FREMF 2012-K21 Mortgage Trust, Multifamily Mortgage Pass-Through Certificates, Series 2012-K21

Presale Report

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PRELIMINARY RATINGS (AS OF: 10/15/12)

CLASS	BALANCE/ NOTIONAL AMT	PRELIMINARY RATINGS	MORNINGSTAR DSC	MORNINGSTAR BLTV	CREDIT SUPPORT LEVELS
FREMF 2012-K21 Multifamily Mortgage Pass-Through Certificates					
A-1	$194,200,000	AAA	1.71x	72.00%	15.00%
A-2	$971,594,000	AAA	1.71x	72.00%	15.00%
X1 (2)	$1,165,794,000	AAA	1.71x	72.00%	N/A
X2-A (2)	$1,165,794,000	AAA	1.71x	72.00%	N/A
X2-B (2)	$205,728,680	AAA	1.71x	72.00%	N/A
X3 (2)	$205,728,680	NR	N/A	N/A	N/A
B	$68,576,000	AA	1.61x	76.2%	10.00%
C	$34,288,000	A	1.57x	78.4%	7.50%
D (3)	$102,864,680	NR	N/A	N/A	0.00%
Total Issuance	$1,371,522,680				
Freddie Mac Structured Pass-Through Certificates, Series K-021 (SPC K-021)					
A-1 (1)	$194,200,000	AAA	1.71x	72.00%	15.00%
A-2 (1)	$971,594,000	AAA	1.71x	72.00%	15.00%
X1 (1) (2)	$1,165,794,000	AAA	1.71x	72.00%	N/A
X3 (1) (2)	$205,728,680	NR	N/A	N/A	N/A
Total Issuance	$1,165,794,000				

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: November 8, 2012

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 October 15, 2012 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	81 fixed-rate loans on 81 multifamily properties	**Mortgage Loan Seller**	Federal Home Loan Mortgage Corporation (Freddie Mac)
		Guarantor	Federal Home Loan Mortgage Corporation
Cut-off Date Balance	$1,371,522,681	**Depositor**	Banc of America Merrill Lynch Commercial Mortgage, Inc.
Structure	Sequential	**Trustee**	Deutsche Bank Trust Company Americas
Morningstar U/W Current DSCR (1)	1.83x	**Custodian**	Deutsche Bank Trust Company Americas
Morningstar U/W Amortizing DSCR (1)	1.45x	**Certificate Administrator**	Deutsche Bank Trust Company Americas
Morningstar U/W BLTV	84.7%	**Master Servicer**	KeyCorp Real Estate Capital Markets, Inc.
Morningstar U/W ELTV	72.1%	**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.

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Transaction Overview

The FREMF 2012-K21 Mortgage Trust Multifamily Mortgage Pass-Through Certificates (FREMF 2012-K21) are supported by the payment streams from 81 fixed-rate mortgage loans secured by 81 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 $1.37 billion. The average initial principal balance is $16.93 million, and the loans range in size from $2.2 million to $65.0 million. All the loans are balloon loans with original terms to maturity of 120 months. The properties, which consist mostly of garden-style apartments—58 of 81 properties—are in 25 states, with the five largest concentrations in Texas (13 properties, 16.8%), Florida (7, 12.0%), New York (5, 10.9%), Massachusetts (2, 6.1%), and Georgia (7, 5.5%). Colorado is the only other state with a concentration in excess of 5.0%. At $65.0 million (4.7% of the initial pool balance), Bayhill Gardens is the largest loan. No other loan is more than 4.0% of initial pool balance.

Morningstar determined the preliminary ratings for each class of FREMF 2012-K21 certificates by analyzing all 81 loans and subjecting the aggregate net cash flow and capitalization rates to a variety of stresses in our proprietary CMBS Subordination Model. 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-021 (SPC K-021) represent the pass-through of the entire beneficial interest of certain underlying securities issued by FREMF 2012-K21, including all principal, interest, guarantees and other payments. Each SPC K-021 security corresponds to its underlying FREMF 2012-K21 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 2012-K21 exhibit certain credit characteristics that Morningstar views positively and which are ultimately reflected in our assigned credit ratings. First, the pool is comprised of loans backed by properties that Morningtar 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 exhibit 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, 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, with the exception of Park Crossing Apartments, report recent occupancy rates of at least 92%, and Morningstar has underwritten occupancy for all 10 properties at or above 91%. In the case of Park Crossing, the average historical occupancy rate is 92%, and, given the stable market fundamentals and good location 10 miles east of Philadelphia near Cherry Hill, New Jersey, we are underwriting a normalized occupancy of 92%. All ten properties are reporting stable or improving NOI, with some showing substantial growth. For instance, Norwest Woods, the #3 property, generated NOI increases of 24.8% and 14.0% in 2011 and the trailing 12 months ended June.

One negative aspect is that most of the loans do not provide for significant amortization over their terms. In fact, 54 of 81 loans (76.4% by cut-off balance) are structured with either term-IO or partial-IO payments. Contributing to the risk is the relatively high leverage of the pool: Morningstar's beginning weighted average LTV is 89.5%, and 43 loans (61.3% by balance) have a Morningstar LTV that exceeds 90%. These factors are accounted for in our subordination model and reflected in our ratings.

Based on the information provided on the arranger's website as of October 4, 2012 (the date on which Morningstar's analysis on the underlying loans and properties was completed), Morningstar's analysis of the 81 loans yielded aggregate net cash flow (NCF) of $114.83 million. The Morningstar NCF is lower than the most recent reported NCF (as reported in the issuer's final tape dated October 3, 2012) and Freddie Mac's underwritten NCF by 6.5% and 2.2%, respectively. Our NCF results in weighted-average current and amortizing DSCRs of 1.83x and 1.45x, 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 $114.83 million and a portfolio cap rate of 7.09%, our total pool value is $1.62 billion, which is 23.2% lower than the reported aggregate appraised values. Based on the initial aggregate portfolio balance of $1.37 billion and Morningstar's combined value for the 81 properties, the beginning and ending portfolio loan-to-value ratios are 84.7% and 72.1%. 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 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 DSCR of 1.11x or better; 47 (51.2%) have an amortizing coverage of 1.31x or better, including 20 (22.8%) that exceed 1.50x coverage.
- Large percentage of properties built within 20 years: Twenty-six of the 81 properties (43.7%) are less than 20 years old.
- Stable or improving performance of the 10 largest properties: On the basis of occupancy rates and NOI trends, the 10 largest properties exhibit stable or improving performance.
- Good locations for and/or good quality of top 10 properties: Most of the 10 largest properties are well located; some like Bayhill Gardens and Park Crossing Apartments are in dense in-fill areas, and others like Bell Channelside and Paddocks of Saratoga, are recently built and offer better-than-average amenities. The Merc And The Element stands out for its good location in downtown Dallas and its numerous high-quality unit and common-area amenities.

The Bears Say

- Partial amortization for the majority of loans: Fifty-three loans (71.7%) pay interest only for a portion of their loan terms, while one loan pays interest only for the entire term; only 27 loans (23.6%) 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 26.4 years, and 19 properties (24.4%) are at least 40 years old, including four (8.9%) that are more than 50. Two of the oldest properties, Bayhill Gardens (63 years) and The Merc and The Element (70 years) are well located. The former is in an infill location east of New York City, while the latter is in downtown Dallas, underwent a full renovation recently, and offers high-quality amenities.
- High beginning loan leverage: The average and weighted average (by loan balance) Morningstar beginning LTVs for the loans are 88.3% and 89.5%.

Loans of Particular Interest

- Bayhill Gardens (4.7%): At $65 million, it's the largest loan in the pool and the only term I/O loan; it's also backed by the oldest garden-style property, at 63 years old. The lack of amortization is offset by a high Morningstar NCF coverage of 2.11x and a modest Morningstar beginning LTV of 80.4%. Despite its age, the property requires little in the way of immediate repairs (less than $15,000 according to the engineering report). Bayhill Gardens is in a densely populated infill location, about 16 miles east of Manhattan. In 2011 a 1.5% year-over-year increase in EGI was offset by a large increase in operating expenses; however, expenses appear to have stabilized in the trailing 12 months (TTM) ended June; the property is almost 98% occupied and NOI has increased 1.1% in the TTM period. Note that the Morningstar ending LTV is higher at 88.7% than our beginning LTV of 80.4%. This is because the property now benefits from a J-21 real estate tax exemption that begins to burn off in 2020 and ends in 2023, just after loan maturity. Accordingly, we have offset our current cash flow with higher taxes at maturity to account for potentially higher refinance risk.
- Park Crossing Apartments (3.5%): The loan, which requires payments of interest only for 24 months, has a Morningstar beginning LVT of 100%; ending LTV is 84.2%. The property backing the #4 loan saw occupancy dip below 90% in September; however, the historical average occupancy rate is 92%, and we are underwriting to a normalized rate of 92% based on the property's good location near Cherry Hill, New Jersey and the area's stable market fundamentals. Importantly, the property generated strong year-over-year NOI growth of 8.8% in 2011 and 6.7% in the trailing nine months ended June (annualized).

- Groves at Piney Orchard (2.6%): A fire occurred at the property shortly after our site visit in September. The fire damaged at least one unit and water from fire suppression efforts damaged several more. Total cost to repair is estimated at $450,000. Of greater concern, however, is the fact that a tenant perished in the fire (origin unknown), and it is unclear what liability, if any, the property owner has and whether a civil suit will ensue.
- University Village at Austin (2.2%): The #13 loan has high Morningstar beginning and ending LTVs of 102.8% and 86.5%, and an initial 24-month interest-only period. On the positive side, the student housing complex backing the loan is well located near the University of Texas's main campus and adjacent to Austin Community College in Austin, Texas. We believe the local student housing market is under-served by existing supply, and that the property is well positioned to meet the demand for student housing over the near term.
- Murray Hill Mews (1.3%): The property is a co-op building in New York City. Morningstar analyzed the property as if it were operated as a market-rental apartment building with units renting at market rates. Consequently, our NCF is substantially higher than that reported at the property, and our beginning LTV is less than 20%.

Property Site Visits

Morningstar analysts visited 31 of the 81 properties (59.7% by balance) including those backing the largest 14 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, above average, to five properties (9.5%), and a score of 4—below average—to one (0.5%). We assigned average scores (score of 3) to the 25 other properties (49.7%) we toured. The weighted-average property quality score for the properties visited was 2.85 based on the initial allocated loan balance. Morningstar's findings from the site inspections are provided in the individual asset summary reports for those properties visited. The properties visited by Morningstar analysts are noted in the 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 19.1% decline and our concluded values to a weighted-average 38.0% decline in the term default analysis. In the balloon default analysis, these weighted-average declines were 9.0% and 28.5%, respectively. We should note that the balloon declines reflect the post-extension period improvement in those instances the stressed loan metrics allow for an extension at the balloon date. It should also be noted that these declines are applied to Morningstar's concluded net cash flow which in the overwhelming majority of cases is lower than the in-place net cash flow. These declines are weighted-average statistics. The declines applied to the individual properties differ and are a function of factors such as property type and concentration risks. 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.

	AAA	AA	A
Morningstar NCF Decline (Term)	19.08%	17.49%	15.90%
Morningstar Value Decline (Term)	38.01%	33.16%	29.86%
Morningstar NCF Decline (Balloon)	9.04%	8.29%	7.54%
Morningstar Value Decline (Balloon)	28.47%	24.19%	21.27%

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 various characteristics and metrics of the FREMF 2012-K21 transaction against the averages of other FREMF K 10-Year deals Morningstar rated from 2010 through 2012 year-to-date. The K21 transaction is excluded from the averages presented. The deal is only slightly larger than its 10-year cohort in terms of aggregate initial balance and number of loans. Several important differences are worth noting, however. First is the relatively smaller loan-balance concentration in K21's Top 10 loans—32.3%—versus 37.8% for the cohort. Some of this is due to K21's largest loan, Bayhill Gardens, making up less than 5% of the portfolio balance compared to more than 9% on average in the cohort. Second, the percentage of partial-term interest-only loans in K21 is 72%, substantially higher than cohort's 40%. All things equal, loans that provide for an interest-only period will de-lever less during the loan term 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—is less than half the average for the cohort, suggesting that, from our perspective, the loans were underwritten by the contributors to a relatively high standard. K21's weighted average cap rate of 7.09% is about 7% below the cohort average, mainly as a result of a compression in multifamily cap rates over the last 18-24 months. Morningstar's view is that cap rates for most property types, multifamily included, will reverse course at some point in the near term, and accordingly we have established cap rate floors as well as made some conservative adjustments in our subordination model to attempt to account for this.

	FREMF 2012-K21	FREMF K 10 Year Series Average 2010-12
Portfolio Characteristics		
Portfolio Balance (in $ Millions)	$1,371.5	$1,205.8
Loan Count	81	75
Property Count	81	77
Number of Portfolio Loans	0	0
Top Loan (% of Portfolio)	4.7%	9.2%
Top 5 Loans (% of Portfolio)	18.9%	24.4%
Top 10 Loans (% of Portfolio)	32.3%	37.8%
WA Mortgage Rate	4.129%	4.921%
Loans With B-Notes (% of Portfolio)	0.4%	0.0%
Loans With Mezz Financing (% of Portfolio)	0.0%	0.0%
Loans Allowing for Future Mezz (% of Porfolio)	100.0%	100.0%
Full Term Interest Only Loans (% of Portfolio)	4.7%	6.6%
Partial Interest Only Loans (% of Portfolio)	71.7%	40.1%
Leverage Metrics		
MStar Cash Flow Variance (%)	2.3%	4.8%
MStar WA Cap Rate	7.09%	7.64%
MStar Value Variance (%)	23.2%	24.7%
Issuer WA DSCR	1.48x	1.45x
MStar WA DSCR	1.45x	1.39x
Issuer WA BLTV	65.1%	66.2%
Issuer WA ELTV	55.1%	56.2%
MStar WA BLTV	84.7%	91.7%
MStar WA ELTV	72.1%	77.9%
Capital Structure		
"AAA" Credit Support %	15.00	13.12
Class B Rating (10% Credit Support)	AA	---
Class C Rating (7.5% Credit Support)	A	A+ to A-

Note: Average statistics are based on five FREMF K-Series 10-year transactions rated by Morningstar in calendar years 2010 through 2012.

Although the table shows a Morningstar beginning LTV for K21 that is substantially below the cohort average—84.7% for the former versus 91.7% for the latter—the lower BLTV for K21 is almost entirely the result of our treatment and valuation of the co-op securing the Murray Hill Mews loan. As mentioned above, we analyzed the co-op as if it were a conventional apartment building with rents at market levels, and in doing so we derived NCF of $6.9 million, compared to the property's most recent NCF of $2.5 million. Capitalizing this cash flow resulted in a property value of nearly $107 million and an unusually low LTV of 17%. If we set the LTV for Murray Hill Mews to the average LTV for the remaining loans, roughly 88%, then K21's overall beginning LTV is 89.5%. Nonetheless, the beginning leverage for K21 is modestly lower than the cohort's.

Loan Portfolio Summary

General Loan Portfolio Characteristics

The primary assets of the trust are 81 fixed-rate loans secured by first liens on multifamily properties. The loans are generally non-recourse; each has a 10-year (120 month) term, and each was originated within nine months of the securitization date.

Loan Concentration

The pool of 81 mortgage loans has an aggregate initial pool balance of just over $1.37 billion. The largest loan, Bayhill Gardens, is 4.7% of the total balance, and no other loan has a balance that is more than 4.0% of the initial balance. The top ten loans, shown below, comprise 32.3% of the portfolio, which is a relatively small loan-balance concentration compared to other similar deals from the Freddie Mac shelf. These 10 loans are backed by garden-style (6), mid-rise (2), high-rise (1) and townhome (1) multifamily properties in eight states. Some positive credit features of the top 10 are 1) at least partial amortization for nine loans, 2) current DSCRs above 1.50 for nine loans, and 3) lack of a significant loan-balance concentration. One key credit-negative characteristic is the relatively high beginning and ending leverage for these loans. As a group they have a weighted-average beginning LTV of 90.3%, with eight loans above 90%, including one at 100% LTV, based on Morningstar's values. Moreover, only two loans have ending LTVs below 75%. 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 all of the top 10 properties have shown stable or positive NOI trends over the last few reporting periods, and nine of the 10 reported recent occupancy rates of at least 92%.

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
Bayhill Gardens	Garden	Oakland Gardens	NY	65,000,000	4.7%	2.11 x	2.11 x	80.4%	88.7%
Bell Channelside	Mid Rise	Tampa	FL	49,975,000	3.6%	1.95 x	1.34 x	95.2%	79.5%
Norwest Woods	Townhome	Norwood	MA	48,941,029	3.6%	1.52 x	1.52 x	71.8%	56.6%
Park Crossing Apartments	Garden	Maple Shade	NJ	48,800,000	3.6%	1.75 x	1.22 x	100.0%	83.7%
The Paddocks Of Saratoga	Garden	Saratoga Springs	NY	46,875,000	3.4%	1.75 x	1.29 x	90.5%	82.4%
Lodge At Castle Pines	Garden	Castle Pines	CO	40,568,000	3.0%	1.76 x	1.24 x	95.0%	84.0%
The Merc And The Element	High Rise	Dallas	TX	37,696,250	2.7%	1.29 x	1.29 x	93.9%	74.4%
Endicott Green	Garden	Danvers	MA	35,196,000	2.6%	1.70 x	1.20 x	93.0%	82.2%
The Towers At Four Lakes	Mid Rise	Lisle	IL	35,000,000	2.6%	1.67 x	1.20 x	93.8%	81.1%
The Groves At Piney Orchard	Garden	Odenton	MD	35,000,000	2.6%	1.86 x	1.27 x	97.8%	81.5%
Totals / Weighted Averages				**$443,051,279**	**32.3%**	**1.76 x**	**1.41 x**	**90.3%**	**79.6%**

Amortization Characteristics

All the loans require a final balloon payment at maturity. One loan (4.7%) pays interest only during its entire loan term; fifty-three loans (71.7%) pay interest only for a period of 12 to 72 months from the cut-off date before amortization begins.

Amortization Type	% of Initial Pool Balance	# of Loans	Morningstar Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR	Morningstar Beginning LTV	Morningstar Ending LTV
Amortizing	23.57%	27	10.70%	1.80	1.80	67.28%	52.35%
Interest Only	4.74%	1	7.96%	2.11	2.11	80.42%	88.65%
Partial IO	71.69%	53	7.63%	1.83	1.31	92.96%	79.94%

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, Bellwether Real Estate Capital, LLC, Berkadia Commercial Mortgage LLC, Berkeley Point Capital LLC, BMO Harris Bank N.A., CBRE Capital Markets, Inc., Columbia National Real Estate Finance, LLC, Grandbridge Real Estate Capital LLC, Holliday Fenoglio Fowler, L.P., Jones Lang LaSalle Operations, L.L.C., KeyCorp Real Estate Capital Markets, Inc., M&T Realty Capital Corporation, NorthMarq Capital, LLC, Prudential Affordable Mortgage Company, LLC, The Community Preservation Corporation, Walker & Dunlop, LLC (successor to CWCapital LLC) and Wells Fargo Bank, National Association.

Loan Purpose
Fifty-two loans (60.9%) were used to refinance existing debt and the remaining 29 (39.1%) were for acquisition financing.

Loan Purpose	% of Initial Pool Balance	# of Loans
Refinance	60.86%	52
Acquisition	39.14%	29
Total	**100%**	**81**

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 sponsor 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.

This pool has one set of cross-collateralized loans—Pinecrest Apartments 120 and Pinecrest Apartments 40 (0.8% combined).

Loans with Common Borrower Ownership	Cut-off Date Principal Balance	% of Cut-off Pool Balance
London Towne	26,840,000	2.0%
Palm Villas At Whitney Ranch Apartments	24,000,000	1.7%
Rancho Del Sol	15,697,000	1.1%
Harbor Pointe Apartments	14,255,000	1.0%
Regency Square Apartments	12,320,000	0.9%
Morgan's Landing Apartments	9,160,000	0.7%
Dunwoody Crossing Apartments	5,746,000	0.4%
Total	**108,018,000**	**7.9%**
Endicott Green	35,196,000	2.6%
The Ashlar Apartment Homes	34,275,000	2.5%
Hilands I Apartments	17,500,000	1.3%
Total	**86,971,000**	**6.3%**
Lodge At Castle Pines	40,568,000	3.0%
San Tropez	30,279,000	2.2%
Total	**70,847,000**	**5.2%**
The Towers At Four Lakes	35,000,000	2.6%
Portofino At Mercer Crossing	17,550,000	1.3%
Total	**52,550,000**	**3.8%**
Hunters Ridge At Walden Lake	15,200,000	1.1%
Pierpoint Apartments	12,000,000	0.9%
The Groves Apartments	8,000,000	0.6%
Total	**35,200,000**	**2.6%**

Tenants In Common

The borrowers for Village Park Of Minnetonka (1.0%), The Cornelius Apartments (1.0%), Harbour Manor (0.5%), and Tucson Trails Apartments (0.5%) own the mortgaged real properties 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 1.83x and 1.45x. All 81 loans have an amortizing coverage of 1.11x or better, and the majority (79 loans, 96.8%) has a coverage that exceeds 1.20x. Worth noting is that 30 loans (29.9%) have an amortizing DSCR of at least 1.41x.

Morningstar DSCR	# Loans	Combined % of Cut-off Pool Balance	Morningstar Amortizing DSCR	Morningstar Beginning LTV	Morningstar Ending LTV
Less than 1.00 x	0	0.0%	-	-	-
1.01 x – 1.10 x	0	0.0%	-	-	-
1.11 x – 1.20 x	2	3.2%	1.19 x	95.4%	82.1%
1.21 – 1.30 x	32	45.6%	1.25 x	94.5%	80.9%
131 x – 1.40 x	17	21.3%	1.34 x	93.2%	77.6%
1.41 x – 1.50 x	10	7.1%	1.45 x	84.3%	69.6%
>1.50 x	20	22.8%	2.03 x	64.8%	55.9%

Portfolio Leverage

With average and weighted-average (by loan balance) beginning LTVs of 88.3% and 89.5%, respectively, based on Morningstar's property values, 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 (35 loans, 54.4%). Moreover, beginning LTVs for 69 of the 81 loans (89.2%) are 81% or higher while 43 (61.3%) are at least 91%, including eight (7.0%) that are at least 101%.

Leverage Based on Morningstar's Value	# Loans	% of Cut-off Pool Balance	Morningstar Current DSCR	Morningstar Amortizing DSCR
<70% LTV	5	3.3%	3.98 x	3.98 x
70% - 75%	4	5.0%	1.58 x	1.58 x
76% - 80%	3	2.5%	2.04 x	1.53 x
81% - 85%	16	17.0%	1.79 x	1.55 x
86% - 90%	10	10.9%	1.73 x	1.38 x
91% - 95%	12	19.8%	1.65 x	1.32 x
96% - 100%	23	34.6%	1.79 x	1.29 x
101% - 105%	7	6.7%	1.67 x	1.22 x
>105%	1	0.3%	1.64 x	1.24 x

Loan Structural Components

SPE and Bankruptcy Remoteness

The borrowers for 80 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. The borrower(s) for Ridge Apartments are single asset entities whose only assets are the related mortgage properties; however, additional debt may be incurred by such borrower(s) which may increase the risk of bankruptcy.

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 or and/or requirements with respect to prepayments during a portion of their respective loan terms. Seventy-seven loans (94.7%) 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 four loans (5.3%) require that voluntary prepayments made during a specified period of time be accompanied by a prepayment premium or yield maintenance charge.

Property Releases / Substitutions

Seventy-seven loans (94.7%) 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

Only one loan of 81 is subject to existing secured subordinate debt. Tahquitz Court Apartments (0.4%) has a small subordinate loan in the amount of $216,327.

Future Subordinate Debt

Other than the aforementioned Tahquitz Court Apartments, no other property is encumbered by existing subordinate debt; however, all 81 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 valuation, eight loans (7.0%) 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. Park Crossing Apartments (3.6%), the #4 loan in the pool, has a Morningstar LTV of 100%. The #13 loan, University Village of Austin, has a beginning LTV of 102.8%.

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 Bell Channelside, Park Crossing Apartments, Lodge At Castle Pines, The Merc And The Element, Endicott Green and The Towers At Four Lakes reported at least one current or recent default (collectively 18.0%), and the sponsors for Bell Channelside, Lodge At Castle Pines, Endicott Green and The Towers At Four Lakes (collectively 11.7%) reported prior foreclosures with respect to the sponsors' other properties.

Sponsor or Borrower Litigation

The sponsors of the loans below reported existing or past litigation.

- According to the information provided, the sponsor for Endicott Green, The Ashlar Apartment Homes and Hilands I Apartments (collectively 6.3%) disclosed seven litigation issues, including (i) a class action lawsuit alleging construction defects, negligence and breach of warranty, (ii) a fee dispute in connection with legal services rendered, (iii) a lawsuit alleging breach of a construction contract, (iv) a lawsuit filed by a former employee alleging breach of contract, (v) a lawsuit alleging negligent construction, trespass and interference; (vi) a lawsuit to enforce the terms of a promissory note, and (vii) a foreclosure action and enforcement of a guaranty.

- Ashlar Apartment Homes (2.5%): According to the information provided, the sponsor disclosed several pending lawsuits relating to the sale of residential mortgage-backed securities.

- Fountains of Conroe (1.3%): According to the information provided, the sponsor disclosed a pending lawsuit claiming breach of express contract, breach of quasi-contract and unjust enrichment in connection with the use of proprietary information and purchase of certain real estate.

- Nantucket Creek (1.3%): According to the information provided, the sponsor disclosed a wrongful termination lawsuit seeking $750,000 in addition to unspecified punitive damages, and other pending litigation relating to investment property proceeds in connection with the divorce of a related investor.

- The Commons at Town Center (1.1%): According to the information provided, the sponsor disclosed pending litigation in connection with the sale of certain real estate for which the related sponsor was a fifty-percent owner and manager, and which litigation pertains to the regulatory closure of certain UST-related environmental matters in connection with such real estate.

- Bristol Park Apartments (0.6%): According to the information provided, the sponsor disclosed pending litigation in connection with a real estate loan.

- Ridge View Apartments (0.5%): According to the information provided, the sponsor disclosed an ongoing lawsuit in connection with a construction matter related to two multifamily real estate ventures.

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.

No Guarantee for Recourse Carveouts

No guarantees of the nonrecourse carveout provisions of the related loan documents were obtained for the Riverlodge, Murray Hill Mews, and Lake Pointe Village Apartments loans.

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 if the servicer is not otherwise aware of such termination.

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 81 loans are secured by first-mortgage liens on multifamily properties. Five properties are categorized as student housing properties, and two as assisted/independent living facilities. 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-K21 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 26.4 years. And while two properties—Bayhill Gardens and The Merc and The Element—are more than 50 years old, both properties are in stable, in-fill locations and well positioned in their respective markets. The former was built in the late '40s and is in Oakland Gardens, New York, roughly 18 miles east of New York City. A portion of the latter was built in the early '40s, but then fully renovated in 2008 when the second phase of the property was built from the ground up.

Age in Years	# of Properties	% of Cut-off Balance
>50	4	8.9%
40 -50	15	15.6%
30 -39	9	7.5%
20 -29	27	24.4%
10 - 19	11	19.3%
<10	15	24.4%
Totals	**81**	**100%**

Geographic Composition

As the tables below show, the properties have average regional and state distributions. Texas and Florida have the largest concentrations at 16.8% and 12.0%, respectively.

Region	Combined % of Cut-off Pool Balance	# Properties	Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR	Morningstar Beginning LTV	Morningstar Ending LTV
Mid-Atlantic Region	15.0%	8	10.4%	2.37 x	1.99 x	64.44%	59.2%
Midwest, Eastern Region	10.0%	12	9.1%	1.75 x	1.56 x	86.90%	69.3%
Midwest, Western Region	4.9%	4	8.3%	1.88 x	1.42 x	93.87%	79.5%
New England Region	6.1%	2	8.0%	1.58 x	1.39 x	79.39%	65.8%
Southern, Atlantic Region	11.2%	11	8.2%	1.64 x	1.34 x	89.56%	73.4%
Southern, East Coast Region	19.4%	16	7.7%	1.86 x	1.32 x	94.27%	80.1%
Southern, West Coast Region	19.2%	15	7.8%	1.70 x	1.35 x	90.56%	75.5%
Western, Mountain Region	9.2%	6	7.6%	1.75 x	1.27 x	90.35%	79.0%
Western, Northern Pacific	4.9%	7	7.8%	1.85 x	1.34 x	84.75%	73.9%
Western, Southern Pacific	0.0%	0	-	-	-	-	-

Top Five States

State	# of Properties	% of Allocated Loan Balance
Texas	13	16.8%
Florida	7	12.0%
New York	5	10.9%
Massachusetts	2	6.1%
Georgia	7	5.5%
Totals	**34**	**51.3%**

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 for 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. (See table below.) 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 31 of the 81 properties (59.7% by balance) including those backing the largest 14 loans and assigned property quality scores to each. We assigned a score of 2, above average, to five properties (9.5%), and a score of 4—below average—to one (0.5%). We assigned 3s to the 25 other properties (49.7%) we toured. The weighted-average property quality score for the properties visited was 2.85 based on the initial allocated loan balance.

Quality Score	# of Properties	% of Cut-off Balance
1	0	0.0%
2	7	12.7%
3	76	86.3%
4	2	1.0%
5	0	0.0%
Totals	**85**	**100%**

Ownership Interest

All of the properties securing the loans have fee simple ownership; there are no leasehold properties in the pool.

Ownership Interest	# of Loans	% of Cut-off Pool Balance
Fee Simple	81	100%
Leasehold	0	-
Fee / Leasehold	0	-
Total	**81**	**100%**

Two properties—The Enclave At Albany Park and Manchester Court Apartments (collectively 1.0%)—are owned in whole or in part, as a condominium. Each related sponsor reported that each related borrower owns 100% of the related condominium units. In the related security instruments, 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.

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 five properties representing 7.0% of the portfolio as student housing properties. Another seven properties 4.6% have a student concentration of 15% or more. The three largest loans with a significant concentration of student tenants are: University Village At Austin (2.2%), The Cottages Of Norman (2.0%), and The Cottages Of Columbia (1.5%).

- Military Housing Properties – These properties have a significant number of units (20% or more of total tenancy) leased to military tenants. Base closings and the transient nature of military service may adversely affect the rental stream from these properties. Morningstar classifies two properties representing 2.5% of the portfolio as military housing properties: the Preserve at Port Royal (1.7%) and Oldfield Mews Apartments (0.8%).

- 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 eight properties (10.6%) as income-restricted multifamily properties. The eighth and tenth largest loans, Endicott Green (2.6%) and The Groves At Piney Orchard (2.6%), are backed by a 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 classifies two properties (1.8%) as healthcare-related properties.

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

Property	Cut-off Balance	% of Cut-off Balance	Assisted/Indep. Living	Military	Student	Corporate	Senior
The Paddocks Of Saratoga	$46,875,000	3.4%	-	-	-	13.1%	-
The Groves At Piney Orchard	$35,000,000	2.6%	-	16.0%	-	-	-
University Village At Austin	$30,720,000	2.2%	-	-	99.0%	-	-
The Cottages Of Norman	$26,880,000	2.0%	-	-	100.0%	-	-
Palm Villas At Whitney Ranch	$24,000,000	1.7%	-	1.0%	6.0%	-	-
Preserve At Port Royal	$23,512,500	1.7%	-	50.0%	-	-	-

Risks Associated with Older Properties

Twenty-eight loans (32%) 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 but may be partly mitigated by extensive renovation programs. Of particular note, the largest loan, Bayhill Gardens, is backed by a property built in the late 1940s. The property owner has renovated the units over the years and continues to do so today. However, as a result of differences in the timing of unit renovations, not all units are in the same condition or offer the same amenities. That said, the property's location is a key demand driver and occupancy has been above 97% for the past three years.

Environmental Concerns

An environmental report was prepared for each property securing a loan no more than 14 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.

- Bayhill Gardens (4.7%): the environmental consultant reported that the property is listed on certain environmental databases in connection with nine underground storage tanks (USTs) located at property. The consultant reported that the USTs were closed in accordance with state and municipal guidelines and are not considered a recognized environmental condition. In addition, the consultant observed five above-ground storage tanks (ASTs) installed and properly registered at the property, which ASTs are not considered to be recognized environmental conditions. The consultant also reported that in 2001 a tank overfill occurred at the property, releasing 100 gallons of fuel oil into the soil. Impacted soils were excavated and removed and soil sampling confirmed acceptable results in connection with the remediation activities and the relevant regulatory authorities issued closure. In addition, a spill incident occurred in 2001 when potential heating oil was discovered, which incident was also noted as properly closed by state environmental authorities. Based on the regulatory status and the information provided by property management, the environmental consultant concluded that neither 2001 incident represents a historic recognized environmental concern and that no further action was required.

- Bell Channelside (3.6%): the environmental consultant reported that certain prior uses and contamination of the property represents a historic recognized environmental condition. The property was formerly the site of an operations yard for the City of Tampa, Florida, which facility utilized thirteen (13) USTs ranging in size from 500-gallons to 10,000-gallons. Low levels of petroleum and other chemicals have been detected in the groundwater at the property. Between 2003 and 2007, extensive cleanup at the site occurred and 20,000 tons of impacted soil were disposed off-site. The related mortgaged real property is listed as a Brownfield site, aVoluntary Cleanup Program site, a leaking UST and UST site, a Facility Index System (FINDS) site, a National Pollutant Discharge Elimination System (NPDES) site, a Financial Assurance site, and a Resource Conservation and Recovery Act Conditionally Exempt Small Quantity Generators (RCRA-CESQG) site. The state environmental authorities have indicated that no further action is required.

- Park Crossing Apartments (3.6%): the environmental consultant reported that the property was formerly the site of a filling station. In 2009 and 2010 a groundwater monitoring well located at the property revealed elevated metals in groundwater above groundwater quality standards and low levels of petroleum-related compounds below groundwater quality standards. No additional investigation was recommended. The related environmental consultant recommended properly closing the monitoring well.

- The Cottages of Norman (2.0%): the environmental consultant reported that two oil and gas production wells were installed at the property in 1978, one of which was plugged and abandoned in 2008 prior to construction of the improvements at the property and one of which remains an active oil and gas production well. The related environmental consultant reported that the active well is not owned, operated or maintained by the property and no spills or releases have been reported. Based on the results of a prior environmental assessment, the current regulatory status and the legal obligations of the well owner relative to potential spills and releases, the wells discussed in the related environmental report are not considered a recognized environmental concern and no further action was recommended.

Securitization Trust Summary

Priority of Payments on FREMF 2012-K21 Trust Certificates

The priority of payments on the FREMF 2012-K21 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 2012-K21 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, 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 July 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-021 Structured Pass-Through Certificates (SPC K-021)

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 2012-K21", 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 Berkshire Property Advisors, L.L.C. ("Berkshire") or an entity to be formed by Berkshire will serve as the initial directing certificateholder.

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 OC and information provided by arranger, 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 (which entity generally must be an affiliate of Freddie Mac or a successor in-interest to Freddie Mac) 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, without limitation, (i) such transferee may not have the experience, capital and/or resources to undertake any obligations or exercise any rights of Freddie Mac, (ii) such transferee 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 the transferee 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.

Reserve Accounts

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

Real Estate Tax Escrows
Eighty of the 81 loans (99.5%) provide for monthly or upfront escrows to cover property taxes on the related properties. However, in the case of The Lodge At Wake Forest (1.0%) and Lake Pointe Village Apartments (0.5%), the borrower is not required to reserve for real estate taxes unless the related property's performance falls below certain thresholds. 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
Sixty-five loans (72.0%) provide for monthly or upfront escrows to cover insurance premiums on the properties. The borrowers for the remaining 16 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. Seventy-five loans (85.3%) provide for monthly payments into reserve for replacement accounts. 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 $7.56 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 four appraisals (1.8% combined), all of the appraisal reports were prepared within the past twelve months.

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 14 months of the date of securitization. These reports identified deferred maintenance items and quantified long-term capital expenditure needs. Up-front reserves of $9.11 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, 75 loans require a monthly reserve for replacement account which can be used to repair or renovate the related properties as needed.

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 14 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

Seven properties (4.9%) 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 none of the properties 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

The following assets have flood insurance in place as of securitization: Nantucket Creek (1.3%), Reflections (1.1%), The Groves Apartments (06%), and Barclay Arms Apartments (0.3%).

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 October 11, 2012 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 October 11, 2012: (i) the October 11, 2012 posted draft information circular, (ii) the following for the Bayhill Gardens loan: (a) loan summary for the Bayhill Gardens loan, (b) Agreement of Limited Partnership of Mid Queens Limited Partnership, dated as of September 6, 1994, Amendment to Agreement of Limited Partnership, dated as of October 29, 1997 and Second Amendment to Agreement of Limited Partnership of Mid Queens Limited Partnership and Consent, dated as of June 12, 2012,(c) Certificate of Amendment of the Certificate of Incorporation of Mid Queens Corp. dated as of June 12, 2012,(d) opinion of Backenroth, Frankel & Krinsky, LLP dated June 12, 2012 regarding nonconsolidation and (e) opinion of Herrick, Feinstein LLP dated June 12, 2012 regarding enforceability and other matters, (iii) the October 11, 2012 posted draft pooling and servicing agreement, (v) the October 10, 2012 posted draft offering circular supplement regarding the K-021 SPCs, (vi) the October 10, 2012 posted draft mortgage loan purchase agreement and (vii) the August 30, 2012 posted form intercreditor agreement relating to future supplemental financing. 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-021 SPC certificates terms supplement to pass-through certificates master trust agreement, (ii) the K-021 SPC master trust agreement which per confirmation posted September 25, 2012 will be the same as the June 1, 2010 master trust agreement used in connection with the K-708 and K-710 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-021 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.

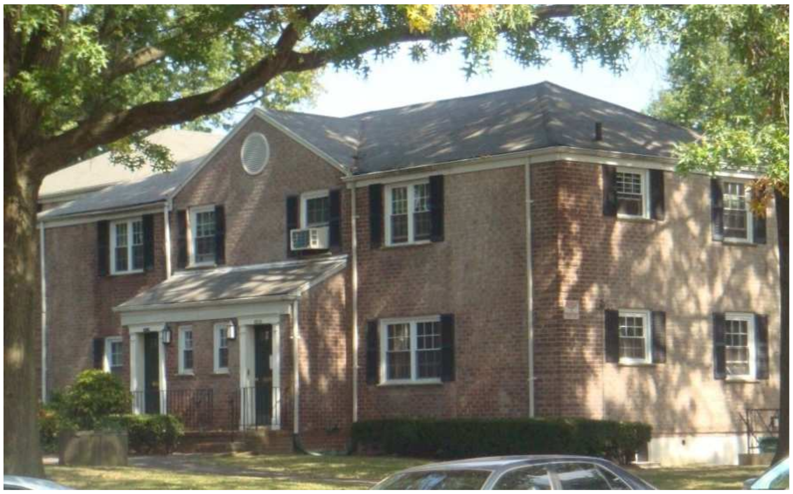
Morningstar considers the above collateral analysis and the legal analysis in conjunction with Morningstar's subordination model (described at www.Morningstar.com) to determine the preliminary ratings.

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.

Bayhill Gardens

Analyst: Howard Peterson (267) 960-6024
Analytical Manager: Rob Grenda (267) 960-6023



Property Summary		
Property Type	Multifamily/Garden	
Location	Oakland Gardens, NY	
Year Built/Renovated	1949/2011	
Multifamily Units	684	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	97.50%	As of: 6/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$65,000,000	($95,029/unit)
Loan Amount (Cut-Off Balance)	$65,000,000	($95,029/unit)
Loan Term (months)	120	
I/O Period (months)	120	
Amortization Term (months)	0	
Loan Seasoning (months)	4	
Interest Rate	3.77000%	

Morningstar Analysis		
Current DSCR	2.11 x	
Amortizing DSCR	2.11 x	
Beginning LTV	80.42%	
Ending LTV	80.42%	
Capitalization Rate	6.40%	
Morningstar Occupancy	95.00%	
Net Operating Income	$5,457,425	
Net Cash Flow	$5,173,017	
Value	$80,828,396	($118,170/unit)
Debt Yield	7.96%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$65,000,000	3.77000%	2.11 x	2.11 x	80.4%	88.7%
Total	**$65,000,000**	**3.77000%**	**2.11 x**	**2.11 x**	**80.4%**	**88.7%**

Morningstar Summary

Bayhill Gardens is a ten-year, $65.0 million ($95,029 per unit) refinancing of existing $30.8 million in debt and cash out of $32.8 million. The loan is interest-only for the full loan term. The borrower purchased the property in 1994 for $25.0 million. The loan represents a 62.9% loan-to-appraised value ratio. The property is a 684-unit, garden-style apartment complex built in 1949 in Bayside, New York. Bayside is located about 18 miles east of Manhattan, in the borough of Queens in an area considered to be a stable, middle income residential area. The property is currently 97.5% occupied as of the 6/30/12 rent roll, with average rents of $1,366 per unit per month. Historical occupancy has averaged 98.4% since 2010. Gross Potential Rent (GPR) continues to improve with average rents growing from $1,286 per month in 2010, to $1,308 in 2011 to $1,319 as of the most recent trailing twelve months ("TTM") ending May 30, 2012. This growth has continued while maintaining strong occupancy levels of more than 97.9% over the last three years.

Overall, the property is located in a neighborhood that has good access to New York City, with favorable population and employment demographics.

The Bears Say

- Older property, built in 1949, offering few common area amenities.
- Full term interest-only loan: This risk is mitigated by the Morningstar I/O DSCR of 2.11x on sustainable cash flow that is 8.7% less than the TTM ending 6/30/12 and reasonable Morningstar LTV of 80.42%.
- The property is subject to rent stabilization laws primarily because it benefits from a J-51 real estate tax exemption. The program will terminate in 2023 and will no longer require rent restrictions.
- Higher ending LTV as a result of the J-51 real estate tax exemption. The loan benefits from lower real estate taxes during the loan term. Current full taxes were $2.48 million, higher than the $1.48 million underwritten. Morningstar took the present value of the tax savings and added it back to the Morningstar capped value at balloon, resulting in a Morningstar adjusted ending value of $73.3 million, or ending LTV of 88.7%.
- According to the Property Condition Report, only minor immediate repairs of $13,735 were noted by the engineer. However, based on the relative age of the property, annual inflated reserves for replacement were estimated at $378 per unit per year. This is slightly higher than the typical multifamily property that ranges from $250 to $300 per unit.

The Bulls Say

- The subject property is located 18 miles east of Manhattan in Queens Borough. New York City is one of the largest metropolitan areas and a major employment market. The close proximity allows easy commute to and from Manhattan and surrounding areas.
- The property has historically operated at an average vacancy of 2% over the past three years. Submarket vacancy is low at 2.2% (mean) according to Reis.
- Experienced owners.

Property Description

The subject property is a 684-unit, garden-style apartment complex in the city of Bayside, New York. Bayside is located about 16 miles east of Manhattan, near the Nassua County-Queens border. The property was built in 1949 and consists of 38 two-story buildings on 27.26 acres. Common area amenities include four common laundry facilities, a playground and an on-site management office building. The units continue to be renovated on an as needed basis upon unit turnover, so amenities vary. Renovations range from $5,000 per unit for turnovers that only need cosmetic work up to $20,000 per unit for gut renovations. Major unit renovations generally include windows, cabinets, countertops, flooring, appliances and fixtures. Unit interiors contain hard wood, sheet vinyl and ceramic tile flooring, steel or porcelain sinks, composition-board cabinets, plastic laminate on particle-board countertops, gas oven/cooktop units, microwaves, refrigerators, dishwashers, and balconies on select units. The property is located in a predominately middle income residential community. Bell Boulevard to the west offers neighborhood amenities as well as public transportation via the Long Island Railroad, which is one mile north of the subject. Numerous bus routes traverse the neighborhood with connections to the NYC MTA subway lines. The major thoroughfares are Northern Boulevard directly south of the subject, Bell Boulevard two blocks west of the subject, and I-495, which provides direct access to Manhattan and Long Island. LaGuardia Airport is located nine miles west and John F. Kennedy International Airport is 13 miles south of the property.

The property benefits from a J-51 real estate tax exemption which requires the property to operate under rent stabilization guidelines. The exemption benefits for the subject commenced on 7/1/1989 and will terminate 6/30/2023, one year after the loan maturity. The J-51 tax exemptions will begin to burn off starting in 2020, and will end in tax year 2023. There are 675 units (98.7% of total units) that fall under New York City's rent stabilization program. Since 1995, the average rent increases allowed on renewals by New York City were 3.2% on 1-year leases and 5.8% on 2-year leases. In 2011/2012, the guidelines were a 3.8% increase and a 7.25% increase, on a 1-year and 2-year lease, respectively. When a rent stabilized unit is vacated the rent may be increased by 20%.

The property was visited on September 27, 2012. Bayside Gardens is in Bayside New York, a neighborhood in Queens. The neighborhood appeals to middle class and contains a variety of similar brick garden apartment complexes. There is a nearby strip center with commercial retailers and restaurants that is within walking distance of the subject. From farther out the property is accessed via I-495, the Long Island Expressway. Locally it is accessed via Horace Harding Expressway and 69th Avenue, both well-known roads locally. The exteriors are dated and the brick exteriors are fading but look to be in structurally good shape. There were no visible amenities. The leasing office and laundromat are located adjacent to the main parking lot but signage was difficult to find. That goes equally as well for the complex – there is one sign and it is hidden near the parking lot entrance of another building. The property offers parking lots at all four buildings and there is street parking available, but it is limited. There are garages at each building. The garages are in much need of updating, including paint and replacement of rotted wood and hardware. The parking lots are also in need of fresh blacktop. Based on the overall condition of the property, Morningstar gave this property an Average property rating.

Unit Type Mix

The property consists of 684 total units with an average unit size of 624 square feet. The majority (52.0% of the units) are concentrated in two-bedroom floor plans representing 356 units, ranging from 549 square feet to 630 square feet with an average size of 608 square feet. There are 212 three-bedroom units with an average of 724 square feet and 116 one-bedroom floor plans with 492 square feet.

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	116	17.0%	492
Two Bedroom	356	52.0%	608
Three Bedroom	212	31.0%	724
Townhomes/Other	0	0.0%	0
Total	**684**	**100.0%**	**624**

Market Overview

Bayhill Gardens is located in the city of Bayside, in the New York City borough of Queens within the New York MSA. The MSA is recognized as the business and financial capital of the United States.

The collateral property is located in the Queens County submarket, within the New York metro market, according to Reis. Per Reis Q2/2012 data, the mean and median per unit asking rent for the submarket is $1,524 and $1,329, respectively. As of this same time period, mean and median vacancy for the submarket is 2.2% and 1.0%, respectively. Based on the age of the property, it would fall under the Before 1970 vintage category, representing approximately 65% of the total inventory for this submarket. The vintage average rent was $1,332 per month with market vacancy of 1.1%, according to Reis.

The appraisal identified ten comparable properties, all located in the Bayside or Oakland Gardens areas. Average comparable per-unit rental rates for one-, two-, and three bedroom units were $1,275, $1,538 and $1,763, respectively. The appraisal concluded per-unit market rental rates for one-, two-, and three-bedroom units of $1,250, $1,480 and $1,675, respectively, for the subject property. The appraiser estimated market rents of $1,399 per month with market vacancy of 3.0%. The appraisal reported comparable property occupancy levels between 95% and 100%, with an average of 97.8%.

For the purposes of estimating market rent and vacancy, Morningstar utilized the subject's in-place rents, which were $1,366 per month as of the 6/30/12 rent roll. Morningstar utilized the Reis submarket vacancy of 1.1% for the market estimate. 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 to in-place rent and a 5% minimum vacancy.

Sponsorship/Management

The borrowing entity is Mid Queens Limited Partnership, a recycled single-purpose, New York limited partnership.

The property management is Cammeby's International, a borrower-controlled management company with a contract rate of 3.0% of effective gross income.

Morningstar Analysis

	Morningstar	2010	2011	TTM 06/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$11,211,143	$10,774,513	$10,998,858	$11,090,605	
or					
Base Rent	0	0	0	0	
Laundry/Vending	16,930	18,708	17,554	16,674	
Expense Reimbursement	0	0	0	0	
Percentage Rent	0	0	0	0	
Parking Income	373,844	364,544	383,346	386,511	
Other Income	84,743	118,642	91,729	114,242	
Less: Vacancy Loss	-580,304	-183,733	-178,543	-164,202	
Less: Concessions & Collection Loss	-80,581	-34,120	-84,709	-97,115	
Effective Gross Income	**$11,025,775**	**$11,058,555**	**$11,228,235**	**$11,346,715**	**$11,069,753**
Expenses					
Real Estate Taxes	$1,478,041	$1,211,103	$1,290,697	$1,353,348	
Property Insurance	124,567	147,508	155,976	163,166	
Utilities	1,546,234	1,360,117	1,466,241	1,440,795	
Repairs and Maintenance	687,993	517,715	701,677	665,498	
Janitorial	0	0	0	0	
Management Fees	330,773	659,285	668,445	666,986	
Payroll & Benefits	1,148,393	1,009,585	1,103,894	1,154,391	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	51	0	50	50	
Professional Fees	88,391	81,413	82,935	90,922	
General and Administrative	163,907	113,047	156,808	146,498	
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	**$5,568,351**	**$5,099,773**	**$5,626,724**	**$5,681,654**	**$5,588,116**
Net Operating Income	**$5,457,425**	**$5,958,781**	**$5,601,511**	**$5,665,061**	**$5,481,637**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	284,407	24,678	116,685	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$284,407**	**$24,678**	**$116,685**	**$0**	**$258,552**
Net Cash Flow	**$5,173,017**	**$5,934,103**	**$5,484,826**	**$5,665,061**	**$5,223,085**

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	$1,366
Vacancy (%)	5.00%

As of the 6/30/12 rent roll, average rents were $1,365.88 per unit and vacancy was 2.5%. 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 along with a minimum market vacancy at 5.0%.

The appraiser indicated that the market does not offer rent concessions and that concessions had already been included in its GPR. However, Morningstar did underwrite for collection loss (Bad Debt), representing a three-year weighted average.

Other income includes RUBS (Ratio Utility Billing System) program, as well as laundry and miscellaneous fees. Morningstar underwrote based on the issuer's estimate, which was more conservative than the prior three years and the appraiser's estimate.

Expenses

Expenses were underwritten based on either historical weighted averages or the most recent period with a slight increase for inflation.

Real Estate Taxes benefit from a J-51 real estate tax exemption. The exemption benefit for the subject commenced on 7/1/1989 and will terminate 6/30/2023. This is the 23rd year of a 34-year program. The J-51 tax exemptions will begin to burn off starting in 2020, and will end in tax year 2023, one year after the loan maturity. Morningstar underwrote based on the current net tax liability, or $1,478,041, which is higher than the 10 yr average of $1,264,828. The appraiser concluded full taxes of $2,481,435.

Insurance was underwritten based on the recently renewed policy premium of $124,567, which was lower than the appraiser's estimate of $153,900.

Management Fees were underwritten based on the third-party management company's 3.0% contract rate.

Overall, expenses were 50.5% of effective gross income, consistent with the trailing twelve months (TTM) ending 6/30/12 of 50.1%, and lower than the appraiser's estimate of 54.4%.

Capital Items

A reserve for future capital expenditures is underwritten at $416 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar's multifamily capitalization rate for New York is 6.4%. There were no adjustments to the capitalization rate, property score or other special characteristics. This estimate is more conservative than the appraiser's capitalization rate of 5.5% and the capitalization rates from appraiser's sales comparables which averaged 5.66% and 6.2% when supplemented with other similar sale comparables from Real Capital Analytics ranging from March 2012 to June 2012.

Bell Channelside

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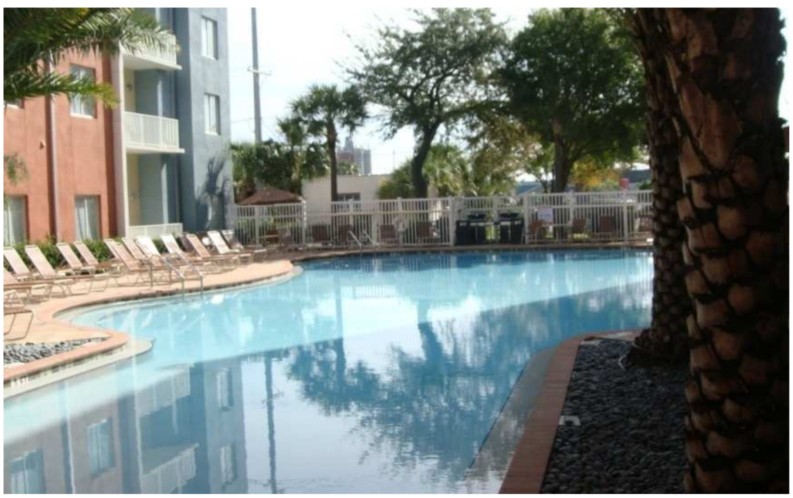
Analytical Manager: Rob Grenda (267) 960-6023



Property Summary		
Property Type	Multifamily/Mid-Rise	
Location	Tampa, FL	
Year Built/Renovated	2008/N/A	
Multifamily Units	422	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	92.65%	As of: 7/27/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$49,975,000	($118,424/unit)
Loan Amount (Cut-Off Balance)	$49,975,000	($118,424/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	3.88000%	

Morningstar Analysis		
Current DSCR	1.95 x	
Amortizing DSCR	1.34 x	
Beginning LTV	95.13%	
Ending LTV	79.87%	
Capitalization Rate	7.20%	
Morningstar Occupancy	91.45%	
Net Operating Income	$3,887,910	
Net Cash Flow	$3,778,823	
Value	$52,533,476	($124,487/unit)
Debt Yield	7.56%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$49,975,000	3.88000%	1.95 x	1.34 x	95.1%	79.9%
Total	**$49,975,000**	**3.88000%**	**1.95 x**	**1.34 x**	**95.1%**	**79.9%**

Morningstar Summary

Morningstar Perspective

Bell Channelside is a 422 unit mid-rise multi-family property located within the Channelside District of Tampa. The property was constructed in 2008 and is reported to be 92.7% occupied as of May 20, 2012. The property also includes a 302-unit self-storage facility located on the top floor of the building, which is currently operating at 69% occupancy. The loan is fairly levered with a loan to value of 73.5% based upon the appraised value but has an elevated loan to value of 95% based on the Morningstar value of $52.4 million. The loan provides stable debt service coverage of 1.95 times on an interest only basis and 1.34 times on an amortizing basis with a 7.6% debt yield, based on the Morningstar net cash flow of $3.77 million.

Bell Channelside struggled in 2010, as did most properties coming out of the recession, but recent data reports strong occupancy and operating performance over the past several periods. From year-end 2010 and 2011 to the trailing twelve months ending May 30, 2012, vacancy was 16.32%, 7.07% and 6.3%, respectively. Morningstar has underwritten the gross potential rent to $1,310 per unit, reflecting underwritten gross potential rent that is on par with the in-place rents and a minimum vacancy of 8.6% slightly below the average of the prior periods.

The property is well located within an area that is experiencing improved occupancy rates and is expected to experience improved demand. Given the occupancy characteristics of the competitive properties surveyed, as well as the current and historical occupancy at the subject, Morningstar believes its underwritten vacancy rate is well-supported. Our estimate of gross potential rent is in-line with recent historical performance but below the appraisal and budget. Gross potential rent per unit has been improving at a steady pace year over year since 2010. The Morningstar underwritten NCF is 8.3% below the trailing ten months annualized ending June 30, 2012.

With the improvements in fundamentals, construction is gathering momentum, however, with minimal construction completions expected for the remainder of 2012 and Reis's expectation that demand will outpace new supply, we believe that the market and the subject will continue to produce strong occupancy numbers. Vacancy should end the year at 6.1%. Gains of 3.2% and 4.2% are projected for the mean asking and effective rents for the year. Thus, strong rent growth should continue. Reis expects net absorption to remain strong during the remainder of the year; it should exceed the year's portion of new supply by about a thousand units. The market should continue to tighten next year.

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 secondary market resources we believe Bell Channelside will improve on its stable performance and most likely experience better than average levels of demand.

The Bears Say

- The Channelside District remains an area of mixed development results. The Channelside entertainment complex continues to struggle. Many of the residential properties in the Channelside District were originally built as condominiums, with several falling into distressed situations and selling as condo blocks out of foreclosure. These condo blocks have since been rented as apartments and compete against the subject property.
- The weakened overall economy has contributed to depressed employment levels.
- The property is a former Brownfields site. Ownership participated in an EPA program and a letter from FLDEP, dated November 3, 2011, indicated that no further action is required
- The loan is interest-only for the initial two years.

The Bulls Say

- The property was built in 2008, is in excellent condition and offers a good amenities package.
- The property is 92.7% occupied as of the July 27, 2012 rent roll.
- The property has a desirable location that offers good access to major roadways and the downtown district of Tampa.
- There is good demand for rental units in the neighborhood, as there is a large segment of young professionals and students in the neighborhood that wish to be close to downtown and nearby employment centers.
- The subject includes a 302 unit self storage facility that generates significant additional income.
- The Tampa mayor has identified downtown residential development as a strategic priority for improving Tampa.

Property Description

The subject is a 422 unit mid-rise multi-family property located within the Channelside District of Tampa. The property was constructed in 2008 and is situated on a 6.747-acre site. Currently, the property is 92.7% occupied and is considered to be in excellent condition. The subject includes a 302-unit self-storage facility located on the top floor of the project, which is currently operating at 69% occupancy. The income from the self storage units has been treated as other income in our analysis. The subject is a Brownfields site that was previously found to contain environmental contamination. The subject's participation in an EPA program that began on December 9, 2004, has helped to mitigate the pre-existing environmental contamination. According to a letter from Florida Department of Environmental Protection, dated November 3, 2011, no further action is required.

The neighborhood currently has a slightly above average income demographic profile with a 2011 average household income of $57,957 within a three-mile radius. The major attraction to this area is its close proximity to downtown, major roadways, employment centers and shopping. The quality and quantity of community services and infrastructure are generally good as well. The outlook for the neighborhood is for stability over the next several years. As a result, the demand for existing developments is expected to be average in the short term and above average as prevailing economic conditions continue to improve.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	142	33.6%	779
Two Bedroom	234	55.5%	1,144
Three Bedroom	46	10.9%	1,561
Total	**422**	**100.0%**	**1,067**

Market Overview

The property is situated in a submarket of the Tampa-St. Petersburg MSA. The most recent Reis Data report (June 2012) indicated that the current overall vacancy rate for the Tampa MSA apartments is estimated at 5.9%. The Bell Channelside property is located in the Central Tampa submarket, within Hillsborough County. The most recent Reis Data report (June 2012) indicated that the current overall vacancy rate for the Central Tampa submarket is estimated at 6.6%. Over the past three years the submarket has experienced a vast improvement in vacancy rates as the market recovered from a peak rate of 21.9% in 2009, to 9.9% and 7.2% in 2010 and 2011, respectively.

Rental rates at the market level have trended upward over the past 12 months, while vacancy continued to decline, dropping 8.9% over the past six months and an impressive 23% over the trailing 12 months (8.1% to 6.6%). These trends are expected to continue given the relatively small number of units proposed and under construction in the market. The development pipeline has slowed with no new starts in the last six months. In the Central Tampa submarket, there are currently 360 units under construction and an additional 3,705 units proposed (1,876 apartments and 1,835 condos). The development of the Channelside District had been a response to the significant appreciation of homes in the Hyde Park Historic District and neighborhoods along the Bayshore Boulevard corridor.

All signs indicate that the immediate area surrounding Bell Channelside is projected to experience moderate, positive growth relative to households and population into the near future. Given the area demographics, it appears that demand for both comparable surrounding area apartment units and the subject will continue to be good.

Morningstar Analysis

	Morningstar	2010	2011	T10 06/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$6,633,840	$6,320,248	$6,417,127	$6,573,332	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	406,465	370,384	406,336	400,012	
Storage Rent	140,693	100,932	157,568	140,693	
Parking Income	11,218	7,755	12,078	11,518	
Other Income	217,030	284,292	221,125	253,446	
Less: Vacancy Loss	-592,919	-1,018,079	-452,830	-554,934	
Less: Concessions & Collection Loss	-68,057	-153,025	-20,272	-21,417	
Effective Gross Income	**$6,748,270**	**$5,912,506**	**$6,741,132**	**$6,802,650**	**$6,757,812**
Expenses					
Real Estate Taxes	$1,124,002	$785,163	$860,403	$921,085	
Property Insurance	233,338	246,104	223,385	246,856	
Utilities	257,561	263,921	249,818	265,304	
Repairs and Maintenance	215,175	161,471	180,957	174,032	
Janitorial	0	0	0	0	
Management Fees	202,448	204,713	245,866	244,327	
Payroll & Benefits	420,990	423,386	445,417	459,517	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	63,785	97,068	46,770	44,630	
Professional Fees	0	0	0	0	
General and Administrative	73,829	76,013	72,590	70,861	
Non-Reimbursable Expenses	175,283	174,008	168,668	183,172	
Other Expenses	86,353	37,821	83,644	69,936	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,860,360**	**$2,469,670**	**$2,577,519**	**$2,679,720**	**$2,848,825**
Net Operating Income	**$3,887,910**	**$3,442,837**	**$4,163,613**	**$4,122,930**	**$3,908,987**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	105,500	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$105,500**	**$0**	**$0**	**$0**	**$105,500**
Net Cash Flow	**$3,778,823**	**$3,442,837**	**$4,163,613**	**$4,122,930**	**$3,803,487**

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	$1,310
Vacancy (%)	8.6%

Morningstar's analysis of the property resulted in an NCF of $3.77 million, which is 0.6% lower than the issuer's underwritten NCF. Morningstar underwrote vacancy at 8.6% despite the property reporting vacancy of 7.3% based on scheduled new supply coming to the metro. Morningstar underwrote rents based on the contract rate at the property resulting in a rental rate of $1,310 per unit. Morningstar's value for the property is $52.4 million, a 22.8% variance from the appraised value.

Morningstar visited the property on September 27, 2012. The property was in excellent condition and appeared well maintained. Occupancy was reported to be 95% by the manager. The property is well situated within the Channelside District of downtown Tampa. The immediate area consists of several apartment complexes and condominiums. One of the property's competitive advantages is that it offers excellent access to Tampa's downtown nighlife, shopping, dining and the Channelside Bay Plaza.

Storage Rental Data
Management reported that the property includes 302 self storage units, but currently only 296 are available for lease in the rental pool, while the other six units are used by management and are not available for lease. The current asking rents at the property for self storage units appeared reasonable and in-line with market parameters. We have based our estimate of self storage income on the property's historical self storage income. Typically, one month of free rent is offered and this concession is typical of the market.

Expenses ($ per unit)

Morningstar underwrote real estate taxes based on the actual tax bill for 2012 but gave credit for the 4% discount for early payment. Insurance was underwritten based on the actual 2012 premium. Morningstar underwrote management fees to 3% of effective gross income. The actual contract rate with a borrower-related management company is 3.0%. All other expenses are based on historical rates.

Capital Items

A reserve for future capital expenditures is underwritten at $250 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 5.75%. The sales included in the comparison resulted in a 5.60% capitalization rate. Morningstar's base multifamily capitalization rate for the subject's Tampa market is 7.2%. Morningstar made no adjustments to the capitalization rate.

**FREMF 2012-K21 Mortgage Trust,
Multifamily Mortgage Pass-Through Certificates,
Series 2012-K21**

Norwest Woods

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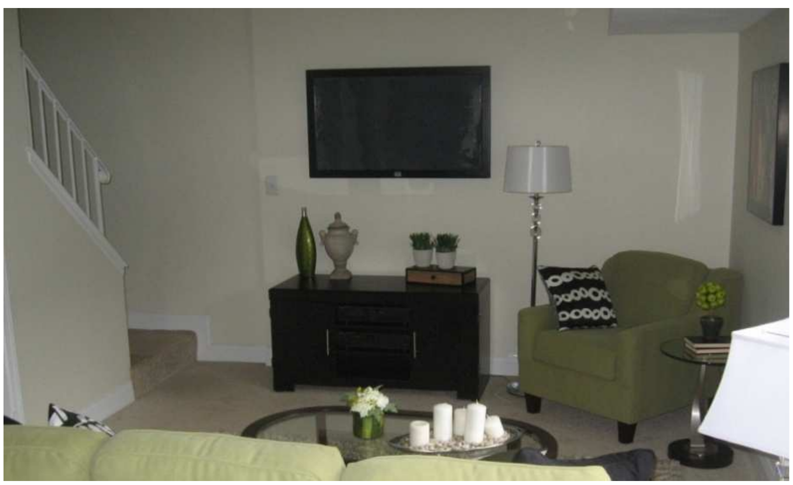
Analytical Manager: Rob Grenda (267) 960-6023



Property Summary		
Property Type	Multifamily/Garden	
Location	Norwood, MA	
Year Built/Renovated	1969/2011	
Multifamily Units	406	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	97.50%	As of: 6/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$49,350,000	($121,552/unit)
Loan Amount (Cut-Off Balance)	$48,941,029	($120,544/unit)
Loan Term (months)	120	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	3.99000%	

Morningstar Analysis		
Current DSCR	1.52 x	
Amortizing DSCR	1.52 x	
Beginning LTV	71.85%	
Ending LTV	57.53%	
Capitalization Rate	6.30%	
Morningstar Occupancy	95.00%	
Net Operating Income	$4,392,890	
Net Cash Flow	$4,291,390	
Value	$68,117,306	($167,777/unit)
Debt Yield	8.77%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$48,941,029	3.99000%	1.52 x	1.52 x	71.8%	57.5%
Total	**$48,941,029**	**3.99000%**	**1.52 x**	**1.52 x**	**71.8%**	**57.5%**

Morningstar Summary

Morningstar Perspective

The Norwest Woods loan is a ten-year, $49,350,000 ($121,552) loan which provided proceeds to refinance an existing loan of $29,899,979. The loan represents an 57.1% loan-to-appraised value ratio and the borrower has $13,974,613 of cash equity remaining in the transaction. The subject property is a 406-unit garden style multifamily development located in Norwood, Massachusets, 21 miles southwest of downtown Boston. Developed in 1970 and rehabbed and expanded in stages between 2004-2011, the property was 97.5% occupied as of June 30, 2012. Although the property is of an older vintage, the borrower invested over $21.3 million to improve the units and the buildings and to add a total of 84 units in three separate expansions.

Morningstar visited the property the morning of September 21, 2012. Local community services including a neighborhood supermarket and local retail are located in Norwood Center about one mile to the south. US Route 1, Norwood's major north-south road, contains a significant amount of commercial office and retail development located some two miles from the subject. The nearest interchange of Route 128 (and Route 1) is located about three miles from Norwest Woods. Overall, the subject property is considered to be in average condition however the 84 units that were most recently added to the property are of considerably higher quality.

Morningstar's analysis of the property resulted in a NCF of $4.3 million, which is 3% higher than the the trailing-twelve-months ending June 30, 2012 figure of $4.1 million. The NCF increase over the trailing twelve month statement is mainly attributable to the lease-up and stabilization of units that were constructed in 2011. Morningstar underwrote to an average rental rate if $1,605 per unit per month, which is slightly lower than the current average in-place rent of $1,611 per unit per month. In comparing in-place rents to the overall submarket, in-place rents are considerably higher than the Reis Class B estimate of $1,344 per unit per month however it is important to keep in mind that 74 (18%) of the units at the subject property were constructed in the last 7 years and are of higher quality than most of the other Class B product in the market. Additionally, a majority of the units at the subject are townhouse style, which typically command a higher rental rate. We have underwritten to a vacancy rate of 5% which exceeds the current vacancy rate of 2.4% (as of the 6/30/12 rent roll) and exceeds the mean vacancy for the submarket (per Reis) of 4.1%. Morningstar's value for the property is $68.8million ($169,493 per unit), a 20% variance from the appraised value of $86.4 million. The resulting Morningstar LTV and DSCR are 71% and 1.54x (amortizing), respectively. In-place renenues are considered sustainable as rents in the market are expected to grow over the next two years, after three years of decline due to poor prevailing economic conditions in the overall market.

The Bears Say

- The borrower cashed out $19 million as part of the transaction.
- The subject is an older property, built in 1970.

The Bulls Say

- Location - The property is located in Norwood, 20 miles southwest of downtown Boston. Route 1 is one mile east of the subject, and I-95 is three miles to the east of the subject, providing excellent access to the city. Boston is also accessible via commuter rail (approximate 35 minutes commute) from Norwood to South Station. The commuter rail stop is located 1.3 miles from the subject, and shuttle service is provided to residence as part of their amenities package.
- Lower leveraged loan with strong DSCR and debt yield.
- Stable and sustainable cash flows with an NOI that has increased over each of the last three reporting periods.

Property Description

The subject consists of a 406-unit market-rate rental development situated on a 29.3-acre site in the northwestern part of the Town of Norwood. Norwood is a residential suburb of Boston that has good access to downtown Boston and suburban employment given its close proximity to Route 128, Boston's inner beltway. Commuter rail service is also available with approximately 35 - minute direct service from Norwood to South Station in downtown Boston. The commuter rail line is located at Norwood Depot is just over one mile to the southeast via Nahatan Drive. The immediate neighborhood consists principally of single-family homes located along Nahatan Street, a two-lane street that runs south to Norwood Center (one-mile away) and north to Westwood to Route 109 (1.25 miles). The subject's proximity to Westwood is a positive influence given the desirability of Westwood as a residential community.

The development was constructed in phases. The original six townhouse clusters containing 322 units were constructed between 1969 and 1984. Between 2005 and 2006, 17 new courtyard units were added and seven units were demolished (resulting in 10 "net" units), which brought the total to 332 units. In May

2008 two new 2-story buildings containing a total of 20 units were added along Norwest Drive near the entrance. These units were leased by the end of June 2008, which resulted in monthly absorption of 10 units/month. Then, in July 2011, the newest building, a three-story elevator building containing 54 units came on-line. The subject has a mix of one bedroom (26%), two bedroom (46%) and three bedroom units (28%), however it is principally comprised of townhouse-style units as just over 80% of units fall in that category. All 74 of the units in the three newest buildings have one bedroom, while the 18 units on the top floor of the 54-unit building also have a raised loft area that overlooks the living room.

Since acquiring the property in 1999, the owner has made significant unit and common area improvements. At the time of purchase, approximately 23% of the subject's original units had never been renovated. Based on the most recent rent roll, that number now stands at about 8%. Common area improvements have included the installation of a new community building and outdoor pool, roadway and landscaping improvements, and the development of a new outdoor recreation space with soccer, basketball, and baseball areas. Excluding unit upgrades, improvements made since 2004 total more than $20.5 million. This includes the brand new 54-unit building, which had a cost of more than $7.8 million, or about $145,000/unit.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	105	25.9%	776
Two Bedroom	187	46.1%	1,062
Three Bedroom	114	28.1%	1,230
Total	**406**	**100.0%**	**1,035**

Market Overview

Norwood is a residential suburb of 27,820 persons (2011 Estimate) located some 21 miles southwest of Downtown Boston. The community is easily accessible to both Route 128, Boston's inner beltway, which runs just to the north of the community, and to I-95 which runs along the eastern border of Norwood. The community is very accessible to numerous employment centers located along Route 128. The subject property is located in a residential neighborhood in the western edge of the Town of Norwood on the border of neighboring Westwood. Norwest Woods is located about one mile from Norwood center, the community's commercial district, and three miles from Route 128 at the intersection of Route 1 in Westwood.

According to Reis, the subject property is located in the South Shore/Route-128 South Suburban submarket. Vacancy in the South Shore/Route-128 South Suburban sub-market ranged from 5.0% (2005) to 8.3% (2009), before dropping to 6.0% in 2010. After increasing each year between 2005 and 2006, the sub-market vacancy decreased to 6.4% in 2008 before increasing to 8.3% in 2009. The vacancy rate has continued to decline (to 4.4%) as of the 4th Quarter 2011. In the metropolitan area, the range was between 4.7% (2005) and 6.4% (2009), before declining to 5.1% in 2010. It has further decreased to 4.0% as of the 4th Quarter 2011. Over the next three-year period (2012 to 2015), the South Shore/Route-128 sub-market vacancy rate is projected to progressively decrease from 3.1% in 2012 to just 1.7% in 2015, which is the lowest rate between 2005 and 2015. Over the same period in the Boston metropolitan area, vacancy is also expected to fall each year from 3.2% in 2011 to 2.9% in 2015. The forecast of a steady decline in the sub-market and market-wide vacancy rate is a positive trend for the multifamily market. As for rents, between 2005 and 2010, the average effective rent in the South Shore/Rt-128 South sub-market increased by an annual rate of 2.1% (compounded). Currently (Q4 2011), effective rents in the sub-market have increased by 1.3% since year-end 2010. Over the same time period (2005 to 2010), the average effective rent in the MSA increased by an annual compounded rate of 1.9%. Currently (Q4 2011), effective rents in the Metro Area increased by 2.2% from 2010. Over the five-year period 2010-2015, effective rents are predicted to increase in the sub-market by an impressive 5.2% per year (compounded), and by 3.7% per year (compounded) in the Boston Metro Area. The strong rent growth corresponds to the progressive improvement in the sub-market and metro area occupancy rates through 2015.

Based on a survey of 3,289 units at nine multifamily rental developments, vacancy rates at comparable developments ranged from 1.3% (The Preserve) to 8.0% (Windsor Gardens at Norwood). The average vacancy rate for the surveyed properties was 4.7%. An analysis for the four comps in Norwood was also done. Based on a survey of 1,454 units at four multifamily rental developments, vacancy rates ranged from 3.0% (two properties) to 8.0% (Windsor Gardens). The average vacancy rate for the surveyed properties was 6.3%. The average is skewed however by the fact that the highest vacancy was at the largest property (Windsor Gardens has over 900 units). The 73 vacant units at Windsor Gardens represents approximately 80% of the vacant units at the comps in Norwood.

Morningstar Analysis

	Morningstar	2010	2011	TTM 06/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$7,773,441	$6,289,061	$6,955,131	$7,616,300	$7,933,860
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	156,704	129,521	160,232	170,611	
Less: Vacancy Loss	-378,899	-404,665	-565,980	-494,116	
Less: Concessions & Collection Loss	-352,169	-555,684	-372,488	-326,025	
Effective Gross Income	**$7,199,077**	**$5,458,232**	**$6,176,895**	**$6,966,770**	**$7,300,922**
Expenses					
Real Estate Taxes	$365,224	$268,809	$343,931	$318,893	
Property Insurance	59,495	50,504	55,211	57,483	
Utilities	417,662	426,767	364,992	368,195	
Repairs and Maintenance	710,364	789,020	804,097	710,364	
Janitorial	0	0	0	0	
Management Fees	287,963	218,329	185,307	200,530	
Payroll & Benefits	546,878	475,166	491,287	546,878	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	196,206	190,337	174,608	196,206	
Professional Fees	27,516	24,930	17,785	28,111	
General and Administrative	74,778	64,252	56,953	63,126	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	120,101	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,806,187**	**$2,508,113**	**$2,494,171**	**$2,533,160**	**$2,783,854**
Net Operating Income	**$4,392,890**	**$2,950,119**	**$3,682,723**	**$4,433,610**	**$4,517,068**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	101,500	104,657	106,575	107,895	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$101,500**	**$104,657**	**$106,575**	**$107,895**	**$101,500**
Net Cash Flow	**$4,291,390**	**$2,845,461**	**$3,576,148**	**$4,325,715**	**$4,415,568**

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	$1,595
Vacancy (%)	5.0%

Morningstar has estimated rent at $1,595 per unit, per month which matches the average in-place rents as of the June 30, 2012 rent roll. This figure also matches the appraiser's concluded average market rental rate per unit but is lower than the average rents for properties of similar vintage (constructed prior to 1969) of $1,372, as per Reis. Rents at the subject property are generally higher than the market for properties of similar vintage as 84 units at the subject were recently constructed and command a higher rental rate.

Expenses

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

Real Estate Taxes have been underwritten based on the appraiser's estimate, which is greater than T-12 and 2011. Given the 54 units that were recently added to the property, taxes are expected to increase in 2013.

Capital Items

A reserve for future capital expenditures is underwritten at $203 per unit per year, a 10% increase over the engineer's recommended reserves.

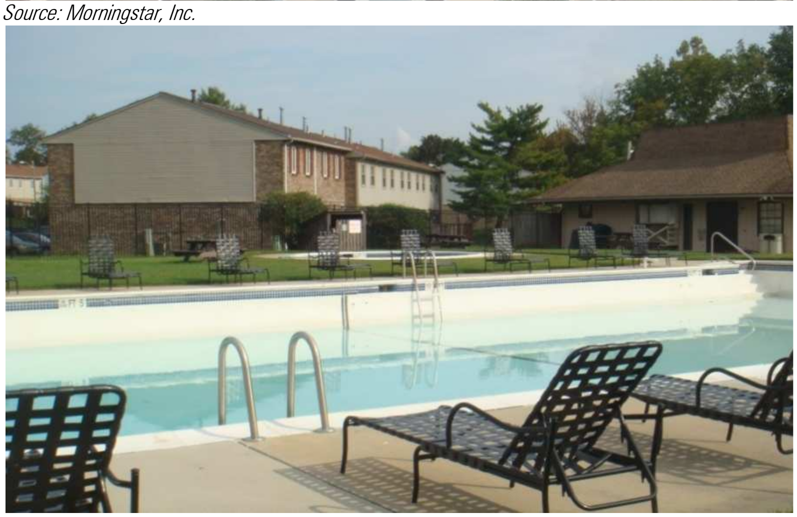
Valuation Drivers

The Morningstar base multifamily capitalization rate for the Boston MSA is 6.30%, which we have utilized to value the collateral. The Morningstar capitalization rate is 80 basis points higher than the appraisal capitalization rate of 5.50%.

Park Crossing Apartments

Analyst: Chandan Banerjee (646) 560-4512
Analytical Manager: Robert Grenda (267) 960-6023

Source: Morningstar, Inc.


Source: Morningstar, Inc.

Property Summary		
Property Type	Multifamily/Garden	
Location	Maple Shade, NJ	
Year Built/Renovated	1971/2011	
Multifamily Units	580	
Net Rentable Sq. Ft. (Other)	11,374	
Occupancy	89.83%	As of: 9/4/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$48,800,000	($84,138/unit)
Loan Amount (Cut-Off Balance)	$48,800,000	($84,138/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	7	
Interest Rate	3.99000%	

Morningstar Analysis		
Current DSCR	1.75 x	
Amortizing DSCR	1.22 x	
Beginning LTV	99.98%	
Ending LTV	84.20%	
Capitalization Rate	7.00%	
Morningstar Occupancy	92.14%	
Net Operating Income	$3,586,620	
Net Cash Flow	$3,416,747	
Value	$48,810,676	($84,156/unit)
Debt Yield	7.00%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$48,800,000	3.99000%	1.75 x	1.22 x	100.0%	84.2%
Total	**$48,800,000**	**3.99000%**	**1.75 x**	**1.22 x**	**100.0%**	**84.2%**

Morningstar Summary

Morningstar Perspective

The Park Crossing Apartments loan is a ten-year, $48.80 million ($84,138 per unit) financing for the sponsor's acquisition of a 580-unit garden style multifamily property in Maple Shade, New Jersey. The loan represents an 80.0% loan-to-appraised value ratio. Developed between 1968 and 1971, the property was 89.8% occupied as of September 4, 2012. Historical occupancy has averaged 93.5% since 2010. In the same period, the property has shown an improving trend in operating performance, reporting NOIs of $3.39 million, $3.69 million and $3.94 million in 2010, 2011 and the nine months ending June 2012 (T-9 6/2012 Annualized), respectively. Operating performance was driven mostly by increases in revenues but also by a decrease in expenses between 2011 and T-9 6/2012 Annualized. Operating expense ratios at the property have decreased from 52.3% in 2010 to 48.2% in T-9 6/2012 Annualized. According to Reis, the average expense ratio for the North/ North West submarket is 50.4%. The property has eight units currently off-line because of fire damage that occurred some years ago. These units are scheduled to be renovated per the engineering consultant's immediate repair schedule and will be available for renting. The property also has 11,374 square feet of commercial space. However, all the commercial leases expired in August 2012 and for the purpose of this analysis, the commercial space has been treated as vacant.

Morningstar's analysis of the property resulted in an NCF of $3.42 million, which is 3.4% lower than the issuer's underwritten NCF. Morningstar underwrote rents based on the in-place rents of the residential portion of the property only. No income was credited to the commercial space. According to the appraiser, the commercial space is not easily marketable. Vacancy was underwritten to 8.0% based on the average vacancy at the property since 2010 and treating the commercial space as vacant. Morningstar's value for the property is $48.81 million, which is 20.0% lower than the appraised value. The resulting Morningstar LTV ratio and DSCR (amortizing) are 100.0% and 1.22 respectively.

The Bears Say

- High Leverage and Interest-Only Period: Based on Morningstar's value of the property, this financing has a 100.0% LTV ratio. The loan is interest-only for the first two years 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 the operating performance of the property since 2010 and the $11.55 million of fresh equity contributed by the sponsor.
- Recent Decline in Occupancy: The occupancy at the property as of September 4, 2012 was 89.8%, which is lower than the year-end 2011 occupancy of 94.8%. The average historical occupancy at the property since 2010 has been 92.1% and it is likely that the occupancy will revert to the mean especially in the light of improving operational performance.
- Property Age and Significant Deferred Maintenance: The property was built between 1968 and 1971, and per the Property Condition Report (PCR), needs immediate repairs worth $310,000. This includes $160,000 for the restoration of eight units that sustained fire damage and have been offline. An additional $140,000 is required for the installation of Copper/Aluminum Revised (CO/ALR) devices. The lender has escrowed $387,500 or 125% of the immediate repair requirements. In addition, renovations have been made at the property between 2007 and 2011 totaling $14.70 million ($25,341 per unit) and included upgraded appliances, cabinets, flooring, HVAC and water heaters, countertops and doors for 283 units.
- Legal Non-Conforming Use: According to a Zoning Report dated 2/22/2012, the property is zoned PD (Planned Development) and is considered legal non-conforming due to the following reasons: (i) multifamily is not a permitted use in the Planned Development District; (ii) one of the buildings encroaches into the side/rear 30 feet setback requirement by 9.8 feet; and (iii) parking is deficient by 135 spaces. Per the Re-buildability Clause, if a non-conforming building is damaged by less than 60.0% of the replacement value, it may be restored to its previous use provided that it is reconstructed within one year of the date of damage, and the height, area, and volume is not greater than the original structure. If damaged by more than 60.0% of the replacement value, it may be restored to its previous use only upon approval of a variance. Building law and ordinance insurance was required and a carve-out has been added for any losses related to the non-conformity.
- Sub-Optimal Access: The property is only accessible from the eastbound lanes of Route 38 and, according to the appraiser, the property has diminished visibility from Route 38 because of variable terrain in the surrounding area.

The Bulls Say

- Strong Sponsor and Management: The sponsors have a lengthy history with the property. They developed the property between 1968 and 1971, sold the property in 1987, bought it back in 1993, and sold it again in 2006 to Blackrock Realty and CalPERS (who were foreclosed upon). The property is managed by Jager Management, Inc., a borrower-controlled management company. The principals of the management company have been in the real estate industry since 1993. Primarily focused in the Northeastern section of the United States, Jager currently manages 2.48 million square feet of retail space, and two multifamily communities totaling 1,168 units.

- Strong Location: The property is located ten miles from the Philadelphia CBD. The neighborhood is located close to Cherry Hill, which is a well established community in New Jersey. Major employment centers include the Cherry Hill and Marlton/Mount Laurel/Moorestown office markets, and Center City Philadelphia. Cherry Hill is the home to the corporate headquarters for Subaru of America, Pinnacle Foods Corporation and Melitta North America. Center City Philadelphia serves as home to numerous large corporate employers including Blue Cross/Blue Shield and Comcast. Significant retail developments in the surrounding area include the Cherry Hill Mall and East Gate Square. The Moorestown Mall is located less than one mile east of the property and is anchored by Macy's, Sears, Lord & Taylor, and Boscov's. I-295 is located 1.5 miles southeast of the property. The PATCO high speed rail line into Philadelphia is accessible from various stations to the south and west of the property.

Property Description

Park Crossing is a 580-unit, garden style apartment complex, situated on 42.33 acres of land. Built between 1968 and 1971, the property consists of 52 two-story apartment buildings, a leasing office/clubhouse building, a commercial building, and a maintenance shop building. The property has 1,025 open parking spaces. Common area amenities include a clubhouse with lounge area, business center, swimming pool and spa, fitness center, playground, tenant storage and laundry facilities. The appraiser classified the property as class B. The commercial building has a net rentable area of 11,374 square feet and all the tenants had leases that expired in August 2012. Morningstar does not have an updated status of these tenants. For the purpose of this analysis, the commercial space has been treated as vacant.

Eight units at the property were damaged by fire several years ago and are currently not operational. However, the renovation of these units is part of the immediate repairs recommended by the property condition report (PCR). The PCR identified $305,000 of immediate repairs including $160,000 for the renovation of the down units as well as $145,000 for installation of Copper/Aluminum Revised (CO/ALR) devices and $5,000 for aluminum wiring repairs. According to the loan documents the aluminum wiring repairs are required to be completed within 90 days of loan closing and the other immediate repairs are required to be completed within 270 days of loan closing. The lender escrowed 125% of the immediate repair costs recommended by the PCR.

The environmental assessment report did not identify any Recognized Environmental Conditions but recommended the implementation of O&M plans for asbestos, lead based paint and mold. The environmental consultant conducted short-term radon testing at the property, and seven samples had radon levels above the EPA action level of 4.0 pCi/L. The loan documents require the borrower to conduct long-term radon testing at six locations and to deliver the results within 90 days of loan closing. The environmental consultant also noted that the property was formerly a portion of a filling station and a groundwater monitoring well was observed. The consultant reviewed previous investigations of this area, which is currently an office. The soil and groundwater sampling from 2009 and 2010 identified elevated metals in groundwater above groundwater quality standards and low levels of petroleum related compounds below groundwater quality standards in 2010. The report concluded that the metals were likely related to background and no additional investigation was recommended. Based on the information, the consultant recommended properly abandoning the monitoring well since it is no longer in use. The loan documents require the proper abandonment of the monitoring well within 180 days of loan closing. The lender escrowed 125% of the anticipated costs of the environmental remediation costs.

The property is managed by Jager Management, Inc., a borrower-controlled management company. Primarily focused in the Northeastern section of the United States, Jager currently manages 2.48 million square feet of retail space, and 1,168 multifamily units. The subject property is the only project managed in the local area. The contractual management fee is 3.0% of Effective Gross Income (EGI).

The property is located in the Township of Maple Shade, Burlington County, New Jersey within the Philadelphia-Camden-Wilmington MSA. It is located on the east side of NW 91st Avenue, about a half mile north of Atlantic Boulevard and 15 miles from the Ft. Lauderdale CBD. Land uses immediately surrounding the subject are predominantly multifamily developments with various styles of freestanding retail and shopping center uses interspersed along Route 38. Directly across the street (Route 38/Kaighn Ave.) from the subject are freestanding light industrial/commercial businesses and a multi-family residential development. Nearby retail includes the Moorestown Mall, anchored by Macy's, Sears, Lord & Taylor and Boscov's and located less than one mile east of the property. Other retail uses include a Macy's Furniture Gallery, Ethan Allen Design Center farther to the west, a Carrabba's Italian Grill, South Jersey Marine Outlet and Lawn Mowers Unlimited. To the north of the subject is a Public Storage self-storage facility. According to Reis, the property falls in the Moorestown/Maple Shade/Mt. Laurel submarket of Philadelphia metro.

Primary highway access to the area is via NJ Route 38 (Kaighn Avenue), which is a primary east/west arterial that traverses the central sections of Camden County and adjacent Burlington County. Route 38 connects with NJ Route 70 to the subject's west and NJ Route 73 to the subject's east, close to the subject property. Route 73 also provides direct interchange access to Interstate 295, 1.5 miles to the subject's southeast, which connects to Delaware in the south and

New York in the north via Route 73 and the New Jersey Turnpike (at Interchange #4). The subject is located close to all major bridges spanning the Delaware River and accessing Philadelphia, and is about ten miles from the Philadelphia CBD.

Public transportation is provided by New Jersey Transit via direct train service between Philadelphia and Atlantic City and via buses long Routes 38 and 70. The Port Authority Transit Corporation (PATCO) high speed rail line into Philadelphia is accessible from various stations located between the City of Camden and Lindenwold to the subject's south and west.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	316	54.5%	866
Two Bedroom	264	45.5%	1,227
Total	**580**	**100.0%**	**1,030**

Market Overview

According to Reis, the property is located in the Moorestown/Maple Shade/Mt. Laurel submarket within the larger Philadelphia market. The average asking rent in the submarket as of Q2 2012 was $1,049 per unit per month and the average vacancy was 5.3%. For properties of similar vintage as the subject, the average asking rent was $994 per unit and the vacancy was 5.9%. Class-A rents and vacancies were $1,174 per unit and 5.3%, respectively. For class-B/C properties, the average rent and vacancy were $865 per unit and 5.3% respectively. Landlords were offering 0.4 months of free rent on average, which translates to 3.6% of face rent.

The Moorestown/Maple Shade/Mt. Laurel submarket has shown improvement from year-end 2010 to Q2 2012 with the vacancy rate declining from 7.9% to 5.3% and the average rent improving slightly from $1,017 per unit to $1,049 per unit. Concessions declined from 0.5 months to 0.4 months. According to the appraiser, the residential demand is driven primarily by the proximity to major employment centers including the Cherry Hill and Marlton/Mount Laurel/Moorestown (Burlington County) office markets, as well as Center City Philadelphia. The area is most heavily populated primarily to the north and west; the greatest amount of growth potential is toward the west and south of the subject.

Over the past few years, a major development effort has taken place in Cherry Hill at the former Garden State Racetrack. This 233-acre development called Garden State Park, is being developed at a cost of $500 million. The retail portion of this development, Market Place at Garden State park, has been completed and includes over 530,000 square feet of retail space, including a Wegman's supermarket, Bed, Bath & Beyond, and Dick's Sporting Goods as well as numerous other in-line stores and pads. Also as part of this development, Town Square, a lifestyle center featuring 285,000 square feet of upscale retail and restaurants was completed this year. The residential portion of the project features a diverse mix of 1,700 residential units of single family, condominium and rental units. There will also be approximately one million square feet of mid-rise, Class A office development. The project will also feature sixty-five acres of open space, walking trails and lakes interspersed throughout the site. Park Place, the luxury townhomes and condominiums are currently being marketed by Edgewater Properties. The office portion of this development is being marketed but construction has not yet begun and a delivery date for this portion of the development is not known at this time.

The appraiser identified a competitive set of five properties, with a total of 2,802 units, based on their size and location characteristics. The weighted average occupancy of the comparables was 95.2% compared to 89.8% at the subject and 94.7% for the submarket according to Reis. The weighted average rent of the comparables was $987 per unit compared to $1,221 per unit at the subject and $1,049 per unit in the submarket. The appraiser concluded a market rent of $1,199 per unit and a vacancy rate of 6.0%. Morningstar underwrote rents based on the in-place base rent at the property. Morningstar also underwrote vacancy based on the historical average vacancy at the property.

Morningstar Analysis

	Morningstar	2010	2011	T-9 June 2012 Annualized	Issuer Underwriting
Income					
Gross Potential Rent	$8,496,383	$7,966,804	$8,240,084	$8,388,784	
or					
Base Rent	0	0	0	0	
Laundry/Vending	8,421	8,872	8,513	9,509	
Expense Reimbursement	0	0	0	0	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	197,681	332,648	199,918	233,628	
Less: Vacancy Loss	-639,497	-716,064	-401,976	-423,045	
Less: Concessions & Collection Loss	-565,362	-477,719	-544,516	-608,348	
Effective Gross Income	**$7,497,627**	**$7,114,541**	**$7,502,023**	**$7,600,528**	**$7,555,172**
Expenses					
Real Estate Taxes	$1,150,000	$1,117,019	$1,141,645	$1,168,333	
Property Insurance	91,232	121,624	114,689	109,071	
Utilities	882,465	768,142	837,416	639,804	
Repairs and Maintenance	708,184	631,085	664,300	684,573	
Janitorial	0	0	0	0	
Management Fees	224,929	192,439	202,592	211,827	
Payroll & Benefits	685,406	703,214	690,303	672,965	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	97,806	113,081	94,290	95,392	
Professional Fees	26,314	25,300	25,117	29,720	
General and Administrative	44,670	48,487	40,379	49,397	
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	**$3,911,006**	**$3,720,391**	**$3,810,731**	**$3,661,083**	**$3,865,326**
Net Operating Income	**$3,586,620**	**$3,394,150**	**$3,691,292**	**$3,939,445**	**$3,689,846**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	169,873	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$169,873**	**$0**	**$0**	**$0**	**$154,280**
Net Cash Flow	**$3,416,747**	**$3,394,150**	**$3,691,292**	**$3,939,445**	**$3,535,566**

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	$1,221
Vacancy (%)	7.9%

- Morningstar underwrote base rent based on the in-place rents and vacancy based on the historical average vacancy at the property. The property has 11,374 square feet of commercial space which was treated as vacant as all the tenant leases expired in August 2012.
- Morningstar underwrote concessions in-line with the issuer's estimate of concessions and the in-place concession percentage. According to Reis, the submarket concessions are 3.6%.

Expenses ($6,680 per unit)

- Morningstar underwrote expenses in-line with historicals except where otherwise noted.
- Morningstar underwrote real estate taxes and insurance based on the actual taxes and insurance premium as presented by the issuer.
- Morningstar underwrote the management fee expense based on the contractual management fee of 3.0% of Effective Gross Income.

Capital Items

- Morningstar underwrote reserves for future capital expenditures at $293 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

- Morningstar used a capitalization rate of 7.0% to determine the value of the property. Morningstar's capitalization rate was based on the RERC multifamily capitalization rate for the Philadelphia MSA for 2Q 2012 adjusted for the property being a class B asset, the significant deferred maintenance including fire damage to eight units and the vacant commercial space. The average capitalization rate of the appraiser's sales comparables was 6.2% and the appraiser's direct capitalization rate assumption was 6.5%.

The Paddocks Of Saratoga

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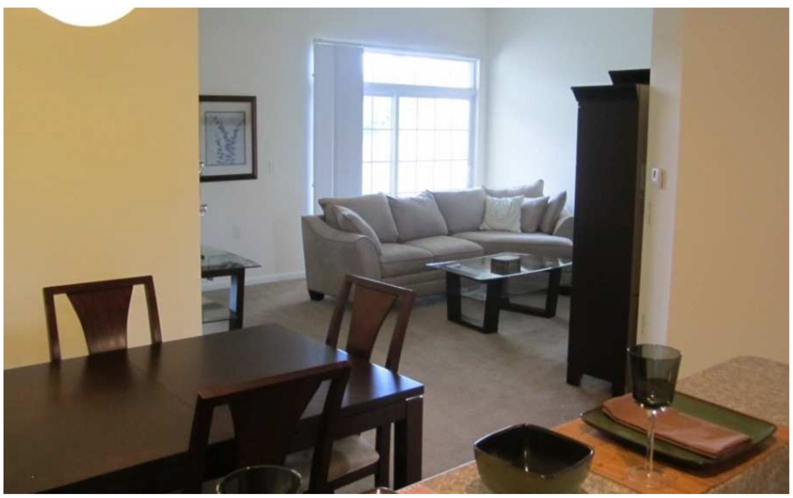
Analytical Manager: Rob Grenda (267) 960-6023



Property Summary		
Property Type	Multifamily/Garden	
Location	Saratoga Springs, NY	
Year Built/Renovated	2007/N/A	
Multifamily Units	336	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	94.40%	As of: 9/10/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$46,875,000	($139,509/unit)
Loan Amount (Cut-Off Balance)	$46,875,000	($139,509/unit)
Loan Term (months)	120	
I/O Period (months)	60	
Amortization Term (months)	360	
Loan Seasoning (months)	10	
Interest Rate	4.41000%	

Morningstar Analysis		
Current DSCR	1.75 x	
Amortizing DSCR	1.29 x	
Beginning LTV	90.52%	
Ending LTV	82.71%	
Capitalization Rate	7.00%	
Morningstar Occupancy	93.46%	
Net Operating Income	$3,716,559	
Net Cash Flow	$3,625,927	
Value	$51,784,158	($154,120/unit)
Debt Yield	7.74%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$46,875,000	4.41000%	1.75 x	1.29 x	90.5%	82.7%
Total	**$46,875,000**	**4.41000%**	**1.75 x**	**1.29 x**	**90.5%**	**82.7%**

Morningstar Summary

Morningstar Perspective

The $46.875 million 10-year loan was used to pay off the previous financing which had a remaining balance of $41.99 million. The loan has an interest-only period of 60 months. The Paddocks Of Saratoga is a well located, high-end garden-style apartment complex in Saratoga Springs, New York, about 35 miles north of Albany and just east of I-87, which is known as the Adirondack Northway north of Albany. Completed in phases in 2007 and 2009, the complex commands rents well in excess of the Reis benchmark for properties of similar age. The local area is part of a technology corridor that stretches along I-87 and provides thousands of jobs.

Saratoga Springs is one of the major centers of thoroughbred horse racing in the northeastern U.S. The area is also a major center for visual and performing arts, and is the summer home of the Philadelphia Orchestra and the New York City Ballet. Skidmore College, a leading liberal arts college, has an enrollment of about 2,500 and is one of the area's major employers. A two million-square foot chip factory to be known as "Fab 8" has been under construction 10 miles south of the property since the third quarter of 2009 and is expected to be completed before the end of 2012. Fab 8 is expected to create 1,600 direct jobs and up to 8,000 indirect jobs, with about half of all employees expected to be local residents.

Saratoga Springs is a small town, with a population of 26,586 as of the 2010 U.S. Census. Extending out wider to Saratoga County, the population was 219,607 in 2010. The county's population grew very slowly until 1940, when a surge over the next four decades saw growth of more than 2.3 times by 1980. Though the county's growth rate slowed after 1980, its population increased 43% through 2010. Home prices in the Albany metro area have been affected by the recent economic downturn, but to a lesser extent than many other places. Fluctuations in median home prices have been relatively small, with a drop of only 6% from 2007 to 2009 and an even smaller dip in 2011. The lack of volatility in home prices probably has had little effect on rental demand.

The Paddocks of Saratoga opened in 2007 and 2009, with both phases leasing up quickly to occupancy levels above 90%. The property has been able to command among the highest rents in its local market, and has not offered concessions. The appraisal's five rent comparables, also all built since 2002, have an aggregate occupancy of 98%, indicating solid demand for higher rent apartments in this market. Given these strengths, Morningstar expects the property to at least maintain, if not surpass, recent levels of cash flow based on high rent levels and reasonably attainable occupancy rates.

Morningstar's underwritten net cash flow was $3.62 million, lower than the issuer's net cash flow by 3.1%. Morningstar's value for the property was $51.78 million, or $154,120 per unit; this was 17.1% lower than the appraised value. The Morningstar value indicates a loan-to-value of 90.5%, compared to the 75.0% based on the appraised value.

The Bears Say

- There is a lot of competition at the high-end of this market for an area of relatively small population.
- The property has not yet been able to achieve the very high occupancy levels reached by its competitors.
- The loan is interest-only for the first five years. This risk is somewhat mitigated by a Morningstar interest only and amortizing DSCR of 1.75x and 1.29x, respectively on sustainable cash flow.

The Bulls Say

- The appraisal's rental comps had an aggregate occupancy of 98% in late 2011. Occupancy at the property was 94.4% as of September 10, 2012. Historical vacancy rates at the property have averaged from 3.6% to 6.3% over the last 4 years.
- The property has been able to command rents as high as any property in the market without any concessions, while leasing up from a 2009 Phase II completion to 90% occupancy by 2011.
- The local area has many recreational, cultural and artistic attractions, making it well suited to be a high-end rental market.
- The opening of Fab 8 will likely attract more technology companies to the area, supporting the local economy and boosting rental demand.

Property Description

The Paddocks Of Saratoga is a 336-unit garden style apartment property completed in two phases in 2007 and 2009, in Saratoga Springs, New York, about 35 miles north of Albany and immediately east of I-87. The property consists of 28 two-story apartment buildings, a clubhouse/leasing office and a maintenance building. The unit mix consists of 112 one-bedroom units averaging 895 square feet and 224 two-bedroom units averaging 1,346 square feet. Common area amenities include clubhouse with lounge area, billiards, swimming pool, tennis courts, playground, media center, fitness center, barbecue and picnic areas, putting green and dog park. Units include standard kitchen appliances, microwave, washer and dryer, walk-in closets, patio or balcony, and a one-car garage.

A third phase of 84 units is under development by the same sponsor. The new phase will be owned by a separate entity, though related to the entity that owns the collateral for this loan. A Supplemental Declaration extends to Phase III the permission for sharing of facilities and amenities that already exists between Phase I and Phase II. Expenses for maintenance of shared common areas are to be divided proportionally among the phases. A certificate of occupancy for Phase III was received on July 13, 2012.

The property has a 13% concentration, or 44 units leased by GlobalFoundries, the developer of the two million-square foot chip factory to be known as “Fab 8”. The Fab 8 facility, which is 10 miles south of the property, is nearing completion. It has been under construction since 2009, and is expected to employ about 1,600 when fully operational. GlobalFoundries is a joint venture of Advanced Micro Devices and an Abu Dhabi company.

Morningstar visited the property on October 1, 2012. The property was in above-average condition. The third phase appears to be nearing completion and is leasing up. The fitness center has relocated from the original leasing center to a new building closer to the third phase. A new media room is replacing the fitness center in the leasing office. The property has a good location right off I-87.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	112	33.3%	895
Two Bedroom	224	66.7%	1,346
Total	**336**	**100.0%**	**1,196**

Market Overview

Detailed submarket data for the Albany metro area is not provided by Reis, although there is data at the metro level. The area that Reis considers part of the Albany apartment market extends well to the north and west of Albany, including some 50 miles to the north along I-87 which includes Schenectady and Troy, as well as Saratoga Springs and several other towns within a 10-mile radius. The market-wide average asking rent was $928 per unit per month as of second quarter 2012. The overall average rent was up 1.5% from the previous quarter and up 3.8% from a year earlier. For properties completed from 2000 through 2009, the average jumps to $1,305 per unit per month. Vacancy was just 3.6% overall, and 1.9% for properties of the same vintage as the subject property. Overall vacancy has remained in a narrow range between 2.9% and 4.2% over the last eight quarters. The appraisal’s five rental comparables (of which three are closer to Saratoga Springs than to Albany) had an aggregate vacancy of just 2% excluding the subject property; with the subject’s 8.3% vacancy included, the overall appraisal set’s vacancy was 3.2%.

The sponsor believes that the local high-end rental market is underserved, thus the development of the third phase which will add 84 more units. This represents growth of 4.8% from the current 1,749 units in the appraisal’s set of rental comparables, which includes the first two phases of The Paddocks Of Saratoga.

Morningstar Analysis

	Morningstar	2010	2011	TTM 06/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$6,557,040	$6,508,227	$6,576,660	$6,632,016	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	181,373	141,512	175,972	128,358	
Percentage Rent	0	0	0	0	
Parking Income	0	4,801	2,298	-28	
Other Income	144,185	137,016	211,645	90,343	
Less: Vacancy Loss	-436,912	-1,489,155	-597,736	-404,666	
Less: Concessions & Collection Loss	-18,055	-20,021	0	-22,207	
Effective Gross Income	**$6,427,630**	**$5,282,380**	**$6,368,839**	**$6,423,816**	**$6,509,391**
Expenses					
Real Estate Taxes	$644,726	$559,349	$625,342	$640,987	
Property Insurance	77,895	74,909	75,817	75,430	
Utilities	385,290	371,331	347,217	328,192	
Repairs and Maintenance	484,036	334,663	427,408	406,644	
Janitorial	0	0	0	0	
Management Fees	224,967	167,657	200,329	208,452	
Payroll & Benefits	327,143	358,001	334,655	366,773	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	73,737	132,571	76,362	71,111	
Professional Fees	114,841	71,703	7,821	97,698	
General and Administrative	378,438	285,431	313,682	324,027	
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	**$2,711,071**	**$2,355,615**	**$2,408,633**	**$2,519,314**	**$2,682,180**
Net Operating Income	**$3,716,559**	**$2,926,765**	**$3,960,206**	**$3,904,502**	**$3,827,211**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	90,632	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$90,632**	**$0**	**$0**	**$0**	**$84,000**
Net Cash Flow	**$3,625,927**	**$2,926,765**	**$3,960,206**	**$3,904,502**	**$3,743,211**

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	$1,626
Vacancy (%)	6.5%

Rent was underwritten at $1,626 per unit per month, the result of moving in-place average rent of $1,687 per unit per month lower toward Morningstar's adjusted appraisal market rent of $1,525 per unit per month. The actual rent concluded by the October 2011 appraisal was $1,575 per unit per month; it was adjusted lower due to the lower rent levels of the comparables relative to the subject property. Morningstar's underwritten rent was considerably higher than the issuer's underwritten rent, which was based on a November 2011 rent roll and was $1,537 per unit per month. Vacancy was underwritten at 6.5%, the result of moving in-place vacancy of 8.3% lower toward the Reis overall Albany market vacancy of 3.6%.

Expenses ($ per unit)

Expenses are underwritten in line with historicals unless otherwise noted. Morningstar underwrote real estate taxes based on the issuer's number, which was based on actual 2012 taxes and was higher than the appraisal's estimate. Morningstar underwrote management fees to 3.5% of effective gross income, the same as the appraisal. The actual contract rate with a borrower-related management company is 3.2%, though this fee escalates to 3.5% when occupancy exceeds 95%, and to 3.8% once it exceeds 97%.

Capital Items

A reserve for future capital expenditures is underwritten at $270 per unit per year, 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 direct capitalization rate for the subject is 6.75%. The sales included in the comparison resulted in a 7.0% average capitalization rate. Morningstar's base multifamily capitalization rate for the subject's East Region market is 7.1%. Morningstar deducted 50 basis points from our base rate for a property score of '2' based on the property's relatively new build and high rents, for a rate of 6.6%. The final capitalization rate is 7.0% which is the average of the appraisal's sales comparables.

Lodge at Castle Pines

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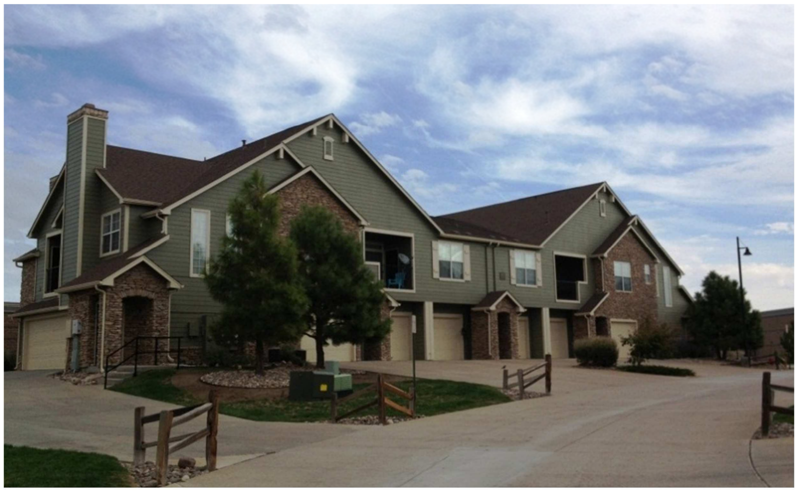

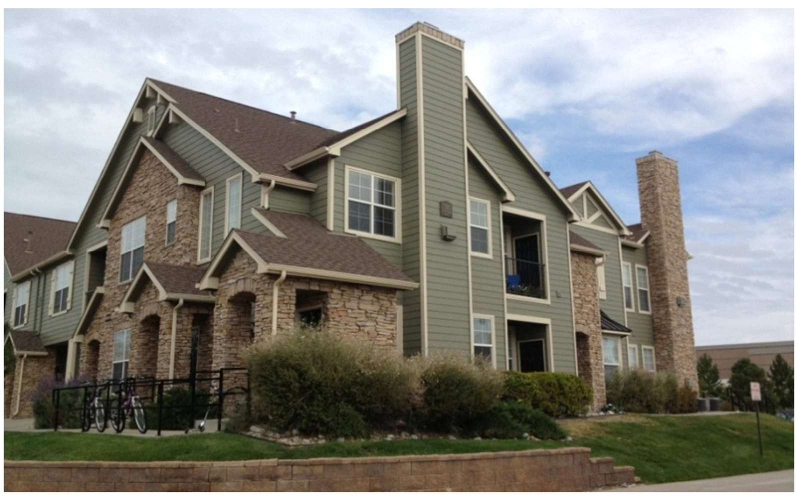

Property Summary		
Property Type	Multifamily/Garden	
Location	Castle Pines, CO	
Year Built/Renovated	2002/N/A	
Multifamily Units	356	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	92.40%	As of: 7/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$40,568,000	($113,955/unit)
Loan Amount (Cut-Off Balance)	$40,568,000	($113,955/unit)
Loan Term (months)	120	
I/O Period (months)	48	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	4.07000%	

Morningstar Analysis		
Current DSCR	1.76 x	
Amortizing DSCR	1.24 x	
Beginning LTV	95.01%	
Ending LTV	84.36%	
Capitalization Rate	6.80%	
Morningstar Occupancy	93.64%	
Net Operating Income	$3,013,892	
Net Cash Flow	$2,903,633	
Value	$42,700,480	($119,945/unit)
Debt Yield	7.16%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$40,568,000	4.07000%	1.76 x	1.24 x	95.0%	84.4%
Total	**$40,568,000**	**4.07000%**	**1.76 x**	**1.24 x**	**95.0%**	**84.4%**

Morningstar Summary

Morningstar Perspective

The subject is a 356-unit multifamily property in Castle Pines, Colorado, an affluent community 20 miles south of Denver. Morningstar underwrote a DSCR of 1.24 on an amortizing basis and a loan-to-value of 95%. Therefore, we are concerned about the initial leverage on the property. With a four-year interest-only period, the property will be afforded some time to increase cash flows, but will not de-leverage to a significant degree. The market and the property have been in a recovery since the recession, and vacancy is now at a historic low. The opportunity to increase cash flows will come through rent growth and reducing the concessions. Concessions are typically high in the Denver area but have moved lower over the past two years.

Overall, the property can be expected to generate stable cash flow in the short term. Over the longer term, cash flow must increase in order to increase the value by maturity. Income gains are achievable, but threatened by the propensity of developers to increase supply. Douglas County does have large parcels of developable land that could be a longer-term threat to the subject. A cautious outlook is warranted.

The Denver area was hit hard by the national recession and experienced one of the highest levels of foreclosures in the country. A result of this turmoil was increased demand for multifamily units by those who lost homes in the recession and those residents who were unable or unwilling to enter homeownership until the market stabilized. Vacancy rates across Denver as well as in the submarket have decreased to historic lows and asking rents have increased. One concern is that Denver also has been prone to oversupply. For the past several years, developers were focused more on single-family homes, causing a sharp supply-demand imbalance. With the improvement in multifamily fundamentals, Reis has forecasted annual supply increases of up to 4,000 annually. This could be a sign that development has swung in the direction of rental housing.

The Castle Pines area has a number of advantages including an affluent and educated populace and proximity to some of Denver's largest employment centers. Area schools are strong and have contributed to the area's desirability to residents. With home prices in the county at nearly $300,000 and over $400,000 in the zip code, there is a housing affordability gap that will limit ability of renters to purchase homes once the market improves. We are concerned with the area's heavy dependence on telecommunications since a downtown in this industry could have a disproportionate impact on the market as it did in the 2000-2001 recession. This combined with strong supply growth, led to vacancy rates of up to 20%. We believe that, since then, the economy has diversified to some extent, which could limit the overall effect of industry weakness.

The Bears Say

- Morningstar's underwritten loan-to-value is 95%, indicating a high level of initial leverage.
- The loan is interest-only for the first four years which will limit the deleveraging of the asset prior to maturity.
- Concessions remain relatively high in this submarket at nearly 1.5 months; however, this has decreased over the past year and could improve in 2013.
- A market tendency towards overbuilding could add supply just as the market reaches equilibrium.

The Bulls Say

- Although growth has slowed, Douglas County remains one of the fastest-growing areas in Colorado.
- A high housing affordability gap will leave many renters unable to move into home ownership.
- Multifamily demand is low at 4.0% which should afford landlords some pricing power in 2013 and 2014.
- Supply growth in Douglas County has been relatively moderate, preventing the oversupply that occurred in much of the metro area.

Property Description

The subject is a 356-unit, garden-style, multifamily property in the city of Castle Pines North, Colorado, 20 miles south of the Denver CBD. The property was built in 2002 on 28.1 acres (12.7 units per acre). There are 834 parking spaces (2.3 spaces per unit) including 399 attached garage spaces. Note that 302 spaces are tandem spaces behind the garages and not well utilized by the residents. The community amenities include a swimming pool and spa, clubhouse, business center, conference room and fitness center. Unit amenities include dishwashers, microwaves, washer/dryer connections, vaulted ceilings and patios or balconies.

The property is less than one mile from Interstate 25, the main north-south freeway in the Denver area. The neighborhood is largely residential in character with some retail community centers to service the local population. The primary commercial zone in Douglas County is the Meridian International Business Center eight miles north of the subject off I-25. Major employers in the center include DISH Network, (1,900 employees), CH2M HILL, (1,720 employees) and Liberty Media (800 employees) and First Data. Farther north on I-25 is the Denver Tech Center, one of the area's largest employment centers with over 14 million square feet of commercial development, more than 1,000 companies and 35,000 employees in and around the park. These two centers have been a significant contributor to the increase in residential development south into Douglas County.

The property is subject to two easements, one of which allows access to a driveway from the public road. The borrower does not control any rights-of-way to the property. This easement runs in perpetuity with the land. A second easement allows access to 1.5 parking spaces. The easement is revocable but would not materially affect the property.

The engineer's reported noted only $5,600 in immediate repairs, primarily for parking lot repairs. The Environmental Site Assessment did not identify any Recognized Environmental Conditions.

Morningstar conducted a site visit on September 25, 2012. The property is in good condition with no signs of deferred maintenance. Most major capital items have been addressed including parking and balcony repair. Management has upgraded some units with new flooring, fixtures and window treatments.

One major concern for the property is the parking. Although there are a large number of attached garages, the total count of parking spaces includes tandem spaces that are effectively used as individual spaces. In addition, the irregular layout can make it difficult to find spaces near particular units. Management also reported that tenants use their garages as storage space and park outside. Several solutions have been considered including a parking pass system or paving an adjacent drive to provide additional spaces.

The manager also reported that an adjacent parcel of land was recently acquired by a company that may use the land for development of a multifamily property. Any such development would be well into the future and no concrete plans have been presented. However, the area in general has land available for new development that could present a long-term challenge.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	144	40.4%	873
Two Bedroom	137	38.5%	1,174
Three Bedroom	75	21.1%	1,310
Total	**356**	**100.0%**	**1,081**

Market Overview

The property is in the Reis Douglas County submarket of Denver which is an exurban region south of the metropolitan area. From 2000 through 2010, the population of Douglas County increased from 175,766 residents to 285,465, an increase of 62.4%. The US Census Bureau and the State of Colorado are forecasting a population of 390,598 by 2020, an increase of 36.8%. The immediate area of Castle Pines is an affluent area 20 miles south of the Denver CBD. The population within a three-mile radius increased by 128% to 14,824 residents from 2000 through 2011. The growth forecast for the area was forecasted to moderate through 2016 to a still healthy 20.3%. The median household income of the area is high, over $132,000 within a three-mile radius compared to about $60,000 in the Denver MSA and $49,000 nationally. In Douglas County, the median home value was $299,900 for the second quarter according to Dataquick and the median home value in the zip code was $401,000, indicating a housing affordability gap in the area.

The overall Denver multifamily market has experienced a modest recovery since the recession. However, much of the gain is likely a consequence of the housing and foreclosure crisis in Colorado with former homeowners moving into rental housing and new residents less likely to purchase a home. Initially, the metro vacancy rate increased 200 basis points in 2008 and 2009 to 8.9% as job losses began to hit the market. By late 2010, the vacancy rate had decreased significantly. As of the second quarter of 2012, the metro vacancy rate was 4.3%, a historic low for the area. For the most part, asking rent growth slowed, but did not experience a significant decline. The improvement in effective rents has been very slight, with only a marginal improvement in concessions in Denver, a market with historically generous concessions.

Another factor contributing to the strong post-recession absorption was the pullback in new construction. Denver has often leaned towards over supply in good times, resulting in a glut of units once the economy slowed. However, from 2004 through 2009, the rate of new construction averaged 1,800 units per year, far lower than in prior booms, when construction topped 4,000 units per year. There is a concern, of course, that the historically low vacancy rates could lead to another increase in construction. Reis forecasted construction at 3,000 units in 2013 and 4,732 units in 2014.

Prior to the most recent recession, the submarket had been in recovery for several years from a prior boom-and-bust cycle. Douglas County has a heavy dependence on the telecommunications industry, leaving it vulnerable to an industry downturn and the 1999-2001 recession increased the unemployment rate to 6.0% from 1.4% just as developers delivered record new supply into the county. The vacancy rate spiked to 20% as job losses wiped out demand for the new units.

The effect of the most recent recession was more modest. Job losses did occur, resulting in an increase in vacancy to 7.6% from 6.4% in 2009, a less severe impact than in the metro. With little new supply added from 2004 through 2009, renters, including those who had lost homes to foreclosure, had few options outside of the existing supply. In addition, the relative affluence of the area may have shielded the local populace to some extent. Since the recession, vacancy rates have decreased to 3.5% in Douglas County and rents have enjoyed a slow but steady climb to $1,204, the third highest level in Denver. The Reis forecast for Douglas County is moderate, with no new units planned until 2014.

Sponsorship/Management

The borrower is Advenir@Castle Pines, LLC, a Florida-registered limited-liability company. San Tropez, in Pembroke Pines, Florida, shares common sponsorship with the subject and will be an asset of this trust.

The property manager is Advenir Real Estate Management, a borrower-controlled management firm with 440 units under management in the local area. The contractual management fee is 3.0% of the effective gross income.

Morningstar Analysis

	Morningstar	2010	2011	TTM 7/31/12	Issuer Underwriting
Income					
Gross Potential Rent	$5,234,802	$4,654,701	$5,031,851	$5,214,150	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	183,324	157,022	179,436	185,194	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	178,251	195,543	174,537	175,106	
Less: Vacancy Loss	-303,862	-172,702	-168,603	-196,916	
Less: Concessions & Collection Loss	-637,226	-403,154	-542,930	-642,114	
Effective Gross Income	**$4,655,289**	**$4,431,410**	**$4,674,291**	**$4,735,420**	**$4,678,990**
Expenses					
Real Estate Taxes	$409,869	$365,587	$401,533	$396,009	
Property Insurance	85,197	72,195	55,245	65,127	
Utilities	257,397	252,314	247,649	266,523	
Repairs and Maintenance	189,312	182,384	156,802	158,869	
Janitorial	0	0	0	0	
Management Fees	139,659	131,608	138,044	140,125	
Payroll & Benefits	417,372	414,479	420,071	401,528	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	90,098	71,493	100,957	89,647	
Professional Fees	2,487	0	0	0	
General and Administrative	50,004	45,883	41,905	41,232	
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	**$1,641,397**	**$1,535,943**	**$1,562,206**	**$1,559,061**	**$1,633,209**
Net Operating Income	**$3,013,892**	**$2,895,467**	**$3,112,085**	**$3,176,359**	**$3,045,781**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	110,260	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$110,260**	**$0**	**$0**	**$0**	**$100,392**
Net Cash Flow	**$2,903,633**	**$2,895,467**	**$3,112,085**	**$3,176,359**	**$2,945,389**

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	$1,225
Vacancy (%)	6.36%

Morningstar's underwritten rent of $1,225 is somewhat less than the current asking rent at the property. Given the high level of collection loss, however, the gross potential rent is largely an irrelevant metric. Our analysis estimated a net rent of $1,076, skightly higher than thr $1,070 in-place over the past 12 months. The underwritten effective gross income is $4.66 million, 1.7% below the trailing 12 months. Part of the variance is from Morningstar's higher underwritten vacancy.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Property insurance was underwritten based on the appraiser's estimate. Repair and maintenance and general and administrative expense were underwritten more in-line with the appraiser's conclusion.

Capital Items

A reserve for future capital expenditures is underwritten at $310, per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar applied a capitalization rate of 6.8% to the net cash flow which is based on a market rate for the Denver MSA. Morningstar did not apply any adjustments to the cap rate.

The Merc and The Element

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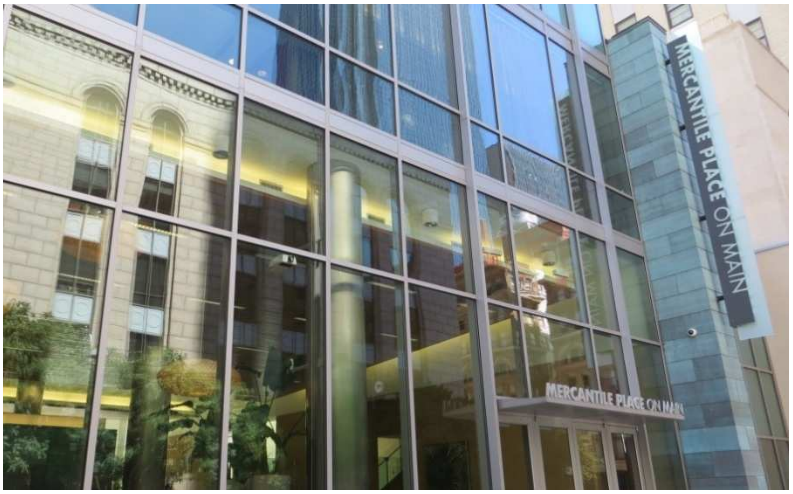

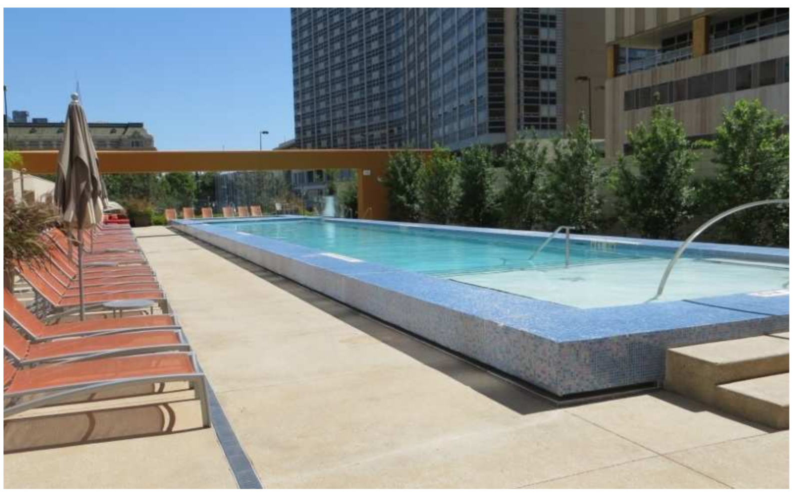

Property Summary		
Property Type	Multifamily/High-Rise	
Location	Dallas, TX	
Year Built/Renovated	1942/2009	
Multifamily Units	366	
Net Rentable Sq. Ft. (Other)	53,107	
Occupancy	96.20%	As of: 6/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$38,000,000	($103,825/unit)
Loan Amount (Cut-Off Balance)	$37,696,250	($102,995/unit)
Loan Term (months)	120	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	4.17000%	

Morningstar Analysis		
Current DSCR	1.29 x	
Amortizing DSCR	1.29 x	
Beginning LTV	93.95%	
Ending LTV	75.69%	
Capitalization Rate	7.16%	
Morningstar Occupancy	92.14%	
Net Operating Income	$2,992,109	
Net Cash Flow	$2,873,803	
Value	$40,124,278	($109,629/unit)
Debt Yield	7.62%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$37,696,250	4.17000%	1.29 x	1.29 x	93.9%	75.7%
Total	**$37,696,250**	**4.17000%**	**1.29 x**	**1.29 x**	**93.9%**	**75.7%**

Morningstar Summary

Morningstar Perspective

The Merc and The Element is a ten-year, $38.0 million ($103,825 per unit) refinancing of an existing $36.2 million loan that facilitated the purchase and renovation of The Merc in 2008 and the construction of The Element in 2009. The loan amortizes on a 30-year schedule. The loan represents a 57.6% loan-to-appraised value ratio. The properties are improved with a 34-story apartment building with 213 units called The Merc and a 16-story apartment building with 153 units called The Element. The Merc building, originally built in 1942 is over a three-level subterranean parking garage and a main lobby building. In addition to the apartment units, there is 53,107 square feet of office space (61.7%) and street level retail (38.3%). The properties are located in the central business district of Dallas, Texas. The property is currently 96.2% occupied as of the 6/30/12 rent roll, with average rents of $1,390 per unit per month. The retail component is currently 74.1% occupied with average rents of $11.74 per square foot.

Although the recession took its toll on Texas in general, the downturn in Dallas was relatively shallow and its recovery has been relatively robust. Population in-migration barely changed and has run steadily at 2.0% since 2007 and shows no signs of slowing. Dallas's broad industrial base and resilient energy sector, along with ongoing strong population growth helped spare the steep employment losses that crippled many of the nation's other major cities. Metro Dallas' strong fundamentals, high rates of population in-migration, diverse economic base that includes substantial energy, high-tech and distribution components and an established attractiveness to expanding and relocating business, should remain formidable for the foreseeable period. It should not be long before employment overall returns to pre-recession levels.

The Bears Say

- Beginning in 2013, new construction deliveries, with emphasis on Uptown redevelopment projects, should be a major theme for the Central Dallas submarket. In 2013, there are 1,298 new units planned for completion and another 1,149 units planned for 2014. Based on Reis forecasts, this new supply is not expected to have a major impact on the submarket as vacancy levels are projected to increase from 5.2% to 6.3% in 2013 and 7.1% in 2014.
- The property is subject to three different tax abatements from the City of Dallas and Dallas County for historical purposes (city) covering The Merc and a new construction tax (city) covering The Element as well as a county tax abatement. Real estate taxes have been underwritten to the average un-abated taxes according to the appraiser's estimate.

The Bulls Say

- The property was built in two phases – phase I is the adaptive reuse of the former Mercantile Bank building that was originally built in 1942 and renovated in 2008 and phase II is a newer development that was constructed in 2009. Both properties are well maintained and offer numerous high quality common and unit amenities.
- According to the property condition report, the property site was in overall good condition and there appears to be adequate maintenance of the property's major systems, components, and equipment appear to be in place, including appropriate preventative maintenance. There were no immediate repair funds recommended.
- With its redevelopment and TOD (transit-oriented development) projects, Central Dallas has emerged as one of the focal points for the revival of apartment development. Combined with the metro Dallas area's strong fundamentals, its performance should remain strong for the foreseeable period.
- The unemployment rate for the Dallas metro area continues to improve at 7.0% as of March 2012, down from 8.1% one year earlier. The metro's recovery continues to build momentum, led by employment gains in most services, including financial services which are back near their pre-recession peak.

Property Description

The subject property is a 366-unit, mixed use high-rise apartment complex in the downtown portion of Dallas, Texas. In addition, there is 53,107 square foot of office (61.7%) and street level retail (38.3%) component. The Merc building, originally built in 1942 includes a three-level subterranean parking garage and a main lobby building. The 34-story Merc building was subsequently renovated in 2008. The 16-story Element was constructed in 2009. Common area amenities include clubhouse with lounge area, flat screen television, kitchen, and game room, amenities deck, personal concierge, a salt water swimming pool, spa, BBQ and picnic area, theater room, fitness center, business center with private meeting rooms, and garage parking. Unit amenities include a range/oven, refrigerator, microwave, dishwasher, garbage disposal, washer and dryer, walk-in closets, ceiling fan and a patio/balcony area. The property offers a total of 409 garage parking spaces, yielding 1.12 parking spaces per unit. The property is located along Main Street between South Ervay Street and South St Paul Street. The property has good access to the Dallas Area Rapid Transit ("DART"), as well as the extensive freeway system around Dallas and the Metroplex.

The property was visited on September 19, 2012. The property is located on the 1800 block of Main St. within the Dallas CBD. It is prime real estate and is surrounded by office, retail and apartment uses. There are any number of restaurants within walking distance of the property, as well as retail including a Nieman Marcus and a number of boutiques within a couple of blocks and the FDIC headquarters is down the street. The property is also accessible by the DART system which has a station two blocks from the property. Forest City, the developer of the asset, does a lot of adaptive reuse type developments and also has other developments in the area, including a development called Republic Tower. They have also developed a public access park adjacent to the property. Across the street from the property is a former Hilton hotel which is also being converted to residential use. The property was built in two phases – phase I is the adaptive reuse of the former Mercantile Bank building and phase II is a newer development. While both buildings have generally high levels of fit out (stainless steel appliances all around, wood flooring, etc)., the Merc is the higher end product. Amenities include a salt water swimming pool, cabanas that can be rented, a roof top lounge, conference and meeting rooms and two indoor lounges. Parking is at a premium and residents are charged $60 for one parking space and $150 for two (which is the max allowed). For reserved parking spaces, the charge is $175. Page Southerland Page, which is an architectural firm that occupies one of the commercial spaces in the retail property, rents nine spaces. They also have a preferred employment program with the FDIC, Nieman Marcus and AT&T for apartments. Based on the overall condition of the property, its amenities and level of fit out, Morningstar gave this property a Good property rating.

Unit Type Mix

The property consists of 366 total units with an average unit size of 1,007 square feet. The majority are concentrated in one-bedroom floor plans representing 225 units, ranging from 776 square feet to 1,810 square feet with an average size of 849 square feet. There are 141 two-bedroom units ranging from 1,126 square feet to 2,160 square feet with an average size of 1,258 square.

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	225	61.5%	849
Two Bedroom	141	38.5%	1,258
Total	**366**	**100.0%**	**1,007**

The is also 53,107 square feet of commercial space, consisting of one 32,767 square foot of office space and nine street level retail spaces totaling 20,340 square feet.

Market Overview

The Merc and The Element property is located in downtown Dallas, County of Dallas within the Dallas-Fort Worth-Arlington MSA. The MSA is the fourth largest metropolitan area in the United States and Dallas is the largest economic center of the 12-counties comprising the MSA. The Dallas-Fort Worth Metroplex has one of the largest concentrations of corporate headquarters for publicly traded companies, including Texas Instruments, Comerica Bank, AT&T, Kimberly Clark, Fluor, Southwest Airlines, American Airlines, Radio Shack, Nieman Marcus and 7-Eleven, and one of the most profitable companies in the world, ExxonMobil located in Irving. In addition, the Dallas area is currently the third most popular destination for business travel in the United States, the DFW International Airport is the fourth largest airport and fifth busiest in the United States and the Dallas Convention Center is one of the largest and busiest convention centers in the country with over one million square feet of convention space. Top employment industries include Professional & Business Services, the Government and Education & Health Services. The unemployment rate in the MSA was 7.0% as of the end of March 2012.

According to Reis, the average asking rents for the Central Dallas submarket as of 2Q2012 was $1,806 per unit per month; for properties of an age similar to the subject (2000-2009) average rent was $1,933 per unit. The appraiser concluded market rent for the submarket at $1,350 per unit. Submarket vacancy was 6.0% on average with properties of a similar vintage at 5.5%, according to Reis. The appraiser concluded overall vacancy to be 7.6%; the competitive rental communities included in the appraisal reflected an average vacancy of 4.7%. The subject's rent roll as of 6/30/12 was indicating average rents of $1,390 per unit with vacancy of 3.8%. Reis estimated that there are 1,298 new units planned for completion in 2013 and another 1,149 units planned for 2014. Based on Reis forecasts, this new supply is not expected to have a major impact on the submarket as vacancy levels are expected to increase from 5.2% to 6.3% in 2013 and to 7.1% in 2014. Morningstar based its estimate of the apartment market rent at $1,375 per unit and apartment vacancy at 6.0% and the average commercial market rent at $11.74 per square foot with average commercial vacancy based on the current in-place at 25.9%.

Sponsorship/Management

The borrowing entity is FC Merc Complex, LP, a recycled, single-purpose, Texas limited partnership.

The property management is Forest City Residential Management, Inc., a borrower affiliated management company with a contract rate of 3.0% of effective gross income.

Morningstar Analysis

	Morningstar	2010	2011	TTM 06/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$6,663,871	$6,181,000	$6,179,292	$6,344,175	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	100,336	0	98,671	124,150	
Percentage Rent	0	0	0	0	
Parking Income	276,339	176,807	274,704	287,437	
Other Income	238,625	162,855	237,213	239,398	
Less: Vacancy Loss	-576,732	-1,452,458	-540,898	-354,620	
Less: Concessions & Collection Loss	-176,041	0	-119,891	-65,412	
Effective Gross Income	**$6,526,396**	**$5,068,204**	**$6,129,091**	**$6,575,128**	**$6,487,788**
Expenses					
Real Estate Taxes	$1,015,434	$697,525	$692,891	$711,350	
Property Insurance	85,032	86,812	86,590	82,157	
Utilities	487,865	340,358	484,979	436,252	
Repairs and Maintenance	443,077	433,831	477,891	413,243	
Janitorial	0	0	0	0	
Management Fees	195,792	170,975	180,475	191,948	
Payroll & Benefits	736,350	820,693	688,672	699,512	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	146,370	194,783	145,470	129,587	
Professional Fees	56,239	37,149	36,914	65,188	
General and Administrative	368,128	336,754	352,958	333,315	
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	**$3,534,287**	**$3,118,880**	**$3,146,840**	**$3,062,552**	**$3,475,647**
Net Operating Income	**$2,992,109**	**$1,949,324**	**$2,982,251**	**$3,512,576**	**$3,012,141**
Capital Items					
Leasing Commissions	$12,250	$0	$0	$0	
Tenant Improvements	12,250	0	0	0	
Capital Expenditures	93,806	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$118,306**	**$0**	**$0**	**$0**	**$85,278**
Net Cash Flow	**$2,873,803**	**$1,949,324**	**$2,982,251**	**$3,512,576**	**$2,926,863**

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	$1,375
Apartment Vacancy (%)	6.00%
Rent per square foot	$11.74
Commercial Vacancy (%)	25.93%

As of the 6/30/12 rent roll, average apartment rents were $1,390 per unit and vacancy was 4.4%, with average commercial space at $11.74 per square foot and vacancy of 25.9%. The apartment market rent was determined to be $1,350 per unit based on the appraiser's estimate and market vacancy at 6.0% based on the Reis mean for the Central Dallas submarket. The commercial space was underwritten based on the 6/30/12 in-place rents and vacancy.

Morningstar underwrote the gross potential revenue (GPR) based on average apartment rents of $1,375 per unit with a minimum vacancy of 6.0% and average commercial space at $11.74 per square foot with current vacancy of 25.9%.

Expenses

Expenses were underwritten based on either historical weighted averages or the most recent period with a slight increase for inflation.

Real Estate Taxes were underwritten based on the appraiser's estimate of current un-abated real estate taxes, slightly higher than the issuer.

Insurance was underwritten based on the trailing twelve months ending 6/30/12 and inflated 3.5%, which was slightly lower than the appraiser's estimate of $87,840 and higher than the borrower's budget of $83,034.

Overall, expenses were 45.9% of effective gross income, slightly lower than the trailing twelve months ending 6/30/12 of 46.6%, the borrower's budget of 47.3% and the appraiser's estimate of 47.9%.

Capital Items

A reserve for future capital expenditures is underwritten at $233 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar's multifamily capitalization rate for Dallas is 7.3% and the office/retail capitalization rate was 8.5%. The capitalization rate was blended to 7.41% 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 and upward adjustment of 25 basis points for the older Merc portion of the property score. The final Morningstar capitalization rate was 7.16%. This estimate is more conservative than the appraiser's capitalization rate of 5.0% and the capitalization rates from appraiser's sales comparables which averaged 4.73%.

Endicott Green

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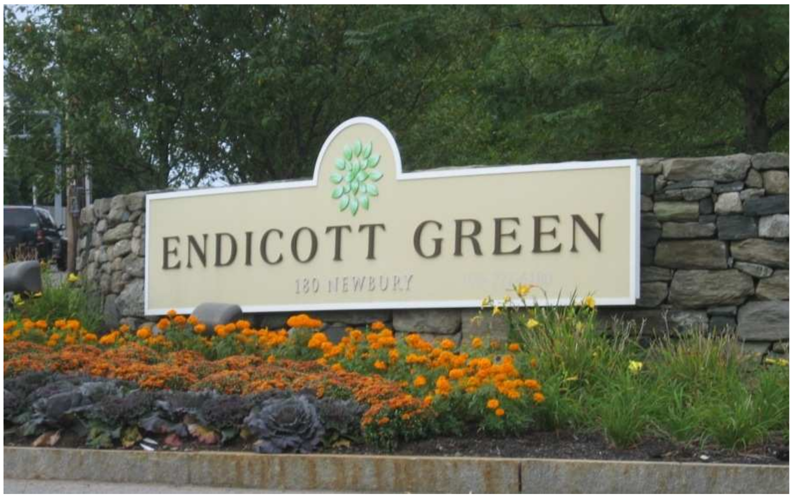


Property Summary		
Property Type	Multifamily/Mid-Rise	
Location	Danvers, MA	
Year Built/Renovated	2006/N/A	
Multifamily Units	258	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	95.40%	As of: 7/24/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$35,196,000	($136,419/unit)
Loan Amount (Cut-Off Balance)	$35,196,000	($136,419/unit)
Loan Term (months)	120	
I/O Period (months)	48	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	4.11000%	

Morningstar Analysis		
Current DSCR	1.70 x	
Amortizing DSCR	1.20 x	
Beginning LTV	92.95%	
Ending LTV	82.61%	
Capitalization Rate	6.50%	
Morningstar Occupancy	93.25%	
Net Operating Income	$2,532,120	
Net Cash Flow	$2,461,229	
Value	$37,865,069	($146,764/unit)
Debt Yield	6.99%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$35,196,000	4.11000%	1.70 x	1.20 x	93.0%	82.6%
Total	**$35,196,000**	**4.11000%**	**1.70 x**	**1.20 x**	**93.0%**	**82.6%**

Morningstar Summary

Morningstar Perspective

The Boston apartment market was not as severely impacted by the recent global economic downturn as other markets, and recent developments in the local economy have allowed the market to experience significant improvement from 2010 and thus far through 2012, with market-wide average occupancy level increases and increased average effective rental rates. This trend is expected to continue over the near-term as the economy continues to improve. Over the longer term, it is reasonable to believe that the Boston metro area is positioned to maintain its historically stable occupancy levels despite the potential for new construction on the horizion.

Morningstar's analysis of Endicott Green resulted in an interest only DSCR of 1.70x, an amortizing DSCR of 1.20x and a debt yield of 7%. The beginning loan to value was 93% and the maturity date loan to value improves to 82.6% with amortization. Based on our analysis and improvements in the subject's metro and submarket, we believe Endicott Green will continue to exhibit strong occupancy levels and upward trending rental rates. And despite the addition of new supply to the market that may create downward pressure on occupancy and effective rental increases we believe that the property's long-term projection is for continued growth similar to that of the past several years.

Endicott Green is reasonably well located within its community. It is relatively close to both employment centers and major roadways, and the surrounding apartment developments are experiencing average to above average levels of demand. Based upon our analysis, the subject should continue to enjoy good market acceptance.

The Bears Say

- The loan is interest-only for the first four years. However, Morningstar's analysis resulted in an interest only DSCR of 1.70x and an amortizing DSCR of 1.20x.
- The sponsors disclosed three foreclosures and multiple lawsuits involving Northland Investment Corporation and Northland Fund II, LP.
- New supply is projected to pick up during the 2012 to 2015 timeframe. Reis believes that the region will be able to continue to support demand for apartments over the next decade.

The Bulls Say

- The property is located in a growing market that consistently supports demand for multifamily housing. Thus, new supply is projected to pick up during the 2012 to 2015 timeframe.
- Reis is forecasting growth in excess of 3% annually for effective rental rate.
- The submarket vacancy rate is projected to drop each year to a low of 2.1% in 2013 and 2014 before rising in 2015 and 2016.
- Morningstar's analysis of Endicott Green resulted in an interest only DSCR of 1.70x, an amortizing DSCR of 1.20x.

Property Description

Endicott Green is a 258-unit garden- style multi-family property located in Danvers, Massachusetts. The property consists of six apartment buildings ranging from 4-5 stories and an additional single story building that serves as an amenity center and management office. The property was constructed in 2006 and is situated on roughly 13 acres. The property was developed with a comprehensive permit under Massachusetts Chapter 40B. This requires that 25% of the units be set aside as affordable at household incomes no greater than 80% of the Area Median Income (AMI).

The property has 96 one-bedroom units (806 average square feet) and 162 two-bedroom units (1,149 square feet) with an overall average unit size of 1,021 square feet. The subject offers a variety of amenities, such as a full service clubhouse/leasing office that houses a business center, fitness center, resident lounge with a full service kitchen and an entertainment center. Additionally, there is an outdoor swimming pool, playground and garage parking. Currently, the property is 95.4% occupied and is considered to be in good overall condition.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	96	37.2%	806
Two Bedroom	162	62.8%	1,149
Total	**258**	**100.0%**	**1,021**

Market Overview

Endicott Green is located in the town of Danvers in Massachusetts and is considered to be part of the North Shore/Merrimack River Valley submarket as tracked by Reis. On the whole, Reis's data indicates that the Boston market, while not as negatively impacted as other portions of the country, was none the less impacted by the economic downturn, but has seen significant recovery.

Reis's 2011 Trend Futures report shows that there has been some recent improvement in the overall Boston market average occupancy rate during 2010-2011 and expects continued stability through 2016. The report forecasts effective rental rate increases, with growth projections in excess of 3% annually. Reis also forecasts a relatively modest level of apartment completions over the next five years, as compared to levels witnessed over the previous decade.

According to Reis, the average occupancy level for the overall Boston apartment market increased to 94.9% as of year-end 2010, 96% as of year-end 2011 and 95.7% as of second quarter 2012. Occupancy is forecasted to increase to over 97% by 2016.

The subject's North Shore/Merrimack submarket statistics show a lower overall occupancy rate as compared to the Greater Boston area. It should be noted that the subject's second quarter 2012 submarket occupancy rate of 95.7% and year-end 2011rates are 20 basis points and 80 basis points tighter than the vacancy rate reported at yearend 2010. Over the next five years (2012 to 2016), the submarket vacancy rate is projected to drop each year to a low of 2.1% in 2013 and 2014 before rising in 2015 and 2016.

Reis noted that effective rental rates in the Greater Boston apartment market were not significantly impacted by the downturn in the overall economy. Reis indicated that this was largely the result of the significant addition of new supply that was added to the market immediately prior to the downturn. The new supply commanded higher effective rental rates and thus pushed up the overall averages.

According to Reis, the average effective rent for the overall Boston apartment market increased to $1,360 per unit per month as of year-end 2010, $1,387 per unit as of year-end 2011 and $1,450 per unit as of second quarter 2012. Over the next five years, rents are forecast to grow moderately between 2.2% and 4.4% annually.

In the submarket, effective rents increased from $1,238 to $1,351 between 2006 and 2008 before decreasing by 3.7% to $1,301 in 2009. Rents began to increase again in 2010 to $1,360 and in 2011 to $1,387. The market experienced an annual average increase of 2.3% per year. Reis estimates that over the next five years (2012 to 2016), rents are predicted to increase annually by 4.9% per year from $1,387 to $1,761.

Recent improvements in Boston's demographics are impacting the demand for rental units. Thus, new supply is projected to pick up during the 2012 to 2015 timeframe. According to Reis, supply is expected to develop at a much lower rate in the market over the next five years (991 units, average annual growth of about 198 units). Reis believes that the region will be able to continue to support demand for apartments over the next decade.

Sponsorship/Management

The borrowing entity is Northland Endicott Green LLC, a single-purpose, Delaware limited liability company. The sponsor, Northland, has disclosed various monetary and technical defaults and civil litigations.

The property is managed by Northland Investment Corporation, a borrower-controlled management company, under a contractual management fee of 3% of EGI.

Morningstar Analysis

	Morningstar	2010	2011	TTM 03/31/12	Issuer Underwriting
Income					
Gross Potential Rent	$4,263,192	$4,031,696	$4,194,972	$4,224,431	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	107,366	80,618	102,193	99,997	
Percentage Rent	0	0	0	0	
Parking Income	39,435	33,347	39,240	40,918	
Other Income	110,712	165,851	116,160	126,003	
Less: Vacancy Loss	-296,567	-271,443	-242,443	-241,332	
Less: Concessions & Collection Loss	-19,760	-104,242	-32,646	-19,760	
Effective Gross Income	**$4,204,378**	**$3,935,827**	**$4,177,476**	**$4,230,257**	**$4,197,272**
Expenses					
Real Estate Taxes	$371,102	$318,134	$360,550	$359,777	
Property Insurance	75,248	70,554	72,722	75,409	
Utilities	224,831	236,048	213,328	221,109	
Repairs and Maintenance	268,141	223,579	254,249	243,183	
Janitorial	0	0	0	0	
Management Fees	209,181	192,580	206,790	212,339	
Payroll & Benefits	345,001	309,611	301,864	300,219	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	85,024	113,423	88,604	85,024	
Professional Fees	32,282	32,081	26,711	35,435	
General and Administrative	61,449	54,570	54,776	67,125	
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	**$1,672,258**	**$1,550,580**	**$1,579,594**	**$1,599,620**	**$1,572,252**
Net Operating Income	**$2,532,120**	**$2,385,247**	**$2,597,882**	**$2,630,637**	**$2,625,020**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	70,891	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$70,891**	**$0**	**$0**	**$0**	**$70,950**
Net Cash Flow	**$2,461,229**	**$2,385,247**	**$2,597,882**	**$2,630,637**	**$2,554,070**

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	$1,377
Vacancy (%)	6.75%

Underwritten Gross Potential Rent is based on Morningstar's estimate of market rents derived from the appraisal, rent roll and third party reporting. The property's average rent of $1,377/unit is less than the 2Q 2012 Reis submarket rent of $1,484/unit and the submarket rent of $1,724/unit for properties of similar vintage. The property's average rent is less than the appraiser's concluded market rent of $1,414/unit. The lower renst at the subject are a result of the property's regulatory agreement that requires that 25.0% of the units (65 units) be leased to tenants earning less than 80.0% of the area median income or residents using Section 8 vouchers. The 2012 maximum effective rent allowable for 1BR units is $1,082/unit and $1,272/unit for 2BR units.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Address special assumptions and variances to the historical levels such as property taxes, insurance, management fee, etc

Real estate taxes were underwritten to the T-12 ending 3/31/2012 and inflated by 3.0%, which is greater than the appraiser's estimate.
Insurance was underwritten based on T-12 ending 3/31/2012 inflated by 3.0%, which is consistent with the appraiser's estimate. The property is covered under a blanket insurance policy.

Capital Items

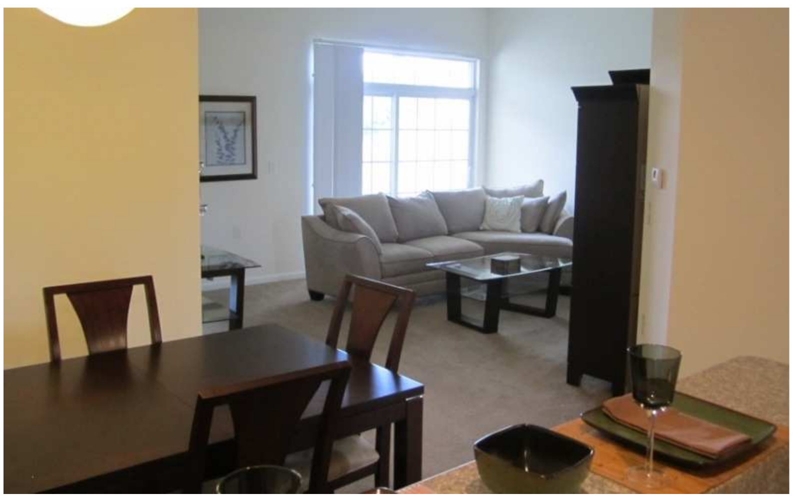
A reserve for future capital expenditures is underwritten at $275 per unit, a 10% increase over the engineer's recommended reserves.

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 5.25%. The sales included in the comparison resulted in a 5.25% capitalization rate. Morningstar's base multifamily capitalization rate for the subject's Boston East market is 6.5%.

The Groves At Piney Orchard

Analyst: Mike Magerman (267) 960-6022
Analytical Manager: Rob Grenda (267) 960-6023



Property Summary		
Property Type	Multifamily/Garden	
Location	Odenton, MD	
Year Built/Renovated	1996/N/A	
Multifamily Units	258	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	95.00%	As of: 6/26/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$35,000,000	($135,659/unit)
Loan Amount (Cut-Off Balance)	$35,000,000	($135,659/unit)
Loan Term (months)	120	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	8	
Interest Rate	4.21000%	

Morningstar Analysis		
Current DSCR	1.67 x	
Amortizing DSCR	1.20 x	
Beginning LTV	93.83%	
Ending LTV	81.59%	
Capitalization Rate	6.60%	
Morningstar Occupancy	94.50%	
Net Operating Income	$2,575,113	
Net Cash Flow	$2,461,877	
Value	$37,301,165	($144,578/unit)
Debt Yield	7.03%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$35,000,000	4.21000%	1.67 x	1.20 x	93.8%	81.6%
Total	**$35,000,000**	**4.21000%**	**1.67 x**	**1.20 x**	**93.8%**	**81.6%**

Morningstar Summary

Morningstar Perspective

The $35 million 10-year loan was used to pay off the previous financing which had a remaining balance of $16.51 million, and to provide a cash-out of $17.92 million to the borrower. The loan has an interest-only period of 36 months. The Groves At Piney Orchard is a well located, garden-style apartment complex in Odenton, Maryland, about 20 miles south southwest of Baltimore and 30 miles northeast of Washington, D.C. Fort Meade is two miles north of the property, and about 40% of the tenancy is a combination of active-duty military and civilian jobs in the U.S. Department of Defense, and in Homeland Security.

There is a low-income housing component to the property, as 58 of its 258 units are operated under the Low Income Housing Tax Credit (LIHTC) program. In order to qualify for a reduced rent, tenants must have no more than 50% of the local median income. Each of the property's 11 buildings must set aside 20% of its units for tenants qualified under the terms of the program. The reduced rents under the program are roughly half of the full market rents paid by the majority of the tenants. The Extended Use Period under the Regulatory Agreement governing the LIHTC contract extends until June 2027.

Fort Meade is a major demand driver in the local area. At most points in time, 40% to 45% of the property's tenancy is a direct result of military and civilian personnel at the base. Roughly one-third of that total is active-duty military, so the larger portion of that population is not subject to deployment.

Odenton is a rapidly growing town, with its population of 37,132 as of the 2010 U.S. Census representing 81% growth in just 10 years. Extending out wider to Anne Arundel County, the population was 537,656 in 2010. The county's population grew very slowly until 1920, and then exploded over the next eight decades to increase by 11 times by 2000. The county's growth rate slowed to 10% from 2000 to 2010. Home prices in the Baltimore metro area have declined by roughly 20% since the 2007 peak, and have shown few signs of any meaningful recovery yet. The metro area economy, while weakened in recent years, is no worse than the national economy and the local unemployment rate is lower than the national rate. The decline in home prices combined with very low interest rates has made home ownership more affordable, but this development does not seem to have hurt rental demand at all, as the submarket's vacancy has been below 5% in every quarter since the end of 2010 after approaching 10% during 2009. The growth of Fort Meade since the BRAC announcement in 2005 no doubt has contributed to the local area's growth.

The rents commanded by the property for its market-rate units are slightly higher than the Reis benchmarks for the submarket. The property has been able to maintain occupancy at 95% or better consistently over the last three years. The demand generated by Fort Meade is a big positive, as the net impact from BRAC is a substantial gain in employment. Given these strengths, Morningstar expects the property to at least maintain, if not surpass, recent levels of cash flow based on attained market rent levels and consistently high occupancy rates.

Morningstar's underwritten net cash flow was $2.46 million, lower than the issuer's net cash flow by 4.8%. Morningstar's value for the property was $37.30 million, or $144,578 per unit; this was 21.8% lower than the appraised value. The Morningstar value indicates a loan-to-value of 93.8%, compared to the 73.4% based on the appraised value.

The Bears Say

- Most of the market-rate units have not been renovated, and the property competes in a fairly high-rent market.
- Demand for the property is largely dependent on the population at Fort Meade; fortunately, the base realignment outcome of 2005 was favorable.
- The principals of the ownership group have had some past financing difficulties, though these ultimately had successful outcomes or happened more than 20 years ago when there were massive failures in the banking system.

The Bulls Say

- Occupancy at the property has been running at 97% to 98% since 2009. The most recent reported occupancy was slightly lower at 95.0% as of June 26, 2012.
- Fort Meade was a net beneficiary of BRAC. Thousands of military and civilian employees will be added over the next few years.
- The property's tenants can take advantage of common amenities available to all residents of the Piney Orchard Planned Unit Development, some of which are immediately adjacent to the property.

Property Description

The Groves At Piney Orchard is a 258-unit garden style apartment property completed in 1996 on 12.8 acres, in Odenton, Maryland, about 20 miles south southwest of Baltimore and 30 miles northeast of Washington, D.C. The property consists of 11 three-story apartment buildings, a clubhouse/leasing office and a maintenance building. The unit mix consists of 48 one-bedroom units averaging 744 square feet, 174 two-bedroom units averaging 982 square feet and 36 three-bedroom units averaging 1,246 square feet. Common area amenities include clubhouse with lounge area, swimming pool, playground, fitness center and picnic area. Units include standard kitchen appliances, washer and dryer, walk-in closets, patio or balcony, and a fireplace.

Due to its proximity to Fort Meade, the property has a concentration of nearly 40% of units leased to a combination of active-duty military and civilian employees of the National Security Agency, the Department of Homeland Security and the Defense Information Systems Agency. The headquarters of the National Security Agency and the United States Cyber Command are located at Fort Meade. Roughly one-third of these tenants are active duty military. All of these military and civilian tenants receive a 5% discount on their rent.

The property is part of the Piney Orchard Planned Unit Development, which began in 1991 and now contains 4,500 total housing units including rental apartments, condominiums and single family homes. The sponsor owns and manages two other apartment complexes within Piney Orchard, with a total of 467 units.

Morningstar visited the property on September 14, 2012. The property was in better than average condition and generally appeared to be well maintained. Occupancy was said to be just under 95% at the time of the visit. The property has a good location about midway between I-95 and I-97 which provides excellent access to Baltimore and Washington. There is also a regional train station for the Maryland Rail Commuter Service nearby. There are other apartment complexes and condominiums, as well as plenty of retail options nearby.

In the Offering Memorandum, it was reported that a recent fire damaged one unit and several other units sustained water damage. The fire caused damage estimated at $450,000, and there was one tenant fatality.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	48	18.6%	744
Two Bedroom	174	67.4%	982
Three Bedroom	36	14.0%	1,246
Total	**258**	**100.0%**	**975**

Market Overview

The Groves At Piney Orchard is in the Annapolis/Crofton submarket, as defined by Reis. Within this submarket, the average asking rental rate was $1,419 per unit per month as of second quarter 2012. The overall average asking rental rate of $1,419 per unit per month represents a 1.0% increase from the prior quarter and a 1.9% increase from one year earlier. The weighted average rent at the subject was $1,488 per unit per month for market-rate units. That average does not take LIHTC units into account. The appraisal concluded a market rent of $1,544 per unit per month for market-rate units only. Morningstar underwrote rents based on the overall average contract rate of $1,323 per unit per month. Reis predicts rents will increase at an average annual compound rate of 4.1% from 2013 through 2016.

Within this submarket, the overall vacancy rate was 4.1% as of second quarter 2012. The overall vacancy rate in this submarket has been below 5% in each quarter since the fourth quarter of 2010, after peaking at 9.8% in the second quarter of 2009. Reis forecasts vacancy rates for the submarket to remain between 4% and 6% through 2016. The appraisal identified a competitive set of five properties with a weighted average occupancy of 91.6% compared to 95.0% at the subject. The appraisal concluded a market vacancy rate of 5.0%. Morningstar underwrote vacancy at 5.5%.

According to Reis, only 208 new units have been delivered in the submarket since 2006. The forecast calls for 666 units over the next four years, which would represent an increase of 1.2% over the current inventory.

Morningstar Analysis

	Morningstar	2010	2011	TTM 06/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$4,097,298	$3,823,410	$3,981,017	$4,093,097	
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	102,007	112,084	117,623	110,475	
Less: Vacancy Loss	-230,962	-52,679	-61,706	-139,020	
Less: Concessions & Collection Loss	0	2,547	2,621	-1,312	
Effective Gross Income	**$3,968,343**	**$3,885,362**	**$4,039,555**	**$4,063,240**	**$4,001,449**
Expenses					
Real Estate Taxes	$270,033	$248,583	$256,492	$262,168	
Property Insurance	61,644	52,676	54,751	58,150	
Utilities	38,878	44,599	38,061	36,016	
Repairs and Maintenance	272,325	292,785	266,599	258,744	
Janitorial	0	0	0	0	
Management Fees	198,417	199,754	203,618	206,872	
Payroll & Benefits	373,644	376,352	365,788	361,307	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	72,706	66,135	71,177	71,517	
Professional Fees	26,384	16,552	16,985	36,870	
General and Administrative	40,457	38,436	39,606	40,037	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	38,742	30,239	37,296	43,785	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$1,393,230**	**$1,366,111**	**$1,350,373**	**$1,375,466**	**$1,312,298**
Net Operating Income	**$2,575,113**	**$2,519,251**	**$2,689,182**	**$2,687,774**	**$2,689,152**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	113,236	67,286	86,411	101,050	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$113,236**	**$67,286**	**$86,411**	**$101,050**	**$102,942**
Net Cash Flow	**$2,461,877**	**$2,451,965**	**$2,602,771**	**$2,586,724**	**$2,586,210**

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	$1,323
Vacancy (%)	5.5%

Rent was underwritten at $1,323 per unit per month, the result of using the issuer's underwritten average rent, which included both market rate and low income units. Information provided by the issuer did not include details on the rent levels of the LIHTC units, so separate analysis of market rent units and low income units was not practical. Vacancy was underwritten at 5.5%, a slight increase from the in-place vacancy of 5.0% due to the 8% aggregate vacancy of the appraisal's rent comps; the Reis submarket vacancy was 4.1%. Historically, the property's vacancy was just 1.5% in 2010 and 2011.

Expenses ($ per unit)

Expenses are underwritten in-line with historicals unless otherwise noted. Morningstar underwrote real estate taxes based on the actual taxes for 2012 inflated by 3%, which is also 3% higher than the appraisal. Morningstar underwrote management fees to 5% of effective gross income based on the historical expense and the borrower's budget. The actual contract rate with a borrower-related management company is 5%. The appraisal used a 3% management fee.

Capital Items

A reserve for future capital expenditures is underwritten at $439 per unit per year, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

The appraisal's capitalization rate analysis is based upon the rates of recent comparable apartment sales and market surveys. The appraiser concluded that the direct capitalization rate for the subject is 5.75%. The sales included in the appraisal's comparison resulted in an average 5.83% capitalization rate. Morningstar's base multifamily capitalization rate (a weighted blend of the Baltimore and Washington markets) is 6.60%. Morningstar made no adjustments to the capitalization rate.

The Towers at Four Lakes

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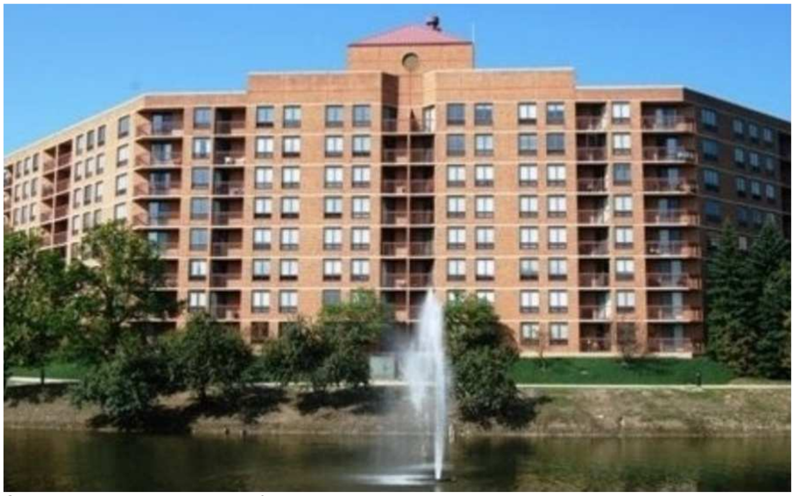
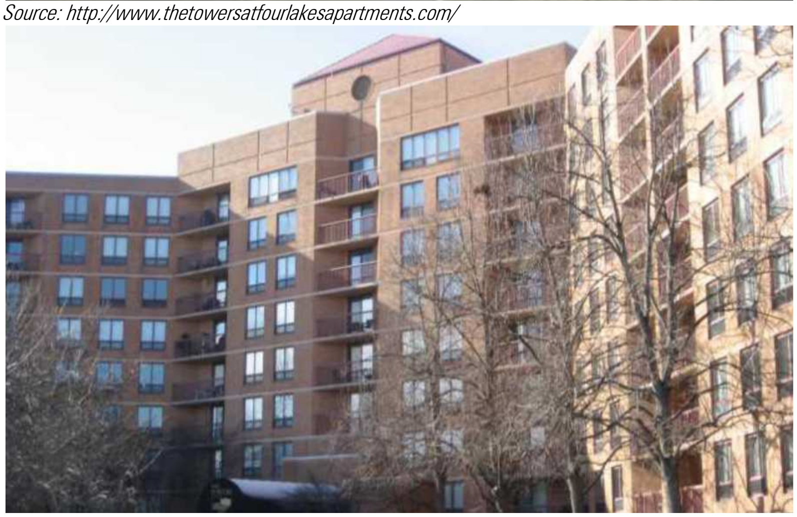


Source: http://www.thetowersatfourlakesapartments.com/



Source: Appraisal Research Counselors appraisal report, January 2012

Property Summary		
Property Type	Multifamily/Garden	
Location	Lisle, IL	
Year Built/Renovated	1986/2008	
Multifamily Units	476	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	95.80%	As of: 6/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$35,000,000	($73,529/unit)
Loan Amount (Cut-Off Balance)	$35,000,000	($73,529/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	3.84000%	

Morningstar Analysis		
Current DSCR	1.86 x	
Amortizing DSCR	1.27 x	
Beginning LTV	97.76%	
Ending LTV	81.98%	
Capitalization Rate	7.00%	
Morningstar Occupancy	95.00%	
Net Operating Income	$2,637,762	
Net Cash Flow	$2,506,150	
Value	$35,802,146	($75,215/unit)
Debt Yield	7.16%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$35,000,000	3.84000%	1.86 x	1.27 x	97.8%	82.0%
Total	**$35,000,000**	**3.84000%**	**1.86 x**	**1.27 x**	**97.8%**	**82.0%**

Morningstar Summary

Morningstar Perspective

The Towers at Four Lakes loan is a ten-year, $35.0 million ($73,529 per unit) refinancing of the sponsor's existing debt on a 476-unit high-rise multifamily property in Lisle, Illinois. The loan represents a 75.0% loan-to-appraised value ratio. Developed between 1986 and renovated in 2007-08, the property was 95.8% occupied as of June 30, 2012. Historical occupancy has averaged 93.0% since 2009. In the same period, the property has shown an improving trend in operating performance, reporting NOIs of $2.21 million, $2.38 million and $2.74 million in 2009, 2010, and the twelve months ending June 2012 (T-12 6/2012), respectively. Operating performance was driven mostly by increases in revenues and stable expenses. Operating expense ratios at the property have decreased from 54.9% in 2009 to 51.6% in T-12 6/2012. According to Reis, the average expense ratio for the North/ North West submarket is 46.2%.

Morningstar's analysis of the property resulted in a NCF of $2.51 million, which is 2.0% lower than the issuer's underwritten NCF. Morningstar used the appraiser's concluded rent as its basis for market rent and blended in-place rents towards market. Based on the property's occupancy history and in-place occupancy, Morningstar underwrote vacancy at 5.0%. Morningstar's value for the property is $35.70 million, which is 23.7% lower than the appraised value. The resulting LTV ratio and DSCR (amortizing) are 98.0% and 1.27 respectively.

The Bears Say

- High Leverage and Interest-Only Period: Based on Morningstar's value of the property, this financing has a 98.0% LTV ratio. The loan is interest-only for the first two years of its term and then amortizes on a 30-year schedule. The high leverage and interest-only risk is partially mitigated by institutional sponsorship and the $5.50 million invested by the sponsor in capital improvements in 2007-08. The sponsor also has implied equity of $8.75 million in the property.
- Property Age and Significant Deferred Maintenance: The property was built 1986, and per the Property Condition Report (PCR), needs immediate repairs worth $467,310. This includes $265,000 for balcony restoration and $180,000 for the repair/ replacement of the garage deck membrane. Per the loan documents these two immediate repair items must be completed within one year of loan closing and the other immediate repair items must be completed by November 2012. Work on the immediate repair items is reportedly under way and the lender has also escrowed $472,888 for the immediate repair requirements.
- Student Concentration and Short Term Leasing: According to the property manager, approximately 20% of the tenants are students. In addition, the property has short term leases of up to three months. However, according to the property manager, the property is able to back-fill the short term vacancy quickly as evidenced by 93.0% average occupancy since 2009.
- Limited Unit Mix: The property offers only studios and one-bedroom units and approximately 71% of the units are studios. The high percentage of studio units differentiates the property from its competitors. Because of the unit configuration, there is reportedly a high turnover of tenants looking to upgrade to bigger units but management is also able to lease the units to students and shorter term tenants because the property offers a differentiated product type.

The Bulls Say

- Strong Sponsor and Management: The property has institutional sponsorship in Marquette Companies which owns approximately 4,500 multi-family units in Illinois, Michigan, and Texas. The property is also managed by a borrower related entity, Marquette Management, Inc. that manages 28 properties with 9,500 units throughout the Midwest including 7,000 units in the local area.
- Strong Location: The property is located along Forest View Road and East Lake Drive, 30 miles west of the Chicago CBD. The property is part of the master-planned Four Lakes Village development that was originally started in the 1960s. The major retail development in the neighborhood is Oakbrook Mall, which is one of the largest shopping centers in Illinois, and is located 10 miles northeast of the property. The property is located near the Illinois Technology and Research Corridor. Lucent Technologies, BP America, DeVry Inc., Dover Corporation, Nicor, Sara Lee, Tellabs, and other major corporations have established headquarters and/or research facilities within the area. I-88 and I-355 are located 1.5 miles southwest of the property. The property is located less than one west of Route 53, which is a major north/south thoroughfare.

Property Description

The Towers at Four Lakes is a 476-unit, high-rise apartment complex, situated on 19.65 acres of land. Built in 1986, the property consists of two eight-story apartment buildings and an attached three-level parking garage. The property has 747 parking spaces including 712 garage spaces. The property has four corporate units leased by National Corporate Housing, a third-party leasing company for Noble Americas Energy Solutions. In addition, according to the property manager, the property has an approximately 20% student concentration.

Common area amenities at the property include a party room, swimming pool, fitness center, shuttle for seniors to the grocery store and banks twice per week, daily continental breakfast, package delivery, and dry cleaner pick-up. There is a concierge center that provides a van service for commuters to the Metra station, and the concierge will water plants and feed pets while residents are on vacation. The property is part of a master-planned development called the Four Lakes Village. The development was originally started in the mid-1960s and consists of condominium and apartment developments on a 300-acre site. Tenants at the subject property have access to additional amenities such as a convenience store, pub, ski hill, six tennis courts, volleyball courts, four swimming pools, a boat house, bike and jogging trails, lakes, a movie theater, and a health club. The property pays an association fee for these amenities. The property is subject to an Easement Agreement with the Four Lakes Village Condominium Owner's Association, Inc. According to the agreement, the subject property and several other properties in the area collectively form the association. The association maintains, administers, and enforces the covenants, conditions, and restrictions in the declaration and collects assessments and charges from the owners within the Four Lakes properties. The property's annual association dues are $325,346 and it pays an annual landscape fee of $25,668.

The property is also subject to non-exclusive access easements. Three private roadways are located on the property - East Lake Drive, Forest View Road and Four Lakes Avenue. The Association was granted non-exclusive easements for ingress, egress and access to use and maintain the roadways. The property has one driveway for access to East Lake Drive and one driveway for access to Forest View Road. Both roadways provide access to Four Lakes Avenue.

The borrower invested $5,503,998 ($11,563/unit) in renovations between 2007 and 2008, which included new common area flooring and painting, exterior brick tuck pointing, new air conditioning chiller and boilers, fire protection replacement, elevator upgrades, renovation of laundry rooms, landscaping upgrades, addition of concierge room, and mechanical, electrical and plumbing upgrades. Approximately 440 units (92.0%) of the units were upgraded with new cabinets, granite countertops, stainless steel appliances, new flooring, new lighting and plumbing fixtures, and accent painting.

The Property Condition Report (PCR) identified immediate repairs of $467,310, which include concrete repairs ($12,000), sidewalk repairs ($1,800), garage deck membrane repairs ($180,000), balcony restoration ($265,000), balcony railing leg repairs ($5,000) and repairs of continuous vent fans in unit bathrooms and kitchens ($3,510). According to the loan documents the immediate repair items must be completed by November 1, 2012 except the garage deck membrane repairs, balcony restoration and the railing leg repairs which have to be completed within a year of loan closing. The lender escrowed 125% of the immediate repair costs recommended by the PCR.

The environmental assessment report did not identify any Recognized Environmental Conditions but recommended the implementation of O&M plans for asbestos and mold.

The property is managed by Marquette Management, Inc., a borrower-controlled management company. Marquette currently manages 28 properties with 9,500 units throughout the Midwest with 7,000 units in the local area. The contractual management fee is 3.5% of Effective Gross Income (EGI).

The property is located in the city of Lisle, DuPage County within the Chicago MSA. The property is located along Forest View Road and East Lake Drive, 30 miles west of the Chicago CBD. Land uses within the neighborhood include office, retail and residential uses. Commercial uses are located along Maple Avenue. Primary access to the neighborhood is provided by I-88 and I-355, which are located 1.5 miles southwest of the property. The property is located less than one mile west of Route 53, which is a major north/south thoroughfare.

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	339	71.2%	600
One Bedroom	137	28.8%	769
Total	**476**	**100.0%**	**649**

Market Overview

According to Reis, the property is located in the Woodridge/ Lisle submarket within the larger Chicago market. The average asking rent in the submarket as of Q2 2012 was $1,031 per unit per month and the average vacancy was 3.5%. For properties of similar vintage as the subject, the average asking rent was $1,217 per unit and the vacancy was 3.3%. Class-A rents and vacancies were $1,189 per unit and 3.1%, respectively. For class-B/C properties, the average rent and vacancy were $914 per unit and 3.8% respectively. Landlords were offering 0.9 months of free rent on average, which translates to 7.7% of face rent.

The Woodridge/ Lisle submarket has shown improvement from year-end 2010 to Q2 2012 with the vacancy rate declining from 4.7% to 3.5% and the average rent improving from $983 per unit to $1,031 per unit. Concessions reduced slightly from 1.0 months to 0.9 months. According to the appraiser, housing demand is driven by proximity to trains providing access to Chicago's CBD, proximity to the Interstate 88 office corridor including the Woodridge/ Lisle office/retail market, and finally the distribution market located southwest along Interstate 55. Like the Northwest Cook submarket, DuPage County is positioned to provide relatively modest commute times to a number of employment centers.

A proposed luxury apartment development called Arboretum Landmark was approved by the Lisle Village Board in July 2008. According to the developer, the project is expected to be delivered in September 2013 and will have 310 units and 503 parking spaces. Another development called Wheaton 121 is being developed by the Morningside group and is expected to deliver 306 units and 400 parking spaces in the summer of 2013.

The appraiser identified a competitive set of seven properties, with a total of 3,017 units, based on their size and location characteristics. The weighted average occupancy of the comparables was 93.2% compared to 95.8% at the subject and 96.5% for the submarket according to Reis. The weighted average rent of the comparables was $1,103 per unit compared to $964 per unit at the subject and $1,031 per unit in the submarket. The appraiser concluded a market rent of $945 per unit and a vacancy rate of 6.0%.

Morningstar Analysis

	Morningstar	2009	2010	TTM June 2012	Issuer Underwriting
Income					
Gross Potential Rent	$5,457,139	$4,957,392	$4,921,028	$5,307,379	
or					
Base Rent	0	0	0	0	
Laundry/Vending	57,833	58,820	57,531	57,404	
Expense Reimbursement	167,384	142,384	160,155	172,678	
Percentage Rent	0	0	0	0	
Parking Income	59,260	13,800	28,516	91,589	
Other Income	266,904	219,870	260,616	311,712	
Less: Vacancy Loss	-289,465	-419,811	-363,013	-283,368	
Less: Concessions & Collection Loss	-51,843	-62,638	-52,366	1,926	
Effective Gross Income	**$5,667,213**	**$4,909,817**	**$5,012,467**	**$5,659,320**	**$5,596,441**
Expenses					
Real Estate Taxes	$645,179	$614,611	$519,394	$622,329	
Property Insurance	101,786	85,039	86,356	95,220	
Utilities	396,929	413,877	389,789	340,339	
Repairs and Maintenance	692,836	518,441	585,743	696,539	
Janitorial	0	0	0	0	
Management Fees	198,352	169,993	173,714	195,772	
Payroll & Benefits	701,150	602,858	615,589	687,414	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	145,258	138,218	134,581	135,707	
Professional Fees	18,455	14,499	12,605	14,342	
General and Administrative	129,506	139,242	113,512	130,315	
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	**$3,029,451**	**$2,696,778**	**$2,631,283**	**$2,917,977**	**$2,920,018**
Net Operating Income	**$2,637,762**	**$2,213,038**	**$2,381,184**	**$2,741,343**	**$2,676,422**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	131,612	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$131,612**	**$0**	**$0**	**$0**	**$119,476**
Net Cash Flow	**$2,506,150**	**$2,213,038**	**$2,381,184**	**$2,741,343**	**$2,556,946**

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	$955
Vacancy (%)	5.0%

- ❖ Morningstar underwrote market rent based on the appraiser's concluded rent. The in-place rents at the property are higher than the market rent and the underwritten rent was blended down towards the market. Based on the property's historical average occupancy of 93.0% and in-place occupancy of 95.8%, vacancy was underwritten at 5.0%.
- ❖ Morningstar underwrote concessions in-line with the issuer's estimate of concessions and the in-place concession percentage. According to Reis, the submarket concessions are 7.7%.

Expenses ($6,364 per unit)

- ❖ Morningstar underwrote expenses in-line with historicals except where otherwise noted.
- ❖ Morningstar underwrote real estate taxes and insurance based on the actual taxes and insurance premium as presented by the issuer.
- ❖ Morningstar underwrote the management fee expense based on the contractual management fee of 3.5% of Effective Gross Income.
- ❖ Morningstar underwrote general & administrative expenses based on the issuer's estimate.

Capital Items

- ❖ Morningstar underwrote reserves for future capital expenditures at $276 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

- ❖ Morningstar used a capitalization rate of 7.00% to determine the value of the property. Morningstar's capitalization rate was based on the RERC multifamily capitalization rate for the Chicago MSA for 2Q 2012. The average capitalization rate of the appraiser's sales comparables was 6.3% and the appraiser's direct capitalization rate assumption was 6.0%.

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-K21 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.