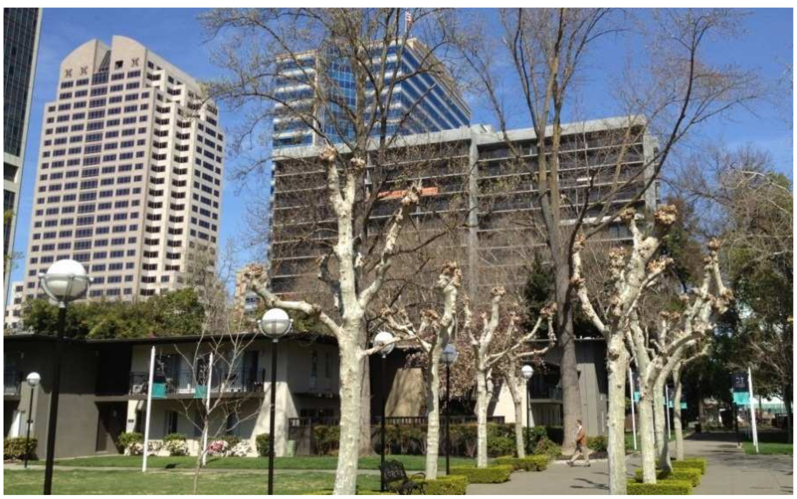

Property Summary		
Property Type	Multifamily/High-Rise/Garden	
Location	Sacramento, CA	
Year Built/Renovated	1961/2007	
Multifamily Units	409	
Net Rentable Sq. Ft. (Commercial)	4,228	
Occupancy	91.40%	As of: 12/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$49,950,000	($122,127/unit)
Loan Amount (Cut-Off Balance)	$49,950,000	($122,127/unit)
Loan Term (months)	84	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	10	
Interest Rate	3.51000%	

Morningstar Analysis		
Current DSCR	2.02 x	
Amortizing DSCR	1.31 x	
Beginning LTV	92.48%	
Ending LTV	85.20%	
Capitalization Rate	6.55%	
Morningstar Occupancy	92.91%	
Net Operating Income	$3,682,053	
Net Cash Flow	$3,537,635	
Value	$54,009,694	($132,053/unit)
Debt Yield	7.08%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table						
Loan	**Balance**	**Interest Rate**	**Current DSCR**	**DSCR Amtz**	**BLTV**	**ELTV**
Mortgage Loan	$49,950,000	3.51000%	2.02 x	1.31 x	92.5%	85.2%
Total	**$49,950,000**	**3.51000%**	**2.02 x**	**1.31 x**	**92.5%**	**85.2%**

Morningstar Summary

Morningstar Perspective

The Capital Towers and Villas loan is a seven-year, $49.95 million loan ($122,127 per unit) used to fund the acquisition of the subject property. The loan is interest only during the first three years, then amortizes over a 30-year term. The property was appraised for $63.5 million and the loan represents a 78.7% loan-to-appraised value ratio. The property is a 409-unit, high-rise and garden-style apartment complex built between 1961 and 1963 in Sacramento, California. The property is currently 91.4% occupied as of the 12/31/12 rent roll, with average rents of $1,149 per unit per month. Occupancy has averaged 91.9% since 2010. However, Gross Potential Rent ("GPR") continues to improve with average rents growing from $1,072 per unit per month in 2010 to $1,149 as of the most recent trailing twelve months ("TTM") ending 12/31/12. This growth has continued while maintaining much lower than market occupancy levels. Much of this can be attributed to capital improvements over the past several years. The previous owner invested $14.7 million in capital improvements ($35,990/unit) between 2003 and 2007. The current borrower has plans for an additional $5,300,000 ($12,958/unit) in improvements over the next two years that will include building system upgrades, exterior paint, pool area upgrades, leasing office and common area upgrades, signage, adding storage in basement, roof maintenance and repair, vacant building renovations, landscaping upgrades, tower corridor enhancements, repair & recoat surface parking and parking garage, tower unit interior upgrades, and retail space upgrades which should warrant increased rents.

The property is complemented by 4,228 square feet of retail space that is 100% leased to five tenants. Tenants are a coffee shop, convenience store, barber shop, chiropractic office, and a high-performance automotive parts and accessories store. The majority of the leases are on a month-to-month basis but three of the month-to-month tenants have been at the property between 7 to 15 years. The borrower is working with each tenant to execute new leases. The tenants must provide their own insurance and are responsible for their individual utilities and a pro-rated portion of real estate taxes. The convenience of the retail shops adds to the appeal of the property.

While the Sacramento economy continues to struggle because of its state government challenges, signs are starting to show signs its recession is starting to ease, with improving employment numbers, more residential construction permits and more stable housing.

Overall, the property has excellent access to employment, cultural activities, the regional rail station and entertainment. The subject's downtown Sacramento location makes it one of the most desirable rental markets in the area as it is located within blocks of the State Capital and many nearby high-rise office buildings. The area remains one of the more relatively affordable markets in comparison to other California metropolitan areas.

The Bears Say

- The loan is interest-only for the first three years, minimizing amortization.
- This is an older property, built in two phases in 1961 and 1963. The property engineering report recommended immediate repairs of $138,300, including repairs to flatwork, removing tree stumps, replace handrail spalling and repaint, set elevated walkway planks level, provide roof maintenance and place the emergency generator on-line. A deferred maintenance reserve was established in the amount of $172,875, representing 125% of the anticipated repair cost.
- Relatively high unemployment within the Sacramento MSA. The U.S. Bureau of Labor Statistics (BLS) reports a seasonally unadjusted unemployment rate of 9.9% in January 2013 for the Sacramento MSA, down from 11% a year earlier. The national unemployment rate was 7.7% in February 2013. Estimates had indicated that the unemployment rate will remain above 10% through 2013 but Sacramento has beaten estimates.
- Highly leveraged with a beginning loan-to-value of 92% based on Morningstar's calculated Net Cash Flow ("NCF") of $3.53 million. The loan is also interest-only for the first two-years. The risk is mitigated somewhat by the Morningstar interest only DSCR of 2.02x on sustainable cash flow. Morningstar's amortizing DSCR of 1.31x provides a relatively low level of support in the event of a downturn.
- The property has concentration risk as nearly 60% of the tenants are government-related employees. No special concessions or discounts are offered to government related employees

The Bulls Say

- The subject's downtown Sacramento location makes it one of the most desirable rental markets in the area as it is located within blocks of the State Capital and many nearby high-rise office buildings.
- The borrower will invest $5,300,000 ($12,958/unit) in improvements over the next two years and contributed $13.55 million of cash equity at closing.
- Rent levels are anticipated to increase about 3% annually over the next several years according to Reis. Demand is expected to remain stable in the subject's immediate market area based upon the general location in Downtown Sacramento which provides additional strength for the multi-family market.
- Government is the driving force of the Sacramento MSA's economy. Federal, state and local government remain the largest employers in the Sacramento area, although agriculture, education and healthcare are prominent work force industries within the counties that comprise the MSA.
- The property is ideally located about three blocks west of Interstate 5 and just south of Interstate 80. These freeways provide access to the San Francisco Bay Area to the west, Southern California to the south, Oregon and Washington to the north, and Nevada to the east.

Property Description

The property is a 409-unit high-rise and garden-style apartment property; 203 residential units are in the Tower and 206 residential units are in the Villas; additionally, there are six ground floor retail spaces at the base of the Tower building. The property was built in two phases in 1961 and 1963; the Villas were remodeled in 2003 and the Tower was renovated in 2007. The buildings are situated on a 10.14-acre site in the City of Sacramento, Sacramento County, California. The rent roll as of 12/31/12 indicated that the residential units are 91.4% occupied while the retail suites are 100% occupied.

The appraiser noted a government-related employee concentration of nearly 60% at the subject. No special concessions or discounts are offered to government, or government related employees and corporate leases have staggered lease expiration dates. The property has a 6.1% (25 units) corporate tenant concentration from various sources. The largest tenant is Oakwood Corporate Housing with 15 units. Oakwood has had a rental relationship with the subject since April 2009 and provides temporary residences for contract employees for some of the larger employers in the area. Marriott Executay is the second largest corporate tenant with 7 units. Marriott has had a rental relationship with the subject since January 2011 and provides short-term (6 month period) residences for students attending a nearby special school.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	131	32.0%	550
One Bedroom	199	48.7%	702
Two Bedroom	56	13.7%	844
Three Bedroom	23	5.6%	1,203
Total	**409**	**100.0%**	**701**

Market Overview

Capital Towers and Villas is located in the city of Sacramento, California, Sacramento County, within the Sacramento MSA. Sacramento is the state capital, located in the northern part of the state, almost 90 miles northeast of San Francisco and almost 140 miles southwest of Reno, Nevada.

The collateral property is located in the Downtown Sacramento submarket, within the east Sacramento submarket, according to Reis. Per Reis Q4/2012 data, the mean and median per unit asking rent for the submarket is $1,242 and $1,378, respectively. As of this same time period, mean and median vacancy for the submarket are 5.2% and 4.8%, respectively. Properties of similar vintage were reporting average asking rents of $1,010 with vacancy of 11.2%.

The appraisal identified seven comparable properties located in the subject's market. Average comparable per unit rental rates ranged between $895 and $2,166. The appraiser estimated market rents of $1,099 per month with market vacancy of 4.0%. The appraisal reported comparable property occupancy levels between 94.0% and 100%, with an average of 96.7%.

For the purposes of estimating market rent and vacancy, Morningstar utilized the in-place rent of $1,151 per month and vacancy of 8.6%. Our estimate of market rent net of vacancy is less than the appraiser's estimate and as a conservative measure we therefore underwrote to in-place rent and the subject's current vacancy.

Sponsorship/Management

The borrowing entity is a single-purpose, Delaware limited liability company. The carve out guarantor for this transaction is Kennedy-Wilson Holdings, Inc. The property is managed by FPI Management, Inc., a third-party management company. The stipulated contract rate is 2.25% for the management company and a 1.0% asset management fee payable to Kennedy-Wilson.

Morningstar Analysis

	Morningstar	2010	2011	TTM 09/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$5,732,401	$5,261,393	$5,320,634	$5,531,398	
or					
Base Rent	0	0	0	0	
Laundry/Vending	43,347	38,153	43,705	48,229	
Expense Reimbursement	140,712	124,814	125,020	139,200	
Percentage Rent	0	0	0	0	
Parking Income	590,099	553,745	575,689	555,890	
Other Income	238,417	277,229	210,042	219,581	
Less: Vacancy Loss	-465,516	-421,040	-392,663	-352,696	
Less: Concessions & Collection Loss	-35,641	-80,370	-97,182	-59,782	
Effective Gross Income	**$6,243,820**	**$5,753,925**	**$5,785,245**	**$6,081,821**	**$6,092,448**
Expenses					
Real Estate Taxes	$747,928	$608,651	$416,434	$520,939	
Property Insurance	188,122	227,293	206,773	206,773	
Utilities	334,998	296,296	319,357	324,401	
Repairs and Maintenance	260,572	260,967	246,029	225,515	
Janitorial	0	0	0	0	
Management Fees	202,924	170,640	170,945	169,298	
Payroll & Benefits	570,890	563,411	559,155	581,206	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	165,486	175,268	172,770	157,369	
Professional Fees	0	0	0	0	
General and Administrative	90,847	114,130	108,666	90,847	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,561,767**	**$2,416,655**	**$2,200,129**	**$2,276,348**	**$2,359,536**
Net Operating Income	**$3,682,053**	**$3,337,270**	**$3,585,116**	**$3,805,473**	**$3,732,911**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	144,418	131,289	131,289	131,289	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$144,418**	**$131,289**	**$131,289**	**$131,289**	**$131,289**
Net Cash Flow	**$3,537,635**	**$3,205,981**	**$3,453,827**	**$3,674,184**	**$3,601,622**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$1,149
Vacancy (%)	8.6%

As of the 12/31/12 rent roll, average rents were $1,149 per unit per month with vacancy of 8.6%. Based on a review of the Reis submarket, the appraiser's rent conclusion and the appraiser's rent comparables, Morningstar determined the market rent to be consistent with the subject's in-place rent and vacancy originally underwritten at the time.

Expenses

Expenses are underwritten in-line with historical unless otherwise noted.

The property is an acquisition and located in California. In California, privately held real property is typically assessed at 100% of full cash value, interpreted as the mean market value of the fee simple estate. Generally, a reassessment occurs only when a property is sold or when new construction occurs.

Real Estate Taxes were underwritten based on the appraiser's re-assessment value, which is the stabilized market value multiplied by the tax rate plus special assessment. The most recent TTM ending 9/30/12, indicates taxes of $520,539. The borrower's budget is $746,810 and the appraiser's estimate was $747,928, which assumes property taxes for the subject are estimated by applying the current tax rate to the concluded value.

Insurance was underwritten based on the actual premium. The actual premium of $188,122 is inclusive of $93,297 for voluntary earthquake coverage.

Management Fee - the actual contract rate with a third party management company is 2.25% for the management company and a 1.0% asset management fee payable to Kennedy-Wilson. Morningstar underwrote the management fees at 3.25% but did not include any TI/LC for the retail component.

Capital Items

A reserve for future capital expenditures is underwritten at $353 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar's multifamily capitalization rate for Sacramento is 6.3%. There was an adjustment of 25 bps for the concentration in government related tenants resulting in an overall capitalization rate of 6.55%. This estimate is more conservative than the appraiser's capitalization rate of 5.75% and capitalization rates from appraiser's sales comparables which averaged 6.06%.

Metro 417

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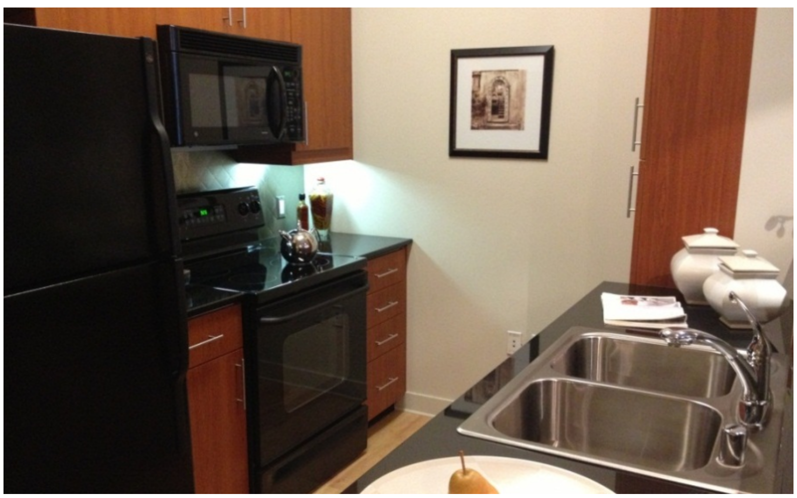

Property Summary		
Property Type	Multifamily/High-Rise	
Location	Los Angeles, CA	
Year Built/Renovated	1925/2005	
Multifamily Units	277	
Net Rentable Sq. Ft. (Other)	6,551	
Occupancy	95.31%	As of: 12/27/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$49,950,000	($180,325/unit)
Loan Amount (Cut-Off Balance)	$49,630,561	($179,172/unit)
Loan Term (months)	84	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	3.35000%	

Morningstar Analysis		
Current DSCR	1.34 x	
Amortizing DSCR	1.34 x	
Beginning LTV	84.33%	
Ending LTV	70.37%	
Capitalization Rate	6.00%	
Morningstar Occupancy	92.44%	
Net Operating Income	$3,626,746	
Net Cash Flow	$3,531,098	
Value	$58,851,639	($212,461/unit)
Debt Yield	7.11%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table						
Loan	**Balance**	**Interest Rate**	**Current DSCR**	**DSCR Amtz**	**BLTV**	**ELTV**
Mortgage Loan	$49,630,561	3.35000%	1.34 x	1.34 x	84.3%	70.4%
Total	**$49,630,561**	**3.35000%**	**1.34 x**	**1.34 x**	**84.3%**	**70.4%**

Morningstar Summary

Morningstar Perspective

The Metro 417 loan is secured by a 12-story apartment building with 277 units, 6,551 square feet of office space and 357 garage parking spaces. The property is in downtown Los Angeles, two blocks from the financial district. Downtown Los Angeles traditionally has not been a major residential district and consequently had minimal supply for many years. Interest in downtown increased following the construction of the Staples Center in 1999, home of the Los Angeles Lakers and Kings, in 1999 and accelerated after the completion of LA Live, an office, retail and entertainment complex adjacent to the sports arena in 2008. A surge of apartment construction added nearly 5,000 units between 2003 and 2008. As the economy weakened, this construction ultimately resulted in oversupply with high vacancy and declining rents.

The downtown submarket has stabilized with vacancy rates pushing below 8% and rent growth of over 4% in 2012. The subject has had vacancy rates average less than 5.0% for the preceding three years with the erosion of rental concessions and discounts. Still Morningstar's outlook is cautious as forecasts call for the addition of over 2,000 new units over the next three years. In our view, while the submarket has demonstrated that there is multifamily demand downtown, the depth of that demand has not yet been proven out.

Despite the challenges of the submarket, the property managed to maintain above-market occupancy during the recession and push rents higher once demand returned to the area. The location near the financial district, the professional management of the sponsors and the attractiveness of the asset likely helped keep the operations running better than other properties in the area. Morningstar's underwritten net cash flow is only 1.4% below the trailing 12 months ended January 2013. We underwrote a vacancy rate of 7.0%, higher than what the property has experienced in recent years. Our underwritten net cash flow results in a debt service coverage ratio of 1.34 and the underwritten value of $58.9 million gives a loan-to-value of 84%. These two metrics reflect a stable property and underwriting that was conservative, yet not punitive.

Morningstar conducted a site visit on March 19, 2013. Occupancy was 96% at the time of visit. The property is in good condition and shows well. The interior has been restored to display the excellent finishes of the 1920s and is attractive to tenants. The neighborhood did have a grittier feel to it than other parts of the CBD but no immediate concerns were noted. Management reported that the property uses a lease optimization system that changes pricing daily. There are no concessions offered as a result but the system may discount units occasionally based on available inventory. This is a change from prior years when discounts were relatively high due to the weakness in the submarket.

The Bears Say

- The recovery of the apartment market has also increased the prospects for new development. Over 2,000 units are currently under construction in downtown Los Angeles and could result in increased vacancy at the property.
- The demand for downtown Los Angeles multifamily remains unproven and there is a lack of certain amenities. Grocery stores and Target have opened some outlets in the area to fill the void, but residents often drive to other areas for shopping needs.
- There is environmental carve-out for the loan. The borrower secured a pollution legal liability policy to cover the difference between the loan amount and a 65% loan-to-value at closing. This could leave a potential gap if future appraisals show a decrease in the property value.

The Bulls Say

- High-quality asset in an attractive, historic building.
- Good location near the Los Angeles financial district.
- Property maintained above-market occupancy during the recession and has been able to increase rents as the economy has recovered.
- Operating metrics of 1.34 DSCR and 84% LTV are relatively moderate.

Property Description

The subject is a 12-story, class A apartment building with 277 units, 6,551 square feet of office space and a five-level parking garage with 357 spaces. The property is a historic office building in Downtown Los Angeles formerly known as the Subway Terminal Building. The sponsors acquired the building in 2003 and completed a $65.9 million renovation to convert the building to multifamily use. The office space consists of small offices on the second floor that can be leased to third parties or may be leased to tenants for personal offices.

The subject is on South Hill Street in downtown Los Angeles, an area which could be described as an edgier side of the CBD, but which is also only two blocks from the Financial District. Pershing Square is immediately to the south and the Pershing Square subway station provides access to other parts of the city via rail. The downtown area has experienced a renaissance in recent years with the construction of the Staples Center and LA Live and now has an increasing number of amenities including retailers such as Ralph's grocery (Kroger) and Target. Still, Downtown remains somewhat pioneering as a residential district, where residents often need to drive to other areas for shopping and services.

Unit amenities include refrigerators, dishwashers, disposals and washers and dryers. Community amenities include secured access to the building, club room with lounge area, a rooftop deck with a spa, fitness center, movie theater and business center. One garage space is included in the rent and additional spaces are available for a nominal rent of $125 per month for single spaces.

As a historic building, the property benefits from historic property tax credits. The ownership was structured with a master lease to admit a tax credit investor into the partnership to claim the tax credits. That investor is no longer part of the ownership, but the master lease remains in place for tax purposes. There is also historic property tax abatement in place. The abatement agreement expires at the end of 2013 and automatically renews unless a notice of non-renewal is provided. As a result, the agreement will remain in force until the end of 2021. The property's only requirement is to maintain the facade and public areas of the interior. Taxes were underwritten to the assessed amount rather than the actual taxes.

A Property Condition Report identified immediate repairs of $30,000 for masonry repairs on the exterior walls which was required to be completed within 180 days of the loan closing. Minor mold removal was also recommended to be completed within 45 days at a nominal cost.

A Phase I Environmental Assessment identified several listings in environmental databases. The property had some hazardous wastes removed from the site when the property was being converted to an apartment building. In addition, two former tenants were listed due to the disposal of photographic chemicals and waste at the site. Neither tenant was cited for violations and the consultant did not find that any of these issues require further action or investigation. There are two aboveground storage tanks at the property, neither of which showed any leaks. The consultant recommended Operations & Maintenance Plans for asbestos and lead-based paint due to the age of the property and a moisture management plan to detect and remediate moisture that could lead to mold growth.

The property is located within Seismic Zone 4 and has a Probable Maximum Loss of 18%, less than the threshold at which earthquake insurance is required.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	18	6.5%	390
One Bedroom	182	65.7%	655
Two Bedroom	77	27.8%	1,115
Total	**277**	**100.0%**	**766**

Market Overview

The property is located in the Reis Downtown submarket of Los Angeles. The submarket includes not only the traditional CBD, but also Chinatown to the north, Little Tokyo and the Fashion District. The migration in the 1970's and 1980's of office tenants west to Bunker Hill and Figueroa left old historic office buildings available for redevelopment. To encourage this, the city passed an adaptive reuse ordinance in 1999. This coincided with the construction of the Staples Center, the new home of the Los Angeles Lakers and Clippers of the NBA and the Los Angeles Kings of the NHL. The new interest in downtown led to the construction of nearly 5,000 new multifamily units downtown and thousands more condominium units. In 2007, the Wall Street Journal reported that over 8,200 units were under construction at that time. By contrast, from 1995 through 2002, a total of 344 units were built downtown.

The speed at which new supply came online sharply increased the vacancy rate in the last decade, but the new high end finishes offered also increased the average rents downtown. From 2003 to 2006, apartment rents increased over 20% to $1,741; less from real rent growth and more a result of the new, more expensive units being delivered. By 2008, construction began to outpace demand as the recession sapped strength out of the multifamily sector with the submarket proving to be softer than expected. Vacancy spiked to 12.2% in 2009 and asking rents lost 5.4% and 3.3% in 2009 and 2011, respectively.

The market has since stabilized and 2012 was the first year in which real growth was experienced in the area with rents increasing 5.7% to $1,809 per month at the end of 2012. Although vacancy declined below 6.0% in 2011, it began to move higher as rental increases pushed out some tenants and some new supply was delivered. At the end of 2012, vacancy was 7.3%, 200 basis points higher than the end of 2011.

The increase in population of over 15,000 residents from 2000 to 2010 shows that there is demand for residential housing in Downtown Los Angeles Indeed, some areas such as South Park and the Historic Core showed increases of more than 100%. At this time, however, we are unsure of how deep that demand can be as new units are added to the CBD and rents continue to increase.

Sponsorship/Management

The borrower is a California limited-liability partnership. There is a master lease structure in place whereby 25% of the borrower is owned by FC Subway Master Lessee, LP. The original structure was designed to allow the admission of a historic tax credit investor into the partnership. The tax credit partner sold its interest to the sponsor and there are no third parties involved in the ownership. The master lease remains intact for tax purposes.

The property is managed by Forest City Residential Management, a borrower-affiliated property management firm. The contractual management fee is 3.0%. The management agreement is between the master lessee and the property manager and the borrower is not a party to the agreement. There is an Assignment of the Management Agreement in place.

Morningstar Analysis

	Morningstar	2010	2010	TTM 1/31/2013	Issuer Underwriting
Income					
Gross Potential Rent	$6,566,847	$6,021,432	$6,205,754	$6,467,998	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	224,712	196,701	218,204	224,712	
Percentage Rent	0	0	0	0	
Parking Income	360,967	346,095	364,304	366,582	
Other Income	119,662	147,195	146,952	97,880	
Less: Vacancy Loss	-530,336	-408,925	-413,730	-285,714	
Less: Concessions & Collection Loss	-36,662	-22,782	-31,046	-25,148	
Effective Gross Income	**$6,705,190**	**$6,279,716**	**$6,490,438**	**$6,846,310**	**$6,742,674**
Expenses					
Real Estate Taxes	$653,140	$565,676	$640,928	$640,264	
Property Insurance	90,405	89,607	72,223	90,405	
Utilities	543,030	502,059	515,988	563,612	
Repairs and Maintenance	306,514	277,699	260,697	341,685	
Janitorial	0	0	0	0	
Management Fees	201,156	179,441	184,501	192,888	
Payroll & Benefits	965,691	876,863	884,375	949,501	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	159,344	167,095	149,934	159,235	
Professional Fees	32,054	51,444	17,316	34,585	
General and Administrative	127,110	112,287	122,162	132,858	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$3,078,444**	**$2,822,171**	**$2,848,124**	**$3,105,033**	**$2,975,417**
Net Operating Income	**$3,626,746**	**$3,457,545**	**$3,642,314**	**$3,741,277**	**$3,767,257**
Capital Items					
Leasing Commissions	$3,013	$0	$0	$0	
Tenant Improvements	3,013	0	0	0	
Capital Expenditures	89,623	74,187	0	158,595	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$95,648**	**$74,187**	**$0**	**$158,595**	**$83,100**
Net Cash Flow	**$3,531,098**	**$3,383,358**	**$3,642,314**	**$3,582,682**	**$3,684,157**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$1,927.50
Vacancy (%)	7.0%

Morningstar's concluded market rent was very similar to the in-place rent at the property. Our concluded rent was only slightly less than the current rent. Rent for the office space was underwritten at the in-place. This is not premium space on the ground floor and is not widely marketed.

Expenses

Real estate taxes were underwritten to the assessed value which was greater than the actual, abated tax.

Capital Items

A reserve for future capital expenditures is underwritten at $324 per unit per year, a 10% increase over the engineer's recommended reserves. Nominal tenant improvements were underwritten at 40% of the in-place rent, totaling $0.46 per square foot while leasing commissions were underwritten at 4% for new leases and 2% for renewal leases. In practice, the property is less likely to offer tenant improvement allowances or pay broker commissions.

Valuation Drivers

Morningstar's concluded capitalization rate is 6.0% which is based on a market multifamily cap rate for Los Angeles. Although we consider the property to be of generally superior quality, our practice is to set capitalization rates at a minimum of 6.0%.

Bell Parkland

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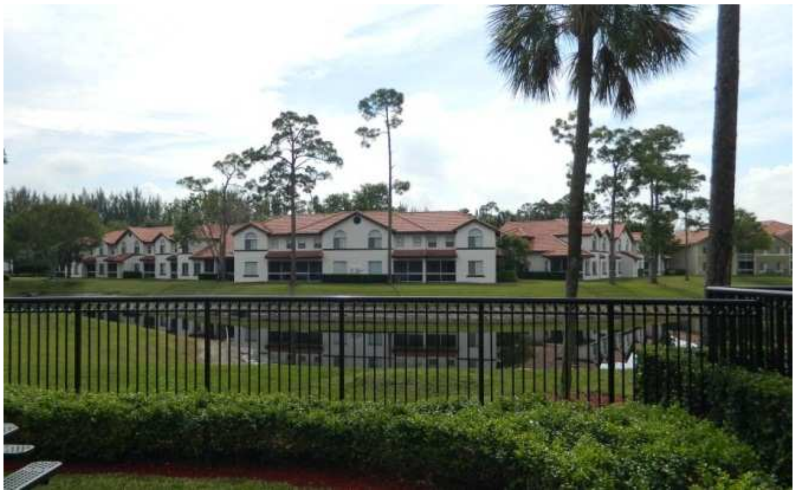

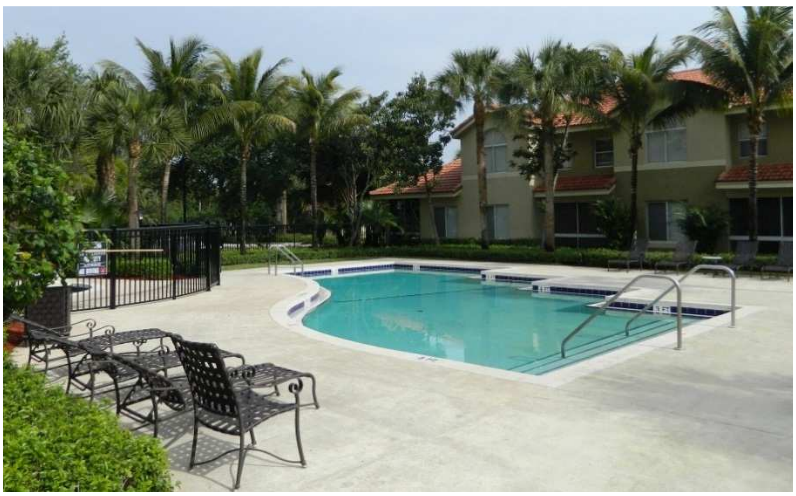

Property Summary		
Property Type	Multifamily/Garden	
Location	Parkland, FL	
Year Built/Renovated	1991/2006	
Multifamily Units	396	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	94.40%	As of: 1/1/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$44,000,000	($111,111/unit)
Loan Amount (Cut-Off Balance)	$44,000,000	($111,111/unit)
Loan Term (months)	84	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	7	
Interest Rate	3.59000%	

Morningstar Analysis		
Current DSCR	2.13 x	
Amortizing DSCR	1.40 x	
Beginning LTV	95.64%	
Ending LTV	88.21%	
Capitalization Rate	7.30%	
Morningstar Occupancy	92.84%	
Net Operating Income	$3,475,836	
Net Cash Flow	$3,358,428	
Value	$46,005,868	($116,176/unit)
Debt Yield	7.63%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$44,000,000	3.59000%	2.13 x	1.40 x	95.6%	88.2%
Total	**$44,000,000**	**3.59000%**	**2.13 x**	**1.40 x**	**95.6%**	**88.2%**

Morningstar Summary

Morningstar Perspective

The Bell Parkland, formerly known as Winners Circle, is a 396-unit, garden-style apartment complex located in Parkland, FL, within the Fort Lauderdale MSA. The loan has a relatively low leverage with a loan to value of 66.7% based upon the appraised value but a slightly elevated loan to value of 96% based on the Morningstar value. The loan has a solid debt service coverage of 2.13 times on an interest only basis and 1.40 times on an amortizing basis, based on the Morningstar net cash flow and a 7.6% debt yield.

Bell Parkland has reported occupancy which has been higher than Reis data for the Coral Springs/Margate/Coconut Creek submarket. As of the fourth quarter 2012, Reis reports vacancy of 2.5% for the submarket and 2.3% for properties of a similar age within the submarket. From 2010 to the trailing twelve months ending November 30, 2012, vacancy at the property was 7.45%, 6.93% and 7.50%, respectively. Morningstar has underwritten the gross potential rent to $1,340.25 per unit, reflecting lower underwritten gross potential rent than the in-place rents and a normalized vacancy of 7.2%. The property is well located within an area that generally reports high occupancy rates and above average demand. Given the occupancy characteristics of the competitive properties surveyed, as well as the current and historical occupancy at the subject, Morningstar believes this vacancy rate is well-supported. Our estimate of gross potential rent is below recent historical performance, the appraisal and budget. Gross potential rent per unit has been fairly steady year over year since 2010. The Morningstar underwritten NCF is 15.0% below the trailing 11-months ending December, 2012. Our underwriting is reflective of market conditions.

Morningstar inspected the property on March 20th, 2013, in the morning. The property is located about 13 miles north of downtown Ft. Lauderdale. The property consists of about 43 two and three-story apartment buildings, many of which back up to the Winners Circle Lake. The property's name has changed to Bell Parkland under the new management. Extensive capex is about to begin at the property, which include a new exterior paint scheme to white from yellow, expanding the workout gym with new gym equipment, a new resort style pool with an outdoor kitchen, and outdoor curtains around the pool area, cabana enhancements to the back pool with an outdoor kitchen, removing the sand volleyball court in favor of an deluxe children's playground, resurfacing the tennis & basketball courts, a new pet wash, a new fishing pier & gazebo, and improved exterior lighting. Some units are being renovated to take a wall down in the kitchen for a more favorable half-wall with countertop and open view.

With no construction completions during 2012 and Reis's expectation that new supply will be minimal over the next five years, we believe that the subject should be able gain some traction with occupancy while maintaining rental rates. Vacancy in the submarket is forecast to remain in the 2.5% - 3% range over Reis's forecast period, and rents are forecast to increase 3.6%.

Nominal new supply, ample tenant demand, and gains in rental and occupancy rates will allow for improved performance at the property. Therefore, based on Morningstar's analysis and review of third-party market resources we believe Bell Parkland should continue its stable performance with the possibility to capture some occupancy.

The Bears Say

- The loan is interest-only for the first three years. This risk is somewhat mitigated by borrower-equity as well as interest only and amortizing DSCRs of 2.13x and 1.40x, respectively, on sustainable cash flow that is 15.0% less than the cash flow reported in the T11 period ending December 2102.
- The property was built in 1991. It has been well maintained as evidenced by no immediate repairs recommended by the engineering report. The property was renovated in 2006 and 2011 at a cost of $2 million ($5,051 per unit). All 396 units were renovated. The subject's vintage is consistent with the market stock as 53% was built between 1990 and 1999.
- The property is located in the tertiary market of Parkland, FL which is 13 miles north of the Fort Lauderdale CBD. Reis submarket data show a solid small market, and this is further supported by market demographics. The population within five miles of the property has increased 8.6% since 2000. The population within the five-mile radius is forecast to increase 2.1% through 2017. The supply-demand forecasts suggest positive absorption over the next five years.

The Bulls Say

- Based on the 2012 purchase price, the borrower has about 32% cash equity in the transaction.
- Occupancy within the submarket remains strong at 97.5%. The vacancy rate at the property on a normalized basis over the last three periods is 7.3%. Historical vacancy rates at the property have ranged from 6.9% to 7.5% over the last 3 years.
- Supply is constrained as no market-rate units have been delivered in 2012 and none is scheduled in the foreseeable future.
- Rents in the immediate area are strong and are expected to continue to grow. Reis predicts rents will increase 3.6% annually through 2017.

- The property is managed by Bell Partners, a borrower-related entity. The Bell Partners portfolio includes 58,000 aprtments in 201 communities, 27 senior living communities, and more than 5.6 million square feet of retail and office space in 114 cities. The company ranks in the top 10 largest apartment managers in the country based on the number of units managed.

Property Description

Bell Parkland is a 396-unit garden style apartment property located within the city of Parkland, Broward County, Florida. The property consists of 43 two- and three-story apartment buildings. The unit mix consists of 126 one-bedroom units averaging 860 square feet, 192 two-bedroom units averaging 1,134 square feet, and 78 three-bedroom units averaging 1,495 square feet. The property was constructed in 1991 and is reported to be in good condition with no immediate repairs noted in the engineering report. The property was renovated in 2006 and 2011 at a total cost of $2,000,000 ($5,051/unit). All 396 units were renovated. The borrower intends to invest an additional $500,000 into the clubhouse to further enhance the curb appeal of the property.

Common area amenities include a clubhouse/leasing office, business center, barbeque areas, car wash area, racquetball courts, volleyball courts, fitness center, two swimming pools, and two tennis courts. Unit amenities include: screened patios/balconies, ceramic tiled entries, carpeted living areas, foyer closets, fully equipped kitchens, black appliances, faux granite counters, renovated bathrooms, raised panel doors, ceiling fans in living rooms, and washers/dryers.

The property is located 13 miles north of downtown Ft. Lauderdale, FL. Access within the neighborhood is provided by State Road 869, which is about one mile south of the subject. State Road 869 intersects with the Florida Turnpike and Interstate 95. The Florida Turnpike and I-95 lead directly to West Palm Beach (30 miles north), Ft. Lauderdale (13 miles south), and Miami (40 miles south) providing easy access throughout the MSA. Land uses within the neighborhood consist of a mixture of commercial, institutional, recreational, light industrial and residential development. The immediate area surrounding the subject is a newer area of residential and commercial development, consisting primarily of residential uses with much of the development being built between the 1990s and the present. The property is located at an intersection that includes three shopping centers which are anchored by Kohl's, BJ's, Starbucks, and a Wal-Mart Supercenter.

The subject is one of two properties sponsored by Bell Partners, with a combined loan amount of $71,255,000. The related-sponsor loan is Rattan Creek, in Austin, TX.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	126	31.8%	860
Two Bedroom	192	48.5%	1,134
Three Bedroom	78	19.7%	1,495
Total	**396**	**100.0%**	**1,118**

Market Overview

According to Reis, Bell Parkland is in the Coral Springs/Margate/Coconut Creek submarket. Within this submarket, the average asking rental rate was $1,217 as of fourth quarter 2012. The overall average asking rental rate of $1,217 represents a 1.2% increase from the prior quarter and a 3.6% increase from one year ago. The weighted average rent at the subject was $1,362 per unit and has increased 1.0% from 2011. The appraiser concluded a market rent of $1,419 per unit. Morningstar underwrote rents based on the contract rate of $1,362 per unit and then marked towards in-place. Reis predicts rents will increase 3.6% annualized over its five-year forecast.

Within this submarket, the vacancy rate according to Reis was 2.5% as of fourth quarter 2012. The annual vacancy rate in this submarket has been 3.2% during the past 12 months. Reis forecasts annual vacancy rates for the next five year period at 2.7% for the Coral Springs/Margate/Coconut Creek submarket. The appraiser identified a competitive set of seven properties with a weighted average occupancy of 95% compared to 95% at the subject as of the 12/20/12 rent roll. The appraiser concluded a vacancy rate of 7.0% for the subject. Morningstar underwrote vacancy at the property to a normalized level of 7.2% based on the performance of the property and the appraisal conclusions.

Apartment construction has been non-existent during 2012 in the submarket. No market-rate units were delivered in 2012 and only 188 units are forecast to be added to stock within the submarket during the next five years.

Morningstar Analysis

	Morningstar	2010	2011	T11 12/31/12	Issuer Underwriting
Income					
Gross Potential Rent	$6,368,868	$6,458,443	$6,352,190	$6,433,790	$6,473,220
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	320,467	266,870	291,119	328,322	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	336,128	263,908	271,430	305,256	
Less: Vacancy Loss	-476,358	-467,296	-439,105	-474,840	
Less: Concessions & Collection Loss	-48,468	-266,041	-43,726	-20,681	
Effective Gross Income	**$6,500,637**	**$6,255,884**	**$6,431,908**	**$6,571,847**	**$6,571,102**
Expenses					
Real Estate Taxes	$1,100,768	$717,513	$720,604	$728,996	
Property Insurance	199,489	146,091	124,876	199,489	
Utilities	285,614	258,782	275,257	289,310	
Repairs and Maintenance	448,929	454,135	436,493	455,484	
Janitorial	0	0	0	0	
Management Fees	230,109	178,334	182,842	202,429	
Payroll & Benefits	483,572	490,476	499,685	470,529	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	84,785	123,557	76,225	77,567	
Professional Fees	0	0	0	0	
General and Administrative	191,536	184,880	189,948	194,813	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$3,024,802**	**$2,553,768**	**$2,505,930**	**$2,618,617**	**$2,932,073**
Net Operating Income	**$3,475,836**	**$3,702,116**	**$3,925,978**	**$3,953,230**	**$3,639,029**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	117,407	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$117,407**	**$0**	**$0**	**$0**	**$106,920**
Net Cash Flow	**$3,358,428**	**$3,702,116**	**$3,925,978**	**$3,953,230**	**$3,532,109**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$1,340.25
Vacancy (%)	7.2%

Morningstar's analysis of the property resulted in an NCF of $3.36 million, which is 4.9% lower than the issuer's underwritten NCF. Morningstar underwrote vacancy based on a normalized level of operations. Morningstar underwrote rents based on the contract rate at the property and then marked down towards a lower appraisal conclusion (based on the the delta between the market rent and actual rents from the most recent rent roll), resulting in a rental rate of $1,340.25 per unit. Morningstar's value for the property is $46.0 million, a 30.3% variance from the appraised value.

The property manager utilizes Yieldstar and does not offer concessions.

Other income consists of RUBS and miscellaneous fees (pet fees, damages, termination fees, and month-to-month rent).

Expenses ($ per unit)

Real Estate Taxes are underwritten based on the appraiser's estimate, which equates to 81.6% of the purchase price at the current millage rate. The percent to post sale assessed values have range from 51% to 88% of sales price. The ratio has been trending downwards with the most recent sales being assessed at 74% and 51% of there sales price. The actual 2012 tax liability was $722,483.

Insurance is underwritten to the actual premium, which is less than the appraiser's estimate. The property is covered under a blanket policy.

Morningstar underwrote management fees to 3.5% of effective gross income based on the contract rate. The appraiser used a 3.0% management fee. All other expenses are based on historical rates.

Capital Items

A reserve for future capital expenditures is underwritten at $297 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

The appraiser's capitalization rate analysis is based upon the rates of recent comparable apartment sales and market surveys. The appraiser concluded that the estimated capitalization rate for the subject is 5.5%. The sales included in the comparison resulted in a 5.61% capitalization rate. Morningstar's base multifamily capitalization rate for the subject's Fort Lauderdale MSA is 7.30%. Morningstar made no adjustments to the capitalization rate.

City View at SoCo

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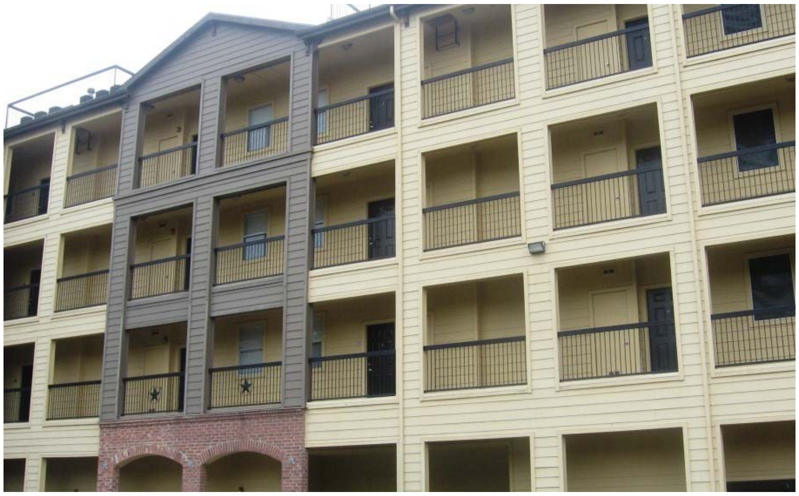
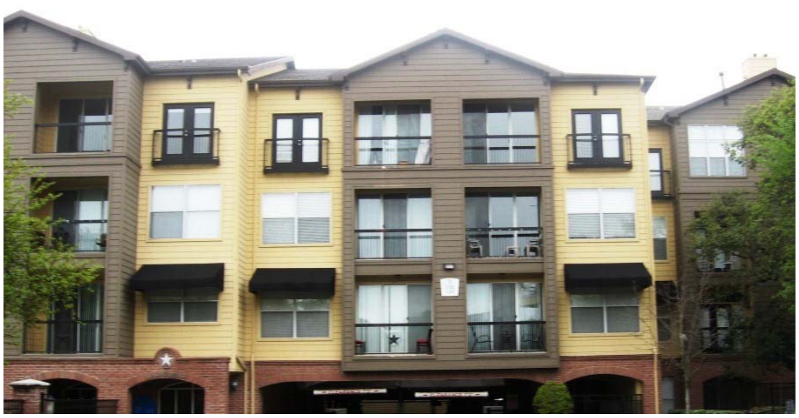
Analytical Manager: Rob Grenda (267) 960-6023



Source: Morningstar, Inc.



Source: Morningstar, Inc.

Property Summary		
Property Type	Multifamily/Mid-Rise	
Location	Austin, TX	
Year Built/Renovated	2001/N/A	
Multifamily Units	253	
Net Rentable Sq. Ft. (Other)	7,433	
Occupancy	95.30%	As of: 12/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$39,000,000	($154,150/unit)
Loan Amount (Cut-Off Balance)	$39,000,000	($154,150/unit)
Loan Term (months)	84	
I/O Period (months)	12	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	3.67000%	

Morningstar Analysis		
Current DSCR	1.82 x	
Amortizing DSCR	1.22 x	
Beginning LTV	98.61%	
Ending LTV	86.83%	
Capitalization Rate	6.60%	
Morningstar Occupancy	94.03%	
Net Operating Income	$2,682,943	
Net Cash Flow	$2,610,353	
Value	$39,550,809	($156,327/unit)
Debt Yield	6.69%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$39,000,000	3.67000%	1.82 x	1.22 x	98.6%	86.8%
Total	**$39,000,000**	**3.67000%**	**1.82 x**	**1.22 x**	**98.6%**	**86.8%**

Morningstar Summary

Morningstar Perspective

The City View at SoCo Apartments loan is a seven-year, $39.00 million ($154,150 per unit) financing to facilitate the sponsor's acquisition of a 253-unit mid-rise multifamily property in Austin, Texas. The loan represents a 71.7% loan-to-appraised value ratio. Developed in 2001, the property was 95.3% occupied as of December 31, 2012. Historical occupancy has averaged 93.7% since 2010. In the same period, the property has reported Net Cash Flow (NCF) of $2.08 million, $2.48 million and $2.69 million in 2010, 2011 and the eight months ending December 31, 2012 annualized, excluding June through September T-8 12/2012), respectively. After increasing from $2.23 to $2.36 million in 2010-2011, operating expenses at the property have reduced back to $2.23 million in T-18 12/2012 and revenues have increased from $4.31 million in 2010 to $5.19 million in T-8 12/2012. The growth in revenue combined with relatively stable operating expenses have led to NCF growth at the property. The property is very well maintained and the property condition report (PCA) and the phase I environmental reports did not identify any issues of immediate concern.

Morningstar's analysis of the property resulted in a NCF of $2.61 million, which is 2.9% lower than the issuer's underwritten NCF. Morningstar underwrote market rents based on average rents as of Q4 2012 for the Central submarket within Austin metro according to Reis. Morningstar underwrote market vacancy based on the submarket average for class-A assets as of Q4 2012 according to Reis. The property has 7,433 square feet of retail space fully occupied by four tenants. Morningstar underwrote the retail rents in-place and assumed a minimum 5% vacancy for the retail space. Morningstar's concluded value of the property is $39.55 million, which is 27.3% lower than the appraised value. The resulting Morningstar LTV ratio and DSCR (amortizing) are 98.6% and 1.22x respectively. Morningstar's underwritten revenue is slightly higher than the revenues as of T-8 12/2012 but Morningstar underwrote expenses more conservatively taking into account historical expense ratios, thus resulting in lower cash flows. The sponsor has been able to drive revenue while keeping operating costs stable over the last two reporting periods and to the extent that it can continue to do so, that represents upside, for which Morningstar has not given any credit in its analysis.

Morningstar visited the site on Wednesday, March 201, 2013 and observed some of the typical residential units, retail space, vacant apartments and common areas and amenities available at the property. Based on the visual, external observations, the property seemed to be generally well maintained and Morningstar saw no obvious deferred maintenance issues. Morningstar noted that the presence of trees and extensive landscaping gives the property a 'suburban feel' despite its location in a urban neighborhood. According to the property manager, the typical age demographic of the tenants is 25-40 years old. Morningstar assigned the property a score of 3 (average).

The Bears Say

- ❖ High Leverage and Interest-Only Period: Based on Morningstar's value of the property, this financing has a 98.6% LTV ratio. The loan is interest-only for the first twelve months of its term and then amortizes on a 30-year schedule. The high leverage and interest-only risk is partially mitigated by the improving trend in operating performance of the property since 2010, as eveidenced by stable operating expenses and increasing revenues..
- ❖ Historically High Repair & Maintenance and Payroll & Benefits Expenses: The property has had historically high repair & maintenance and payroll & benefits expenses. According to the appraiser, the property expenses were higher than expense comparables and Institute for Real Estate Management (IREM) averages. According to the issuer, the sponsor is an experienced Texas multi-family owner with a portfolio of eight properties with significantly lower repair & maintenance and payroll & benefits expense loads. Therefore, the issuer believes that the sponsor has the ability to reduce these expenses at the property. Morningstar conservatively underwrote the repairs & maintenance expense based on the historical averages and the payroll & benefits expense to an inflationary increase over the issuer's estimate.

The Bulls Say

- ❖ Strong Sponsor and Management: The sponsor owns and operates 16,000 high-quality apartment units in six markets: Columbus, Cincinnati, and Dayton, OH, Dallas, TX, Atlanta, GA and Raleigh, NC. Since 1991, it has successfully completed over 150 financings via acquisition loans or loan assumptions. The sponsor's business model is to acquire underperforming properties and reposition them to improve operational performance.The sponsor manages 2,100 units across eight properties in Texas. The sponsor also contributed $15.40 million of cash equity in the acquisition of the property.
- ❖ Good Location: The property is located one mile south of the Austin CBD in the trendy South Congress Avenue neighborhood, known as 'SoCo'. The immediate neighborhood includes residential uses, upmarket boutiques and stores, restaurants, bars and coffee shops. Commercial development in the area is concentrated along I-35 and Ben White Boulevard and includes various retail facilities, restaurants and suburban office buildings. Congress

Avenue is the primarly corridor leading to downtown Austin and residents have the ability to walk to work and entertainment destinations. The property benefits from easy access to I-35 and MoPac Expressway (Loop 1), which provide linkages to the Austin metro area.

- Stable Occupancy: The property has averaged approximately 94% occupancy since 2010 with minimal concessions. The in-place occupancy as of December 31, 2012 was 95.3% and according to the property manager, the current occupancy as of March 20, 2013 is over 96%.

Property Description

City View at SoCo is a 253-unit, mid-rise apartment complex, situated on 6.63 acres of land. Built in 2001, the property consists of 13 three- and four-story apartment buildings. The property has 7,433 square feet of ground floor retail in two buildings and 485 parking spaces in a combination of open spaces, detached garages and a five-level parking garage. Common area amenities at the property include a swimming pool, an outdoor cabana area with barbecue grills, a business center, 24-hour fitness center and a lounge area. The sponsor has recently completed repairs to the parking garage and replaced roofs of some of the buildings.

The property is in generally good condition and a Property Condition Assessment (PCA) report for the property identified no immediate repairs or deferred maintenance issues. Similarly, a phase-I environmental assessment (ESA) also did not find any Recognized Environmental Conditions (RECs).

According to a zoning report prepared for the property, the property is legal non-conforming due to a parking deficiency of 11 spaces (485 prvoided parking spaces vs 496 required). The zoning report notes that there is sufficient space to provide the additional parking spaces. In addition, the lender has included building law and ordinance insurance and added a carve-out for losses related to the zoning non-conformance.

The property is managed by The Connor Group, a borrower-controlled management company. The Connor Group manages all of its owned properties and its portfolio consists of 16,000 units in six markets, including 2,100 units in Texas. The contractual management fee is 3.5% of Effective Gross Income (EGI) and Morningstar underwrote management fees at the contractual rate.

The property is located one mile south of the Austin CBD in the South Congress Avenue neighborhood. This neighborhood has become trendy in the last decade and is locally known as 'SoCo'. The immediate local area includes apartments, condos, lofts, boutiques, unique trendy stores, restaurants, neighborhood bars and coffee shops. Commercial development in the area is concentrated along I-35 and Ben White Boulevard and includes various retail facilities, restaurants and suburban office buildings. Westgate Mall, located 5.5 miles southwest, was recently renovated into a neighborhood center anchored by HEB's Central Market and TreeHouse Home Improvement Store. Congress Avenue is the primarly corridor leading to downtown Austin and residents have the ability to walk to work and entertainment destinations.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	115	45.5%	729
Two Bedroom	106	41.9%	1,090
Three Bedroom	32	12.6%	1,478
Total	**253**	**100.0%**	**975**

Market Overview

The property is located in the South Congress Avenue neighborhood of Austin, known locally as 'SoCo'. SoCo's boundaries run from just south of Lady Bird Lake on the north to Oltorf Street on the south, then west to South First Street and along the eastern edge of Congress Avenue. It is sandwiched between two of Austin's unique neighborhoods, Travis Heights to the east and Bouldin Creek to the west. Land use patterns follow traditional development trends. The more intense commercial and retail uses are along the major thoroughfares while most residential uses are in the interior sections. The exception is multifamily uses, which are found along the primary arterials as well as piecemeal throughout the market area. Commercial development includes various retail facilities, restaurants and suburban office buildings. Major existing retail space in the market area is contained within Barton Creek Square Mall, the largest of Austin's four regional shopping malls; it is located at the northwest corner of MoPac and Capital of Texas Highway. Other significant retail centers in the market area include Brodie Oaks, Lakehills Plaza and Westgate Mall, which are located at the north, east and south corners of S. Lamar Boulevard and Ben White Boulevard, respectively.

New commercial development in the submarket include a P. Terry's Burger Stand just west of Congress Avenue; a self-storage facility just east of this arterial; and an office building west of South 1st Street occupied by Reliant of Austin. In addition, according to the appraiser, nearly 2,400 units of multifamily housing are in various stages of proposal, planning and development in this submarket. Many of the proposed multifamily units are part of mixed use developments that will combine retail, office and entertainment uses along with residential apartments, townhomes, and condominiums. A further 1,500 units are proposed in developments just east of the submarket in the Riverside Drive area.

Major employers in the area include Accenture, Austin American Statesman, Austin Energy, HEB, Kerbey Lane, Hyatt Regency and Gardner-Betts Juvenile Detention Center. Freescale Semiconductor is situated just southwest of the market area in the northwest quadrant of the William Cannon Drive/US 290 W intersection. St. David's South Austin Hospital is located just south of Ben White Boulevard west of South First Street, and the IRS Regional Office is located just east of the market area in the northeast quadrant of Ben White Boulevard and I-35. In addition, Advanced Micro Devices and Silicon Laboratories are located just west of the market area along the south line of Southwest Parkway west of US 290.

According to Reis, the property is located in the Central submarket within the larger Austin metro market. The average asking rent in the submarket as of Q4 2012 was $1,559 per unit per month and the average vacancy was 3.4%. For properties of similar vintage as the subject (2000-09), the average asking rent was $1,943 per unit and the vacancy was 5.0%. According to the appraiser, apartment rental rates have appreciated by an average of 2.87% from 2011 to 2012. In addition, within the town of Guilderland submarket, average vacancy rates for competing properties declined from 4.05% to 1.79%.

The appraiser identified a competitive set of six properties, with a total of 1,303 units, based on their size and location characteristics. The weighted average occupancy of the comparables was 94.8% compared to 95.3% at the subject. The weighted average rent of the comparables was $2,289 per unit compared to $1,604 per unit at the subject. The appraiser concluded a market rent of $1,563 per unit and a vacancy rate of 5.8%. Morningstar based its estimate of market rents on the Reis submarket average, which is also in line with the appraiser's estimate of market rent. Morningstar based its market vacancy estimate on the Reis submarket vacancy for class-A properties, which is also in line with the appraiser's estimate of vacancy and the historical average vacancy at the property.

Morningstar Analysis

	Morningstar	2010	2011	T-8 12/2012 Annualized*	Issuer Underwriting
Income					
Gross Potential Rent	$4,977,730	$4,078,485	$4,516,687	$4,874,810	
Expense Reimbursement	257,378	257,315	235,848	238,309	
Parking Income	11,399	7,705	11,857	10,958	
Other Income	336,488	278,603	331,480	330,875	
Less: Vacancy Loss	-322,224	-303,062	-259,142	-249,402	
Less: Concessions & Collection Loss	-7,290	-5,971	-939	-11,347	
Effective Gross Income	**$5,253,481**	**$4,313,075**	**$4,835,791**	**$5,194,203**	**$5,175,219**
Expenses					
Real Estate Taxes	$1,101,576	$746,915	$798,321	$947,145	
Property Insurance	67,110	57,881	61,469	67,110	
Utilities	293,083	306,716	267,672	264,753	
Repairs and Maintenance	347,984	394,581	431,853	220,477	
Management Fees	183,872	160,283	180,422	186,167	
Payroll & Benefits	328,664	397,175	410,925	362,877	
Advertising & Marketing	84,104	64,041	91,695	53,703	
General and Administrative	160,293	107,394	118,873	125,003	
Other Expenses	3,852	0	0	0	
Total Operating Expenses	**$2,570,538**	**$2,234,986**	**$2,361,230**	**$2,227,235**	**$2,423,920**
Net Operating Income	**$2,682,943**	**$2,078,089**	**$2,474,561**	**$2,966,968**	**$2,751,299**
Capital Items					
Leasing Commissions	$4,041	$0	$0	$0	
Tenant Improvements	4,041	0	0	0	
Capital Expenditures	64,507	0	0	0	
Total Capital Items	**$72,589**	**$0**	**$0**	**$0**	**$63,250**
Net Cash Flow	**$2,610,353**	**$2,078,089**	**$2,474,561**	**$2,966,968**	**$2,688,049**

** The T-8 12/2012 excludes June-September 2012.*

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$1,587
Vacancy (%)	6.0%

- Morningstar underwrote market rents in line with the average submarket rents in the Central submarket as of Q4 2012 according to Reis. For the retail space, Morningstar underwrote the in-place rents. The appraiser concluded an average residential market rent of $1,563 per unit per month and the in-place apartment rent at the property is $1,604 per unit.
- Morningstar underwrote vacancy in line with the historical average vacancy at the property and the average submarket vacancy in the Central submarket as of Q4 2012 according to Reis. The appraiser concluded a market vacancy of 5.8%. The in-place vacancy at the property per the December 31, 2012 rent roll was 4.7%.
- Morningstar underwrote concessions, expense reimbursements and parking income in-line with the historical average ratios for each line item respectively.

Expenses ($10,605 per unit)

- Morningstar underwrote expenses in-line with historical expenses except where otherwise noted.
- Morningstar underwrote real estate taxes, and insurance in line with the issuer's estimates, which are reportedly based on actual estimates.
- Morningstar underwrote the management fee at 3.5% of Effective Gross Income, which is based on the contractual management fee.
- Morningstar underwrote Payroll and Benefits expense as a 3.5% inflationary increase over the issuer's estimate.

Capital Items

- Morningstar underwrote reserves for future capital expenditures at $255 per unit, which is 110% of the PCA recommended replacement reserves of $232 per unit. Morningstar underwrote tenant improvements for the retail space based on assumptions of 40% and 20% of base rent for new and renewing tenants. Morningstar underwrote leasing commissions for the retail space at 4% and 2% for new and renewing tenants. A renewal probability of 65% was assumed.

Valuation Drivers

- Morningstar used a capitalization rate of 6.6% to determine the value of the property. Morningstar's capitalization rate was based on the RERC multifamily capitalization rate for the Austin MSA for 4Q 2012. The average capitalization rate of the appraiser's sales comparables was 5.12% and the appraiser's direct capitalization rate was 5.09%.

Axis West (formerly Circle West Campus)

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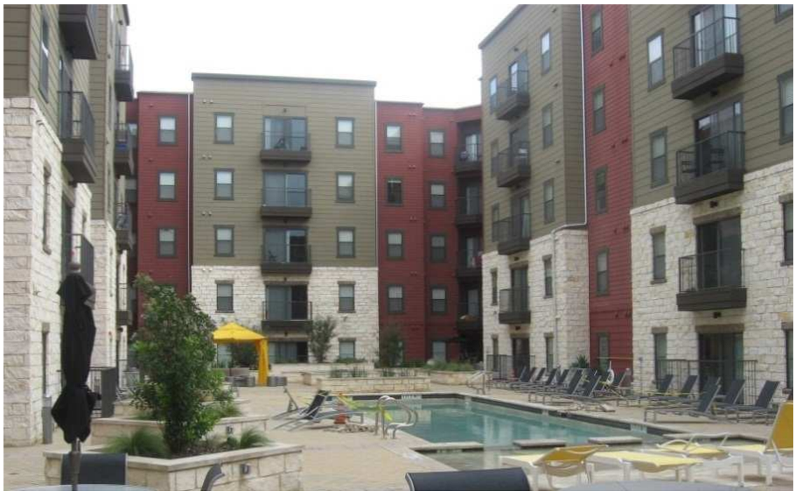

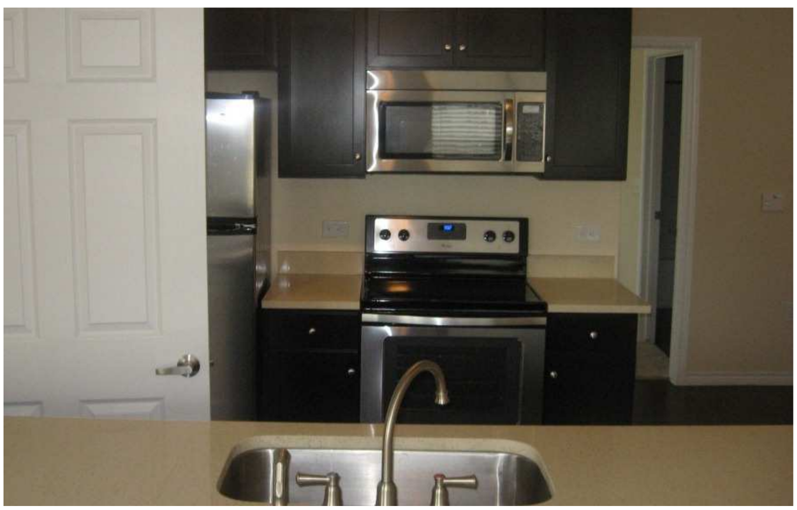

Property Summary		
Property Type	Multifamily/Student Housing	
Location	Austin, TX	
Year Built/Renovated	2012/N/A	
Multifamily Beds	476	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	100.00%	As of: 12/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$35,400,000	($74,370/unit)
Loan Amount (Cut-Off Balance)	$35,400,000	($74,370/unit)
Loan Term (months)	84	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	5	
Interest Rate	3.55000%	

Morningstar Analysis		
Current DSCR	2.02 x	
Amortizing DSCR	1.33 x	
Beginning LTV	100.21%	
Ending LTV	90.23%	
Capitalization Rate	7.20%	
Morningstar Occupancy	95.00%	
Net Operating Income	$2,638,679	
Net Cash Flow	$2,543,479	
Value	$35,326,093	($74,214/unit)
Debt Yield	7.18%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$35,400,000	3.55000%	2.02 x	1.32 x	100.3%	90.3%
Total	**$35,400,000**	**3.55000%**	**2.02 x**	**1.32 x**	**100.3%**	**90.3%**

Morningstar Summary

Morningstar Perspective

The Axis West Campus Apartments loan is secured by the fee simple interest in a 167-unit, 476-bed, student housing apartment complex located in Austin, TX. At origination, the seven-year, $35.4 million ($211,976 per unit) partial-term interest-only loan provided proceeds to facilitate the borrower's $47,250,000 acquisition of the property. The borrower contributed $11,850,000 as part of this transaction, representing 25% of the acquisition costs. The subject is an existing 167 unit, 476 bed, mid-rise style off-campus student apartment property built in 2012 and situated on a 1.608-acre site. The project is being marketed primarily to students attending The University of Texas and has an extensive amenity package superior to most lease by the bed student apartment projects in the metro area and is considered to be an upper tier class A+ student project in this market. The property is approximately eight blocks west of The University of Texas campus and most students walk from this location very near the campus. The student enrollment ranks as one of the largest universities in the U.S., with a Fall 2012 count of 51,145. The University of Texas at Austin has 13 university owned dorms which house less than 8,000 students. The typical dorm room at the university costs approximately $900 per month for a shared room and $1,200 for a private room, however there are very few private rooms offered. The university does not require freshmen or other students to live on-campus during their enrollment. All of the comparable properties surveyed by the appraiser reported occupancy rates of 90% or better, and all are currently in average to good condition. Furthermore, the City of Austin operates an extensive shuttle bus service to several areas around the campus and to primary student tenant population areas outside the main campus. The subject property is located along the bus route, which provides convenient access to the centralized University campus. Currently the project is 100% occupied.

A closer look at UT's on-campus housing options reveals that the school provides approximately 6,900 dormitory beds. Greek housing provides an additional 1,000 beds. According to university housing data, initial occupancy for the recent fall and spring semesters was reported at 100%. Assuming full occupancy of all the available dormitory and Greek housing, fewer than 8,000 students can be accommodated on campus. Therefore, of a university enrollment of approximately 50,000, the remaining 42,000 students must look to off campus apartments for housing. This indicates a strong demand curve for student housing, leaving the subject property in a position to meet some of that demand. Furthermore, the subject neighborhood has not seen any new student oriented construction in the past five years and none is anticipated due to the new construction being dominated by the aforementioned West Campus neighborhood which is a short walk to the UT campus. Althogh Morningstar believes this loan should perform over the term we do have concerns with the partial 24 month IO period and the loan's high Morningstar beginning LTV. Student housing is highly susceptible to competition from new-supply, so even though the subject is in a good location and the market has a strong demand curve, the fact remains that if new housing is built equidistant or closer to campus the collateral property could be negatively impacted. To capture this risk, we adjusted our base multifamily cap rate for the Austin MSA upward by 50 basis points to 7.2%. As a point of reference and to underscore our conservative outlook, two class "A" student housing properties sold in late 2011 at an average cap rate of 5.7%. Both of these were located in the aforementioned West Campus neighborhood. Morningstar's analysis results in an amortizing/IO DSCR of 1.32/2.03, LTV of 100% and debt yield of 7.2%. Our estimated value of $35.3 million ($74,137 per bed) is 25.4% less than the appraised value of $47.3 million ($99,369 per bed).

The Bears Say

- The property has student tenant concentration of 100.0% from UT and student housing is highly susceptible to competition from new supply.
- There are three proposed student projects coming on-line in the subject neighborhood over the next year with a total of 1,736 beds. Assuming full occupancy of all the available on-campus housing, fewer than 8,000 students of the 51,145 enrolled students (15.5%) can be accommodated. This indicates a strong demand for off-campus student housing. Further, the university does not require freshmen or other students to live on-campus.
- The first two years of the loan are interest-only.
- The subject is newly constructed and fully leased for the 2012/2013 academic year and therefore does not have any operating history. The subject has an excellent location and has been well received in the market, quickly leasing to 100% upon completion. In addition, the asset is managed by Preiss, one of the largest off-campus student housing managers in the country. Overall, the subject benefits from a strong location near the UT campus and demand for off-campus housing in the market is extremely strong.

The Bulls Say

- Assuming full occupancy of all the available dormitory and Greek housing, fewer than 8,000 students can be accommodated on-campus. Therefore, of a university enrollment of approximately 51,000, the remaining 42,000 students must look to off-campus apartments for housing. This indicates a strong demand curve for student housing.
- Excellent property condition - The project is of recent construction and has a strong amenity package and functional unit plans and is considered to be in the upper portion of the class A rank of the surrounding student housing projects.

Property Description

Axis West Campus is located in the city of Austin, Texas, within the Austin MSA. The property is improved with 1, 6-story apartment building. The property is a 167 unit, 476 rent by the bed, mid-rise student apartment complex situated on 1.608 acres of land. The property offers 304 garage parking spaces. Community amenities include a beach entry style pool with outdoor sound system, fitness studio, media / gaming area, pool table and shuffleboard table, community cafe and study lounge, outdoor fire pit and entertaining space, outdoor gas grilling stations, two tanning beds, access-controlled building, and a controlled-access parking garage. Unit amenities include walk-in closets, 9 foot ceilings, washer/dryer in every unit, private patios/decks, high speed internet, wireless internet, cable television, stainless steel appliances, faux hardwood flooring, and quartz countertops. The property also provides a furniture package for an additional fee. The furniture is owned by the property and included in the anticipated replacement reserves.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
Studio/Efficiency	0	0.0%	0
One Bedroom	466	97.9%	396
Two Bedroom	10	2.1%	494
Total	**476**	**100.0%**	**398**

Market Overview

The subject is 0.7 miles west of the University of Texas at Austin and is 100% leased to students. Students sign 12-month leases and the leases contain parental guarantees. The subject property is located along the bus route, which provides convenient access to the centralized university campus. The University of Texas at Austin is the academic flagship of the University of Texas system's 15 component institutions. The university has a main campus of approximately 410 acres, and is located in the central portion of Austin, two miles north of the Austin CBD. The student enrollment ranks as one of the largest universities in the U.S., with a Fall 2012 enrollment of 51,145. The University of Texas at Austin has 13 university owned campus dorms which houses less than 8,000 students. The typical dorm room at the university costs approximately $900 per month for a shared room and $1,200 for a private room, however there are very few private rooms offered. The university does not require freshmen or other students to live on-campus during their enrollment.

The appraisal identified six comparable properties, all of which immediately surround the subject property. Average comparable rental rates per bed ranged from a low of $762 per month to a high of $1,171 per month with an average occupancy of 98%. The appraisal reported comparable property vacancy of 7.2%. The appraisal concluded a 7.0% vacancy rate for the subject property. In-place rent and vacancy as of the September 2012 rent roll was $787 per bed and 0%. Morningstar underwrote rent and vacancy to $781 per bed and 5%.

Morningstar Analysis

	Morningstar	2009	2010	Appraisal	Issuer Underwriting
Income					
Gross Potential Rent	$4,462,893	$0	$0	$4,576,260	$4,463,964
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	0	0	0	0	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	563,300	0	0	655,000	
Less: Vacancy Loss	-250,755	0	0	-228,813	
Less: Concessions & Collection Loss	-11,093	0	0	0	
Effective Gross Income	**$4,764,344**	**$0**	**$0**	**$5,002,447**	**$4,792,906**
Expenses					
Real Estate Taxes	$963,878	$0	$0	$963,878	
Property Insurance	91,076	0	0	83,300	
Utilities	260,240	0	0	252,280	
Repairs and Maintenance	156,143	0	0	154,700	
Janitorial	0	0	0	0	
Management Fees	142,930	0	0	150,073	
Payroll & Benefits	295,727	0	0	297,500	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	115,508	0	0	116,620	
Professional Fees	0	0	0	0	
General and Administrative	100,164	0	0	100,164	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,125,666**	**$0**	**$0**	**$2,118,515**	**$2,130,279**
Net Operating Income	**$2,638,679**	**$0**	**$0**	**$2,883,932**	**$2,662,627**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	95,200	0	0	47,600	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$95,200**	**$0**	**$0**	**$47,600**	**$71,400**
Net Cash Flow	**$2,543,479**	**$0**	**$0**	**$2,836,332**	**$2,591,227**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$781
Vacancy (%)	5%

Rents have been underwritten to the current average in-place rates (per bed per month). We have assumed a minimum vacancy of 5%. Property is currently 100% occupied and according to the on-site manager at the time of Morningstar's site visit, the property is currently 70% preleased for the 2013/2014 academic year.

Expenses

Given the lack of historical operating history, we have generally relied on the appraiser's concluded expense line items as well as the borrower's budget. The subject has not yet been fully assessed for taxes. Therefore, taxes are underwritten based on the appraisal which utilizes an assessed value of $40,460,000 ($85,000/bed) which represents approximately 85.0% of the purchase price and is consistent with assessment ratios currently seen in Texas. As a crosscheck to the subject's applicable real estate taxes, the appraiser reviewed the real estate tax information for several comparable student properties in the immediate area. The comparable's assessed values ranged from $80,843/bed to $109,833/bed and average $95,871/bed. This results in estimated taxes of $2,025/bed.

Capital Items

A reserve for future capital expenditures is underwritten at $165 per unit per year, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

The Morningstar base multifamily capitalization rate for the Austin MSA is 6.7%. This has been adjusted up 50bps to reflect the additional risk associated with the specific property type (student housing). The Morningstar capitalization rate is 120 basis points higher than the appraisal rate of 5.35%.

Park at Vineridge

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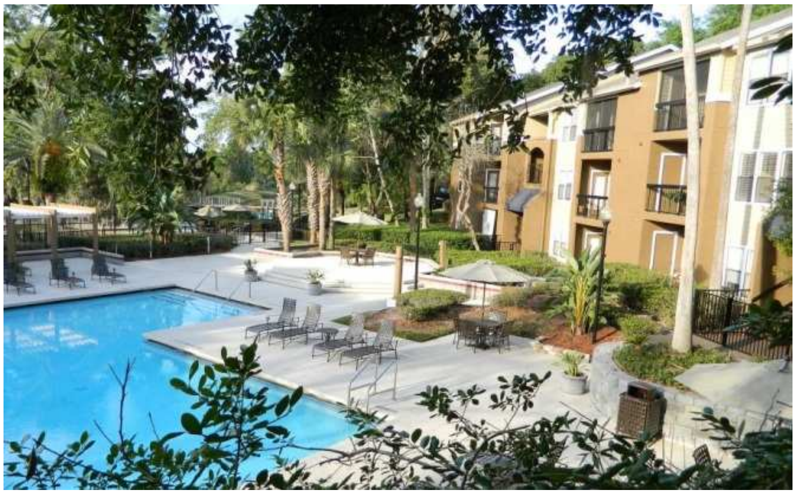

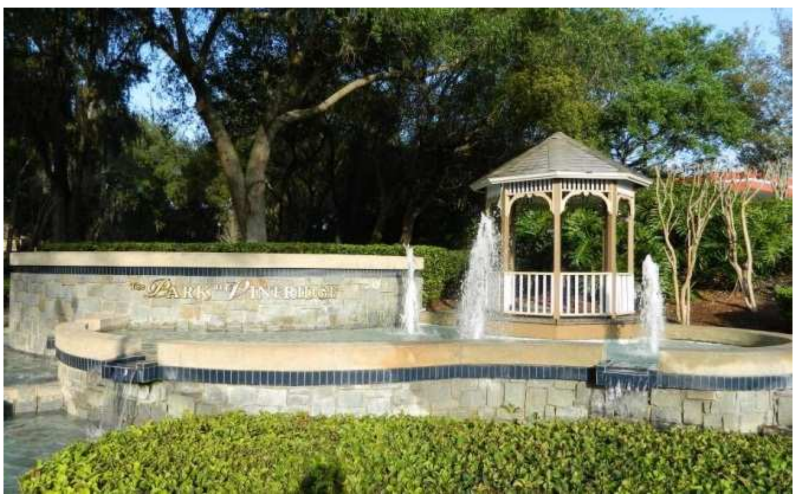

Property Summary		
Property Type	Multifamily/Garden	
Location	Altamonte Springs, FL	
Year Built/Renovated	1988/2008	
Multifamily Units	496	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	95.60%	As of: 12/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$34,800,000	($70,161/unit)
Loan Amount (Cut-Off Balance)	$34,800,000	($70,161/unit)
Loan Term (months)	84	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	10	
Interest Rate	3.67000%	

Morningstar Analysis		
Current DSCR	1.87 x	
Amortizing DSCR	1.24 x	
Beginning LTV	105.09%	
Ending LTV	94.83%	
Capitalization Rate	7.00%	
Morningstar Occupancy	93.00%	
Net Operating Income	$2,519,433	
Net Cash Flow	$2,383,033	
Value	$33,113,640	($66,761/unit)
Debt Yield	6.85%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$34,800,000	3.67000%	1.87 x	1.24 x	105.1%	94.8%
Total	**$34,800,000**	**3.67000%**	**1.87 x**	**1.24 x**	**105.1%**	**94.8%**

Morningstar Summary

Morningstar Perspective

The Park at Vineridge loan is a 496-unit, garden-style apartment complex located in Altamonte Springs, FL, within the Fort Lauderdale MSA. The loan has relatively high leverage with a loan to value of 80% based upon the appraised value and an elevated loan to value of 107% based on the Morningstar valuation. The loan has a debt service coverage of 1.87 times on an interest-only basis and 1.24 times on an amortizing basis, based on the Morningstar net cash flow and a 6.8% debt yield.

Park at Vineridge has reported occupancy which has been higher than Reis's average data for the West Altamonte Springs submarket. As of the fourth quarter 2012, Reis reports vacancy of 3.6% for the submarket and 4.0% for properties built between 1980 and 1990. For the trailing three year end periods beginning with 2010 to the trailing twelve months ending December 2012, vacancy was 9.32%, 7.61% and 4.4%, respectively. Morningstar has underwritten the gross potential rent to $798 per unit, reflecting the most recently reported average inplace rents and to a minimum vacancy of 7.0%, which is consistent with the appraiser's assumption. The property is well located within an area that generally reports high occupancy rates and above average demand. Given the occupancy characteristics of the competitive properties surveyed, as well as the current and historical occupancy at the subject, Morningstar believes this vacancy rate is well-supported. Our estimate of gross potential rent is below recent historical performance, the appraisal and budget. Gross potential rent per unit declined in 2012 as a result of trying to enhance the overall tenant profile at the subject, in tandem with trying to increase occupancy despite losing some traction in rental rates. The Morningstar underwritten NCF is 2.3% above the trailing 10 months ending December 31, 2012. Our underwriting is reflective of market conditions.

Morningstar toured the property on March 19th, 2013, in the morning. The property is located about 8 miles northwest of the Orlando CBD. The property consists of 21 three-story apartment buildings that back up to Lake Lotus. Extensive capex has already begun at the property. The buildings have been repainted, and the pool deck area has been completely resurfaced. The brush area around Lake Lotus has been chopped down and a new boardwalk was installed leading to the lake. The second pool area is about to be closed off to go through the same deck resurfacing as the primary pool. The roads are gated by three gates which lead to separate areas of the complex for privacy. A new kids playground has just been installed. Due to the amount of trees surrounding the properties, leaves are a big problem with clean-up. It was said by the property manager that maintenance costs are about a $11,000/month for this complex compared to $4,000/ month for other complexes.

With no construction completions during 2012 and Reis's expectation that new supply will be minimal over the 5-year forecast, we believe that the subject should be able gain some traction with occupancy while maintaining rental rates. This assumes that the market has determined that the subject is a viable alternative, and based on historical data it looks to be, albeit lagging the overall market. Vacancy is forecast to increase slightly to 4.5% in the submarket over the next five years of Reis's forecast, and rents are forecast to increase 3.0%.

Nominal new supply, stable tenant demand, and gains in rental and occupancy rates should allow for improved performance at the property. Therefore, based on Morningstar's analysis and review of third-party market resources we believe Park at Vineridge should continue its' stable performance with the possibility to capture some upside.

The Bears Say

- The loan is interest-only for the first two years. This risk is somewhat mitigated by the borrower's equity, and an interest only and amortizing DSCR of 1.87x and 1.24x, respectively on sustainable cash flow that is 4.0% higher than the T10 period ended 12/31/12.
- Occupancy within the submarket remains strong at 96.4%. The vacancy rate at the property is 4.4% as of the most recent rent roll dated 12/31/12. Historical vacancy rates at the property have ranged from 7.61% to 10.54% over the last 3 years.
- Rents underwritten to more recent inplace level of $798 compared to $823 used by the issuer. The Reis submarket rents by vintage are $915 and $898 overall. The subject is lagging the market.
- The property was built in 1988 and renovated in 2008. The engineering report has recommended substantial immediate repairs of $1,109,070. However, the borrower had planned on completing most of the immediate repair items post-acquisition. In addition, monthly replacement reserves are required, and the borrower deposited an additional $893,234 into the replacement reserve escrow to account for the difference in the underwritten replacement reserves and the engineer's recommended amount. The property's vintage is also consistent with the market stock as 65.0% of the submarket inventory was built between 1980 and 1989.

The Bulls Say

- Based on the 2012 purchase price, the borrower has about 20% cash equity in the transaction.
- Supply is constrained as no market-rate units have been delivered in the past five years to the West Altamonte Springs submarket according to Reis, and only 45 units are forecast for delivery in the next five years.
- Rents in the immediate area are forecast to grow at a 3.0% annual rate during the next five years.
- The property is managed by Bainbridge Management Group, LLC, a borrower-related entity. Bainbridge manages 9,300 units in 30 multifamily properties located in Florida, Georgia, North Carolina, Washington, DC AND New York, with 4,050 units in Florida and eight properties in the Orlando MSA.
- The property is located eight miles northwest of the Orlando CBD. The primary influence on the neighborhood is the Altamonte Mall, which is located three miles northeast of the property. The 1.2 million square foot mall is anchored by Sears, JCPenney, Macy's and Dillard's, and has 160 stores, 15 restaurants and an 18-screen movie theater. Other significant employers include Florida Hospital at Altamonte Springs, and the Maitland Center office park, which is located in the southeast part of the neighborhood. The office park contains 6.6 million square feet of office space with many Fortune 500 companies represented. Primary access to the neighborhood is provided by I-4.

Property Description

Park at Vineridge is located in the city of Altamonte Springs, Seminole County, within the Orlando MSA. The property is improved with 21 three-story apartment buildings, a two-story leasing office/clubhouse building, a laundry facility/pool house building, and a maintenance building. Built in 1988, the property is a 496-unit, garden-style apartment complex, situated on 40.94 acres of land. The property offers 917 open parking spaces.

The property renovation in 2007-2008 cost approximately $2,500,000 ($5,040/unit) and included roof replacements, ceramic tile flooring, appliance replacements, and other interior unit upgrades.

Common area amenities include gated access, clubhouse with lounge area, two swimming pools and spas, laundry facilities, business center, fitness center, three tennis courts, basketball court, volleyball court, BBQ and picnic areas, playground, three car care centers, boat parking, and lake frontage. Unit amenities include a range/oven, refrigerator, dishwasher, garbage disposal, walk-in closets, washer and dryer connections, and a patio/balcony area with external storage. Select units feature a washer and dryer and/or fireplace.

The property is located within the West Altamonte Springs submarket, eight miles northwest of the Orlando CBD. The neighborhood is bounded by Semoran Boulevard to the north, Maitland Boulevard to the south, I-4 to the east and Bear Lake Road to the west. Land uses in the neighborhood consist of residential and commercial development. Retail uses are primarily located along State Roads 434 and 436. The Altamonte Mall is located three miles northeast of the property. Major employers in the neighborhood include Florida Hospital at Altamonte Springs, and the Maitland Center office park, which is located in the southeast portion of the neighborhood. Adjacent land uses include industrial to the north and east, Lake Lotus to the south, and condominiums to the west. Primary access to the neighborhood is provided by I-4.

The subject is one of four properties sponsored by Starwood Capital Group, with a combined loan amount of $92,310,000. The properties include the subject, Kirkman Apartments in Orlando, FL, Twelve Oaks at Windermere in Windermere, FL, and Windermere Lakes also in Windermere, FL. The properties have a total of 1,426 apartment units.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
One Bedroom	218	44.0%	690
Two Bedroom	194	39.1%	1,061
Three Bedroom	84	16.9%	1,390
Total	**496**	**100.0%**	**954**

Market Overview

According to Reis, Park at Vineridge is in the West Altamonte Springs submarket. Within this submarket, the average asking rental rate was $915 for properties of a similar vintage as of the fourth quarter 2012. The overall submarket average asking rental rate of $898 represents a 0.6% increase from the prior quarter and a 3.9% increase from one year ago. The weighted average rent at the subject was $798 per unit as of the 12/31/12 rent roll. The appraiser concluded a market rent of $824 per unit. Morningstar underwrote rents based on the contract rate of $798 and did not move towards the higher third-party market rates. Reis predicts rents will increase 3.0% annually over its five-year forecast.

Within this submarket, the vacancy rate according to Reis was 3.6% as of fourth quarter 2012. Reis forecasts annual vacancy rates for the next five year period at 4.5% for the West Altamonte Springs submarket. The appraiser identified a competitive set of seven properties with a weighted average occupancy of 95.2% compared to 95.6% at the subject as of the 12/31/12 rent roll. The appraiser concluded a vacancy rate of 7.0% for the subject. Morningstar underwrote vacancy at the property to a minimum vacancy rate of 7.0% based on the performance of the property and the appraisal conclusions.

No market-rate units have been delivered in the past five years to the West Altamonte Springs submarket according to Reis, and only 45 units are forecast for delivery in the next five years.

Morningstar Analysis

	Morningstar	2010	2011	T10 12/31/12	Issuer Underwriting
Income					
Gross Potential Rent	$4,749,696	$4,846,561	$4,820,741	$4,820,470	$4,896,732
or					
Base Rent	0	0	0	0	
Laundry/Vending	4,092	12,381	4,642	3,098	
Expense Reimbursement	244,248	231,053	254,845	244,248	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	217,518	232,264	224,745	203,580	
Less: Vacancy Loss	-345,731	-439,615	-361,667	-488,701	
Less: Concessions & Collection Loss	-32,292	-140,456	-70,439	-32,292	
Effective Gross Income	**$4,837,530**	**$4,742,188**	**$4,872,867**	**$4,750,403**	**$4,824,978**
Expenses					
Real Estate Taxes	$510,006	$426,074	$482,112	$510,006	
Property Insurance	264,190	214,596	207,954	264,190	
Utilities	305,160	279,455	290,607	317,146	
Repairs and Maintenance	372,022	305,847	321,624	520,856	
Janitorial	0	0	0	0	
Management Fees	141,747	186,630	189,574	148,282	
Payroll & Benefits	545,174	414,750	437,907	545,174	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	95,428	69,893	69,673	68,954	
Professional Fees	9,777	3,212	7,626	13,172	
General and Administrative	74,594	88,085	62,372	71,791	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,318,097**	**$1,988,542**	**$2,069,449**	**$2,459,572**	**$2,199,141**
Net Operating Income	**$2,519,433**	**$2,753,646**	**$2,803,418**	**$2,290,831**	**$2,625,836**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	136,400	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$136,400**	**$0**	**$0**	**$0**	**$124,000**
Net Cash Flow	**$2,383,033**	**$2,753,646**	**$2,803,418**	**$2,290,831**	**$2,501,836**

Analytical Assumptions

The following comments and footnotes provide additional details beyond the description of Morningstar's general analytical approach outlined at the end of this package.

Revenue Drivers

Rent Per Unit Per Month	$798
Vacancy (%)	7.0%

Morningstar's analysis of the property resulted in an NCF of $2.38 million, which is 4.7% lower than the issuer's underwritten NCF. Morningstar underwrote vacancy at 7.0%. Morningstar underwrote rents based on the contract rate at the property and did not adjust towards the higher market level. Morningstar's value for the property is $33.1 million, a 23.9% variance from the appraised value.

Concessions are underwritten to the average of the last two periods, as 2010 was a high-water mark that the property has come in from.

Expenses ($ per unit)

Real Estate Taxes underwritten based on 2012 data from the assessor. The property is being acquired as an Entity Level Transfer rather than an actual acquisition, and the property is not subject to re-assessment as the transfer is not being recorded as a sale in Florida. The actual 2011 tax liability was $464,314.

Morningstar underwrote management fees to 3% of effective gross income based on the Morningstar minimum criteria. The actual contract rate with a borrower-related management company is 2.75%. The appraiser used a 2.75% management fee. All other expenses are based on historical rates.

Capital Items

A reserve for future capital expenditures is underwritten at $250/unit/year, which is less than the PCA estimate of $450/unit/year. The borrower made an initial deposit of $893,234 to the replacement reserve escrow to reduce the underwritten reserves. Credit given for the upfront reserve, but added 10% inflation to $250 per unit reserve. Applying the reserve against the inflated PCA level of $450 was lower than the issuer, so the 10% inflation was applied.

Valuation Drivers

The appraiser's capitalization rate analysis is based upon the rates of recent comparable apartment sales and market surveys. The appraiser concluded that the estimated capitalization rate for the subject is 6.4%. The sales included in the comparison resulted in a 6.48% capitalization rate. Morningstar's base multifamily capitalization rate for the subject's Orando MSA is 7.0%. Morningstar made no adjustments to the capitalization rate.

Appendix A: Morningstar CMBS Subordination Model

This Appendix provides a brief description of Morningstar's proprietary CMBS Subordination Model. A publication entitled, "Guide to the Morningstar CMBS Subordination Model", provides a more comprehensive overview of the model's framework as well as details of the model's main features. It can be found on Morningstar's website at http://ratingagency.morningstar.com, by going to the Ratings Report Section.

Overview

Morningstar uses its CMBS Subordination Model to determine the required credit enhancement levels of both conduit and large-loan CMBS transactions. In addition to determining the initial enhancement levels, this model is an integral part of the on-going surveillance of such transactions. This approach allows Morningstar to maintain ratings consistency across CMBS transactions throughout their lives.

Morningstar's underwritten NCF and cap rate for each property, along with the corresponding loan characteristics, are subjected to defined sets of stresses in this CMBS model to arrive at the required credit enhancement levels at each rating category. Each set of stresses gauges the likelihood of each loan to default, as well as the loss severity given default, during the loan's term and at its balloon date.

Each set of stresses include:

- NCF declines during the term of the loan and at the balloon date that reflect worsening economic conditions,
- Cap rate increases that reflect deteriorating demand for CRE investments,
- Balloon loan constants to reflect more restrictive lending conditions when the existing loan needs to get re-financed,
- Time to default assumptions that limit the credit to loans which amortize,
- Loan liquidation time assumptions that impact the aggregate special servicer fees and accrued interest on P&I advances, and
- Interest rate assumptions on interest due the servicer for P&I advances.

These stresses are tiered by rating category with the most onerous commensurate with the highest rating category to reflect extremely stressed economic, CRE market and lending environments. The stresses associated with the lowest rating category, while substantially less dramatic than that at the highest rating level, still reflect declines. The model therefore fully discounts historically-observed positive performances. Many of these stresses also differ across property types.

The model also quantitatively accounts for portfolio-level concentration risks (loan size, property type and geography) by applying additional NCF stresses on those loans that contribute to each such risk.

Term Default Analysis

The model determines the likelihood of a term default for each loan by:

1. First subjecting Morningstar's underwritten NCF for the loan to an NCF haircut that simulates the potential decline in net effective rent over the term of the loan. The magnitude of this decline represents the maximum decline in NCF on the property during the term of the loan.
2. The Morningstar underwritten NCF is then further reduced by a series of additional NCF haircuts to address portfolio concentration risk concerns (loan size, property type and geography).
3. The resultant stressed NCF and the terms of the loan are then used to determine the loan's stressed DSCR.
4. The loan's probability of default during the term of the loan is then derived by translating this "low-point" DSCR into a probability of default ("PD") based on a Morningstar empirical study of the correlation between DSCR and PD.

The loss severity of the loan given a default event is then determined by looking at its two components -- lost principal and special servicer costs.

Lost principal is calculated as the difference between the outstanding loan balance at the time of default and the stressed property value. The model computes the loan balance based on empirically-based time-to-default assumptions and the terms of the loan. The stressed property value is arrived at using the stressed NCF and a ratings adjusted cap rate.

Special servicer costs include the fees earned by the special servicer while the loan is specially-serviced, interest on any P&I advances that the servicer makes, and the liquidation fees due the special servicer for selling the foreclosed property. The special servicer fee is dependent upon the period of time the loan is specially serviced. The model uses assumptions of this time period tiered by rating category.

Balloon Default

The overwhelming majority of loans backing CMBS deals to date do not fully amortize by the loan's maturity date. As such, most loans have a balloon balance that is due upon maturity. Borrowers are required to secure take-out financing for the remaining principal balance by this date. Failure to do so triggers a default event and the loan becomes specially-serviced. Balloon default is therefore a binary event.

The model tests the ability of each loan to be refinanced at its balloon date by comparing the loan's refinance DSCR and LTV ratios to assumed take-out financing threshold requirements. Morningstar stresses the underwritten NCF and cap rate, and then applies a stressed refinance loan constant to arrive at the loan's refinance DSCR and LTV ratios. If these DSCR and LTV metrics pass this test, the loan is taken out in whole (PD equals zero and there is no loss).

If either test is not met, the model assumes that the loan becomes specially serviced and the special servicer takes one of two actions. If the existing loan's DSCR[1] is greater than an assumed special servicer loan extension threshold, the model assumes that the special servicer extends the loan. Otherwise the model assumes the special servicer will initiate foreclosure proceedings and the property is eventually sold. An assumed timeframe, tiered by rating category, from the balloon date to the date of liquidation is used for calculating the special servicer fees incurred. The model also calculates any needed P&I advances and the liquidation fee. The liquidation price is the stressed value calculated for the property commensurate with the rating category.

In the loan extension scenario, the model typically assumes some limited growth in NCF generated by the property, better loan conditions and an improved CRE market as manifested in a lower refinance loan constant and cap rate during the extension period. At the conclusion of the extension period, the model again tests whether or not the loan gets refinanced. The improved DSCR and LTV ratios are once again compared to the assumed take-out financing threshold requirements. If both tests are passed, the loan is taken out in whole. There is no principal loss but losses are incurred in the form of special servicer costs (special servicer fee, interest on P&I advances and workout fee).

If the loan is still not able to be refinanced, the model assumes the special servicer initiates foreclosure proceedings and the property is eventually sold. Losses in this scenario include a likely principal loss along with special servicer costs (interest on P&I advances, special servicer fee, and liquidation fee).

[1] Note that the existing loan DSCR differs from the loan's refinance DSCR. The latter is calculated at an assumed stressed loan constant and the former is based on the actual terms of the existing loan.

Appendix B: Morningstar Rating Surveillance

Morningstar has historically performed and continues to perform ongoing monthly surveillance on publically-issued and outstanding US CMBS transactions on a subscription basis for investors. As a result of such, Morningstar publishes to its subscriber base a monthly credit analysis report for each CMBS trust entitled the "Morningstar Dealview", outlining the most recent performance trends for each.

Morningstar's analysis is best described as a bottom-up approach. At its core, it is driven by the performance of the underlying commercial real estate loan collateral. Analysts first evaluate, using qualitative and quantitative analysis, the credit risk characteristics of the collateral pool backing any given securitization trust. The credit protections are then evaluated as part of Morningstar's opinion of the risk profile of any given security. Morningstar applies a surveillance model described at http://ratingagency.morningstar.com, to produce suggested credit ratings and rating outlooks for each class of a given CMBS transaction.

Any surveillance activities described herein are conditioned on Morningstar's receipt of certain information to enable Morningstar to perform surveillance. The degree of surveillance performed depends largely on the scope of review performed by Morningstar and enumerated in the related surveillance report and the availability of information. The degree and scope of review and information considered is generally enumerated in the Morningstar surveillance report for the respective transaction and should be considered when evaluating and comparing ratings.

Any surveillance performed by Morningstar is available solely to Morningstar subscribers on a subscription basis under Morningstar's policies and procedures. Therefore, if recipient is not a subscriber, recipient will not have access to or receive any ratings information following Morningstar's issuance of a rating, including any information related to changes to the ratings post issuance.

For further information and a description of Morningstar's surveillance activities, please see http://ratingagency.morningstar.com, including "Morningstar CMBS Surveillance Rating Opinions: Procedures and Methodologies".

Appendix C: Morningstar Rating Characteristics

The preliminary ratings provided in this report address the likelihood of the timely receipt of distributions of interest by certificateholders to which they are entitled and, the ultimate distribution of principal by the Rated Final Distribution Date.

The preliminary ratings are based solely on the scope of review enumerated in this report and the information related thereto provided to Morningstar through the arranger website as of the date hereof or as expressly enumerated herein which we believe to be reliable. Unless otherwise in accordance with Morningstar's policies and procedures, Morningstar does not audit or verify the truth or accuracy of any such information.

These preliminary ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by Morningstar. In addition, these ratings do not address: (a) the likelihood, timing, or frequency of prepayments (both voluntary and involuntary) and its impact on interest payments or the degree to which such prepayments might differ from those originally anticipated, (b) the possibility that a certificateholder might suffer a lower than anticipated yield, (c) the likelihood of receipt of prepayment charges, assumption fees, prepayment premiums, static prepayment premiums, yield maintenance charges, prepayment fees or penalties, spread maintenance payments, modification fees, penalty charges, default interest or post-anticipated repayment date additional interest, (d) the likelihood of experiencing prepayment interest shortfalls, an assessment of whether or to what extent the interest payable on any class of rated certificates may be reduced in connection with any prepayment interest shortfalls, or of receiving compensating interest payments, (e) the tax treatment of the certificates or effect of taxes on the payments received, (f) the likelihood or willingness of the parties to the respective documents to meet their contractual obligations or the likelihood or willingness of any party or court to enforce or hold enforceable, the documents in whole or in part, (g) an assessment of the yield to maturity that investors may experience, (h) the likelihood, timing or receipt of any payments of interest to the holders of the rated certificates resulting from an increase in the interest rate on any underlying mortgage loan in connection with a mortgage loan modification, waiver or amendment, (i) excess interest or additional interest or (j) other non-credit risks, including, without limitation, market risks or liquidity.

Morningstar's preliminary ratings take into consideration certain credit risks and the extent to which the payment stream of the collateral is adequate to make payments required under the certificates based on information identified as subject to review herein and to the extent provided to Morningstar on arranger's website for this transaction as of the date hereof. However, as noted above, the ratings do not represent an assessment of the likelihood, timing or frequency of principal prepayments (both voluntary and involuntary) by the mortgagors, or the degree to which such prepayments might differ from those originally anticipated. In general, the ratings address credit risk and not prepayment risk. In addition, the ratings do not represent an assessment of the yield to maturity that investors may experience or the possibility that the certificateholders of the Class X Certificates might not fully recover their initial investment in the event of delinquencies or defaults or rapid prepayments on the mortgage assets (including both voluntary and involuntary prepayments) or the application of any realized losses. In the event that holders of such certificates do not fully recover their investment as a result of rapid principal prepayments on the mortgage loan, all amounts "due" to such holders will nevertheless have been paid, and such result is consistent with the ratings assigned to such certificates.

As indicated herein, the Class X certificates consist only of interest. If the underlying mortgage loans were to prepay in the initial month, with the result that the holders of the Class X certificates receive only a single month's interest and therefore, suffer a nearly complete loss of their investment, all amounts "due" to such holders will nevertheless have been paid, and such result is consistent with the rating received on the Class X certificates. The notional amounts of the Class X certificates on which interest is calculated may be reduced by the allocation of realized losses and prepayments, whether voluntary or involuntary, to the classes of series 2012-K24 principal balance certificates from which their respective notional amounts are derived. The ratings do not address the timing or magnitude of reductions of such notional amounts, but only the obligation to pay interest timely on the notional amounts as so reduced from time to time. Therefore, the ratings of the Class X certificates should be evaluated independently from similar ratings on other types of securities.
While Morningstar may issue ratings solely on asset backed securities, Morningstar does not (i) issue short-term ratings, or (ii) rate, assess or review corporate entities, credit support providers, seller(s), guarantors, servicers, trustees, certain accounts or investments, insurers, liquidity providers, hedge providers or other similar entities or items, unless consideration of a review and/or assessment is otherwise enumerated in Morningstar's pre-sale report and/or surveillance reports related to the transaction. Therefore, Morningstar's ratings and analysis do not take into consideration such characteristics of the transaction referenced in clauses (i) and (ii) of the preceding sentence, unless consideration of a review and/or assessment is otherwise enumerated in Morningstar's pre-sale report and/or surveillance reports related to the transaction. In addition, Morningstar's ratings and analysis do not take into consideration (a) the Freddie Mac Guarantee, (b) any amounts (including any interest that accrues on such amounts) payable or reimbursable under the Freddie Mac Guarantee and/or (c) whether any certificateholder will receive any payments under the Freddie Mac Guarantee or whether such guarantee will exist. In addition, Morningstar's ratings and analysis do not take into consideration (I) any potential or actual risk of repudiation, receivership or other ramifications related to FDIC administration and/or enforcement of FDIC rights and remedies with respect to any entity involved in the transaction including a bank or subsidiary of a bank or (II) any FHFA administration and/or enforcement of FHFA rights and remedies with respect to any entity involved in the transaction. In addition, the ratings do not take into

consideration an assessment of the arranger(s), originator(s) and/or prior holder(s) of the loan(s) included in the respective transaction. Additionally, for the avoidance of doubt, Morningstar does not rate obligors, managers or issuers. Further, the ratings do not assess whether any exchange of certificates may occur or any delays or disruptions in payment due to such exchange.
Morningstar is providing preliminary ratings on certain SPC certificates corresponding to the respective underlying certificates. Such SPC certificate ratings are contingent on and may be impacted by ratings and rating actions on the underlying certificates. Therefore, such SPC certificate ratings are also subject to the qualifications and parameters enumerated above and subject to the risks enumerated herein.

As the ratings herein are preliminary ratings, such ratings may be subject to change during surveillance. As provided herein, surveillance analysis and ratings are solely provided to Morningstar subscribers on a subscription basis.

In conjunction with evaluating any Morningstar ratings, please also see "Morningstar Definitions and Descriptions of CMBS (i) Letter-Grade Credit Ratings, (ii) Rating Outlooks and (iii) Surveillance" at http://ratingagency.morningstar.com.

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