FREMF 2013-K28 Mortgage Trust, Multifamily Mortgage Pass-Through Certificates, Series 2013-K28

Pre-Sale Report

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PRELIMINARY RATINGS (AS OF: 06/11/2013)

Class	Balance/ Notional Amt	Preliminary Ratings	Morningstar DSCR	Morningstar BLTV	Morningstar ELTV	Credit Support Levels
FREMF 2013-K28 Multifamily Mortgage Pass-Through Certificates						
Class A-1	$271,795,000	AAA	1.68 x	75.8%	62.1%	15.75%
Class A-2	1,329,000,000	AAA	1.68 x	75.8%	62.1%	15.75%
Class X1	1,600,795,000	AAA	n/a	n/a	n/a	n/a
Class X2-A	1,600,795,000	AAA	n/a	n/a	n/a	n/a
Class X2-B	299,259,031	AAA	n/a	n/a	n/a	n/a
Class X3	299,259,031	NR	n/a	n/a	n/a	n/a
Class B	109,253,000	A+	1.57 x	81.0%	67.2%	10.0%
Class C	47,501,000	A-	1.53 x	83.2%	69.5%	7.5%
Class D	142,505,031	NR	n/a	n/a	n/a	n/a
Total Issuance	$1,900,054,031					
Freddie Mac Structured Pass-Through Certificates, Series K-28 (SPC K-028)						
Class A-1	$271,795,000	AAA	1.68 x	75.8%	62.1%	15.75%
Class A-2	1,329,000,000	AAA	1.68 x	75.8%	62.1%	15.75%
Class X1	1,600,795,000	AAA	n/a	n/a	n/a	n/a
Class X3	299,259,031	NR	n/a	n/a	n/a	n/a
Total Issuance	$1,600,795,000					

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 X3, Class X2-A, and Class X2-B 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: June 27, 2013
Solely to the extent and subject to the scope of review enumerated herein, this report and the preliminary ratings noted above address certain credit risks and the extent to which the payment stream of the collateral is adequate to make payments required under the certificates based on information identified as subject to review herein and to the extent provided to Morningstar Credit Ratings, LLC ("Morningstar") on the arranger's website for this transaction as of June 11, 2013. The below analysis, as well as Morningstar's ratings characteristics as described in Appendix C, further reflect the ratings analysis related to these preliminary ratings. Investors should be aware that the proposed transaction and certain documents related thereto are not finalized. Following Morningstar's receipt of final information and documentation, and the completion of Morningstar's review of such information and documentation, Morningstar may issue final ratings to certain subscribers. Such final ratings may differ from the preliminary ratings enumerated herein. Any final ratings will solely be available to Morningstar subscribers on a subscription basis. The preliminary ratings are provided on an arranger pay basis while any related surveillance and analysis is provided to subscribers on a subscription pay basis. For the avoidance of doubt, your receipt of this report does not, in and of itself, make recipient a subscriber of Morningstar. For further information on Morningstar's subscription service, please contact Joe Petro pursuant to the contact information above.

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

This report is an opinion and does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation. Morningstar publishes its current Form NRSRO and exhibits thereto at http:rating agency.morningstar.com. Morningstar maintains internal policies and procedures to manage conflicts which may include payment structures for ratings.

TRANSACTION SPOTLIGHT

Collateral	88 loans secured by 88 properties	**Mortgage Loan Seller**	Federal Home Loan Mortgage Corporation (Freddie Mac)
Notional Balance	$1,900,054,031	**Guarantor**	Federal Home Loan Mortgage Corporation
Structure	Sequential	**Depositor**	J.P. Morgan Chase Commercial Mortgage Securities Corp.
Morningstar U/W Current DSCR (1)	1.82 x	**Placement Agents**	J.P. Morgan Securities LLC and Wells Fargo Securities, LLC
Morningstar U/W Amortizing DSCR (1)	1.41 x	**Trustee**	U.S. Bank National Association
Morningstar Trust U/W BLTV	90.0%	**Custodian**	Wells Fargo Bank, National Association
Morningstar Trust U/W ELTV	76.9%	**Master Servicer**	KeyCorp Real Estate Capital Markets, Inc.
Morningstar Debt Yield (2)	7.6%	**Special Servicer**	Wells Fargo Bank, National Association
		Certificate Administrator	Wells Fargo Bank, National Association

Note:
(1) Current debt service coverage reflects interest only payments for loans which are interest only or which have a partial interest only period. Amortizing debt service coverage includes full amortization payments for amortizing and partial interest only loans and interest only for full term interest only loans.

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Transaction Overview

The FREMF 2013-K28 Mortgage Trust, Multifamily Mortgage Pass-Through Certificates (FREMF 2013-K28) are supported by the payment streams from 88 mortgage loans on 88 multifamily properties. The properties are distributed across 28 states and the District of Columbia; however, 60.9% of the cut-off portfolio balance is located in five states including California, Texas, Florida, Pennsylvania, and Washington. The largest loan exposure, Country Lights in Bensalem Township, PA, represents 4.7% of the overall trust portfolio. The top 10 largest loans represent 31.6% of the cut-off portfolio balance; all other loans represent less than 3.0% of the portfolio balance. The priority of payments on the certificates is generally based on a sequential pay structure.

The Freddie Mac Structured Pass-Through Certificates, Series K-028 (SPC K-028) represent the pass-through of the entire beneficial interest of certain underlying securities shown on the table above issued by FREMF 2013-K28 including all principal, interest, guarantee and other payments. Each SPC K-028 security corresponds to its underlying FREMF 2013-K28 certificate of the same name.

Morningstar determined the preliminary ratings for each class of FREMF 2013-K28 certificates by analyzing all of the loans and subjecting the aggregate net cash flow and capitalization rates to a variety of stresses in our proprietary CMBS Subordination Model. Morningstar analysts visited 43 properties backing 43 loans (68.0% by cut-off portfolio balance) and assigned property quality scores to each. 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 Morningstar operational risk assessment ("ORA") ranking for KeyCorp Real Estate Capital Markets, Inc., which is acting as Master Servicer, is MOR CS1/Stable. The ORA ranking for Wells Fargo Bank, National Association, which is acting as Special Servicer, is MOR CS2/Stable. For the full assessment reports and additional information, please access https://ratingagency.morningstar.com

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 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.

Morningstar Perspective

Morningstar's analysis of the portfolio is based on information provided on the arranger's website as of June 11, 2013. Morningstar conducted a full underwriting on 48 of the loans representing 81.1% of the cut-off portfolio balance. Based upon this evaluation and an evaluation of the capitalization rates for each market we have estimated net cash flow and Morningstar value for each of the remaining assets. The Morningstar underwriting yielded an aggregate net cash flow of approximately $143.7 million; this was 9.4% lower than the most recent reported net cash flow and 2.4% lower than the Freddie Mac's underwritten net cash flow. The Morningstar net cash flow resulted in a weighted-average current DSCR and amortizing DSCR of 1.82x and 1.41x, respectively, based on the loan payment terms. The net cash flow and DSCR for each loan are provided in the Loan Analysis Summary Table and are distributed along with this presale report posted on Morningstar's website at http://ratingagency.morningstar.com.

Morningstar valued each of the properties using the direct capitalization method. Our final aggregate value of approximately $2.11 billion, which was 24.0% lower than the reported aggregate appraised value, was calculated separately for each asset by dividing the Morningstar net cash flow by a capitalization rate determined based upon asset location, type, quality, and other characteristics. The capitalized value is then further adjusted to reflect the additional value contributed by upfront reserves, escrows, and other miscellaneous items. Based upon the Morningstar valuation, the derived weighted-average capitalization rate was 6.81%. The Morningstar valuation resulted in a beginning weighted-average loan-to-value ratio of 90.0% and a weighted-average ending loan to value of 76.9%. The capitalization rate, value, and loan to value ratio for each loan are provided in the Loan Analysis Summary Table.

The Bears Say

- Lack of Amortization – This portfolio has a lower percentage of amortizing loans than that reflected by past FREMF 10-year portfolios underwritten by Morningstar. Partial interest only loans represent 67.7% of the cut-off portfolio balance compared that that of past deals which averaged 51.7%. Similarly 9.4% of the portfolio is full term interest only loans; this past the average for this type of loan structure was 6.1%. Overall non-interest only loans represent 21.91% of the total cut-off portfolio balance.

- High Leverage – there are 14 loans, representing 16.36% of the total cut-off portfolio balance, for which the overall leverage based upon the Morningstar Value is higher than 100%. Two of these loans are included within the top 10 loans including the Aventine at Oakhurst North (102.5%) and the Regents Park Of Troy (101.1%). In addition to the above, seven of the remaining loans in the top 10 have leverage in excess of 90%.

- Older Properties – 25 assets, representing 24.2% of the cut-off portfolio balance are older than 40 years (built prior to 1974).

- Low DSCR – two of the loans in the top 10 including the Jefferson At Ventura and The Plaza At Sherman Oaks have low amortizing debt service coverage of 1.19x based upon the Morningstar underwritten net cash flow. This risk is mitigated somewhat by the fact that both of these loans have 36 month interest only periods which should give the assets some time to improve operating cash flow and operating results.

- Carmel Rincon Apartments - The borrower and guarantor are defendants in litigation relating to, among other things, borrower's ownership of the property. See Loans of Particular Interest below.

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.

- Lower than average Loan Concentration Risk - this portfolio of loans has a lower loan concentration risk that of prior deals; the top 10 loans comprise 31.6% of the total cut-off portfolio balance compared to the average of past FREMF 10-year deals underwritten by Morningstar which was 36% of total. The largest loan represents only 4.74% of the total portfolio balance and the second, third, and fourth largest loans represent 4.57%, 3.27%, and 3.25% respectively. All other loans are less than 3.0% of the total cut-off portfolio balance.

- Stable or improving performance of the largest properties: On the basis of occupancy rates and NOI trends, most of the 10 largest properties exhibit stable or improving performance.

Loans of Particular Interest

Carmel Rincon Apartments

- This loan, representing 4.6% of the cut-off portfolio balance, this loan is considered to be a high quality asset with good facilities, location and views. The property includes some income restricted units, but this risk is mitigated by the fact that Morningstar has underwritten the asset assuming the reduced income levels for the 80 income restricted units. This property is part of a mixed-use development including a five-story retail and office building and an adjacent building consisting of a six-story retail and office base over which the Carmel Rincon Apartments were constructed. The combined development is known as Rincon Center and the Residential Parcel is known as Carmel Rincon Apartments. Since it is a vertical subdivision, the property only has air rights and no land. Due to the mixed-use, high-rise nature of Rincon Center, including multiple owners of the various parcels, the property is subject to a Declaration of Covenants, Conditions and Restrictions (the declaration). Although Rincon Center is not operated as a condominium, the declaration has features similar to a condominium including cross-easements for access and support, joint management areas similar to general common elements, joint management costs similar to assessments, and proportionate shares similar to common interests under a condominium structure. The rights under the declaration pass with title to the fee and are not severable from the fee. The borrower does not have majority share for owner's committee, and therefore does not control the decisions of the board. This loan is further discussed in the Properties with a Condominium Interest section on page 13 of this presale report.

- This property is subject to ongoing litigation associated. The borrower and guarantor are defendants in litigation relating to, among other things, borrower's ownership of the property. Per the arranger, the plaintiff in the litigation is the former owner of the property, who among other things, filed a lis pendens against the property which was ordered to be removed by the trial court, which court ruled against the plaintiff. The plaintiff filed an appeal which is ongoing. Morningstar has assumed that the original court ruling will be upheld through the appeal process. If the plaintiff is successful on appeal there could be a monetary judgment and/or a property transfer, either of which could result in the reduction or elimination of property cash flows and therefore adversely impact the ratings. Mitigants include that per the arranger, the lender's title insurance policy insures fee simple title and a valid first lien in favor of the lender with no exceptions to coverage pertaining to the litigation and the loan documents contain a sponsor guaranty of certain nonrecourse carveout provisions relating to losses and damages in connection with the litigation. Due to the presence of the sponsor guaranty a non-consolidation opinion was not provided.

The Creekside Apartment Homes

- This loan (representing 2.6% of the initial cut-off portfolio balance) is subject to a land use restriction agreement in favor of the City of Simi Valley, which generally requires that 40 units be leased to tenants whose income does not exceed 80.0% of the area median income and at least 40 units be leased to tenants whose income does not exceed 50.0% of the area median income. The restrictions in the agreement are scheduled to be in effect until July 2013, Management has notified tenants which benefit from the income restrictions that the units will be converted to market rental units after July 2013; the majority of the tenants have indicated that they will be vacating the units at that time. Although Morningstar has not underwritten any upside associated with the conversion of these units to market rental terms, it is likely that the operating results of this property will show improvement and growth during the loan term.

Property Site Visits

Morningstar visited 43 properties securing 43 loans (68.0% by cut-off portfolio balance) and assigned property quality scores to all 88 properties in the trust. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. Factors including the property's age, location, and condition are considered in assigning the quality score. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our capitalization rates. There are a total of 5 assets, representing a combined total of 11.4% of the portfolio, that were awarded a property score of "2" which rates the asset as good. A total of 81 assets were given a property score of "3", which is considered to be average or comparable to the competitive market. The remaining 2 assets were assigned a property score of "4" which is considered "fair". This analysis resulted in an overall weighted-average property score of 2.93 based on the cut-off portfolio balance. We provide our findings from the site visits in the individual asset summary reports of those properties we toured. We have also identified those properties we visited 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 19.4% decline and our concluded values to a weighted-average 40.9% decline in the term default analysis. In the balloon default analysis, these weighted-average declines were 9.0% and 30.8%, 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	BBB
Morningstar NCF Decline (Term)	19.4%	17.8%	16.2%	14.6%
Morningstar Value Decline (Term)	40.9%	36.7%	33.6%	25.9%
Morningstar NCF Decline (Balloon)	9.0%	8.3%	7.5%	6.8%
Morningstar Value Decline (Balloon)	30.8%	27.2%	24.5%	19.0%

Morningstar Rating Characteristics

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

Transaction Comparison

The following table presents a summary of the characteristics and metrics of the subject transaction and compares this to the average of Freddie Mac transactions rated by Morningstar from January 2011 and through June 2013. The subject deal is not included in the average presented.

	FREMF 2013-K28	FREMF K10 Year Series Average 2010-2013
Portfolio Characteristics		
Portfolio Balance (in $ millions)	$1,900.1	$1,343.7
Loan Count	88	77
Property Count	88	78
Number of Portfolio Loans	0	0
Top Loan (% of Portfolio)	4.7%	7.9%
Top 5 Loans (% of Portfolio)	18.7%	22.8%
Top 10 Loans (% of Portfolio)	31.6%	36.0%
Weighted Average Mortgage Rate	3.678%	4.518%
Loans With B-Notes (% of Portfolio)	0.0%	0.0%
Loans With Mezzanine Financing (% of Portfolio) (2)	4.74%	0.0%
Loans Allowing for Future Mezzanine (% of Portfolio)	100.0%	100.0%
Full Term Interest Only Loans (% of Portfolio)	9.4%	6.1%
Partial Interest Only Loans (% of Portfolio)	67.7%	51.7%
Leverage Metrics		
Morningstar Cash Flow Variance (%)	2.4%	3.8%
Morningstar Weighted Average Capitalization Rate	6.81%	7.38%
Morningstar Value Variance (%)	24.0%	25.8%
Issuer Weighted Average DSCR	1.48x	1.47x
Morningstar WA DSCR	1.41x	1.42x
Issuer Weighted Average BLTV	69.7%	64.6%
Issuer Weighted Average ELTV	59.4%	54.7%
Morningstar Weighted Average BLTV	90.0%	89.2%
Morningstar Weighted Average ELTV	76.9%	75.7%
Capital Structure		
"AAA" Credit Support %	15.75%	13.88%
Class B Rating (10% Credit Support)	n/a	---
Class C Rating (7.5% Credit Support)	n/a	A+ to A-

Note:

(1) Average statistics are based upon seven FREMF K-Series 10-year transactions rated by Morningstar during calendar years 2010 through 2013.

(2) There is one loan which has mezzanine debt at the Borrower's corporate level; which is held by a borrower affiliate and subject to an intercreditor agreement; the sponsor on this loan reported that the mezzanine debt is corporate debt that remained in place at the time of origination of the underlying mortgage loan in order to avoid adverse tax consequences of retiring the corporate debt.

Overall the leverage and debt service coverage on the FREMF 2013-K28 deal is similar to that of prior Freddie Mac K10 series deals which Morningstar has underwritten. This portfolio of loans, however, has lower loan concentration risk that of prior deals: the top 10 loans comprise 31.6% of the total cut-off portfolio balance compared the average of past deals which was 36% of total. This portfolio has a lower percentage of amortizing loans that in past portfolios: partial interest only loans represent 67.7% of the cut-off portfolio balance compared that that of past deals which averaged 51.7%. Similarly 9.4% of the portfolio is full term interest only loans; this past the average for this type of loan structure was 6.1%.

Loan Portfolio Summary

General Loan Portfolio Characteristics

The primary assets of the trust are 88 fixed-rate loans secured by first liens on 88 multifamily properties. The loans are generally non-recourse all of which were originated within the past 9 months.

Loan Concentration

The portfolio consists of 88 mortgage loans. The largest loan exposure, Country Lights in Bensalem, PA accounts for 4.74% of the cut-off portfolio balance and the second largest loan, Carmel Rincon Apartments represents 4.57%. All other loans represent less than 4.0% of the cut-off portfolio balance. The top ten loans, shown in the table below, make up approximately 31.59% of the portfolio by loan balance. The cut-off balance of each loan is provided in the Loan Analysis Summary.

Loan Name	City	State	Cut-off Balance	% of Cut-off Portfolio Balance	MSTAR Debt Yield	MSTAR Current DSCR	MSTAR Amortizing DSCR	MSTAR BLTV	MSTAR ELTV
Country Lights	Bensalem	PA	$90,000,000	4.74%	6.77%	1.95 x	1.27 x	98.28%	81.40%
Carmel Rincon Apartments	San Francisco	CA	86,867,000	4.57%	7.64%	2.20 x	2.20 x	78.49%	78.49%
Jefferson At Ventura	Ventura	CA	62,156,000	3.27%	6.63%	1.74 x	1.19 x	91.26%	78.45%
The Plaza At Sherman Oaks	Sherman Oaks	CA	61,673,000	3.25%	6.39%	1.82 x	1.19 x	93.92%	80.15%
Eaton Square	Alexandria	VA	54,960,000	2.89%	7.16%	1.94 x	1.31 x	90.80%	81.88%
Emerald Palms	Miami	FL	50,175,000	2.64%	7.02%	1.83 x	1.26 x	92.65%	81.78%
Creekside Apartment Homes	Simi Valley	CA	49,000,000	2.58%	7.22%	1.93 x	1.31 x	93.67%	82.51%
Gramercy On The Park	Dallas	TX	49,000,000	2.58%	7.03%	1.92 x	1.29 x	99.54%	80.47%
Aventine At Oakhurst North	Aurora	IL	48,400,000	2.55%	6.64%	1.79 x	1.21 x	102.46%	87.85%
Regents Park Of Troy	Troy	MI	48,050,000	2.53%	7.95%	2.21 x	1.47 x	101.13%	84.09%
Subtotal Top 10 Loans			$600,281,000	31.59%	7.57%	1.94 x	1.36 x	92.78%	81.23%

Original Loan Terms

All loans in the portfolio have ten-year terms.

Amortization Characteristics

All the trust loans are balloon loans. Eight loans are interest only for the loan term including Carmel Rincon Apartments (4.57% of the cut-off portfolio balance), Regency Plaza Apartments (2.53%), and Princeton Park Apartments (0.86%). Amortizing balloon loans account for 29 loans (22.91% of the cut-off portfolio balance) and all are amortizing based upon a 30-year schedule throughout the loan term. The remaining 51 loans (67.66% of the cut-off portfolio balance) are interest only for a portion of the loan term. These partial interest only loans include: 6 loans which have 12 months of interest only payments, 22 loans which provide for a 24 month interest only period, 8 loans which provide for a 36 month interest only period, 5 loans which provide for a 48 month interest only period, and 10 loans which provide for an interest only period of 60 months.

Amortization Type	% of Cut-off Portfolio Balance	# of Loans	Morningstar Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR	Morningstar BLTV	Morningstar ELTV
Full Interest Only	9.43%	8	8.3%	-1.3%	6.4%	76.0%	76.0%
Partial Interest Only	67.66%	51	7.3%	-2.3%	6.9%	93.5%	79.3%
Amortizing	22.91%	29	8.1%	-2.9%	7.2%	87.0%	68.0%

Originators

There were a total of 19 entities which contributed loans to the portfolio. The following table highlights the contributions of the top five originators in the portfolio.

Originator	# of Mortgage Loans	% of Cut-off Portfolio Balance
CBRE Capital Markets, Inc.	16	21.7%
Walker & Dunlop, LLC	12	16.9%
Holliday Fenoglio Fowler, L.P.	8	9.9%
Berkadia Commercial Mortgage LLC	5	9.1%
NorthMarq Capital, LLC	10	9.0%

Loan Purpose

Sixty four of the loans, representing 67.3% of the cut-off portfolio balance, were funded to refinance existing debt; the remaining balance of 24 loans provided the borrower with acquisition financing.

Related Borrowers

Certain groups of the underlying mortgage loans were made to the same borrower or to borrowers under common ownership. Mortgage loans with the same borrower or related borrower pose additional risks. For example, (i) 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 (ii) 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. Mortgage loans for the five largest related borrower relationships are shown in the following table.

Loans with Common Borrower Ownership	Cut-off Balance	% of Cut-off Portfolio Balance
Waterford Landing Apartments	$24,981,121	1.3%
Reflections of Boca Del Mar	$20,038,333	1.1%
Waterford Point Apartments	$16,421,537	0.9%
Total	**$61,440,991**	**3.2%**
Alley 24	$30,280,000	1.6%
Alcyone Apartments	$29,120,000	1.5%
Total	**$59,400,000**	**3.2%**
Park West Apartments	$22,700,000	1.2%
Lincoln Park	$20,600,000	1.1%
Park Villas Apartments	$11,400,000	0.6%
Total	**$54,700,000**	**2.9%**
Princeton Park Apartments	$12,625,000	0.9%
Westford Park Apartments	$10,595,000	0.6%
Princeton At Mt. Vernon	$8,060,000	0.4%
Hadley Park Apartments	$3,926,000	0.2%
Lowell Arms Apartments	$3,000,000	0.2%
670 Princeton Boulevard Apartments	$2,516,000	0.1%
Total	**$40,722,000**	**2.3%**
The Hills At Spring Street	$7,336,000	0.4%
Chateau Lakeside	$6,750,000	0.4%
Total	**$14,086,000**	**0.7%**

Loan Portfolio Metrics

Portfolio Debt Service Coverage

Overall the portfolio reflects a current coverage (which includes some interest only payments) of 1.82x and an amortizing coverage of 1.41 x based upon Morningstar's adjusted net cash flow estimate. The following table presents a summary of the portfolio stratification by tiers of debt service coverage. As illustrated, only 4 loans exhibit an amortizing coverage below 1.20x; 25 loans have a debt service coverage between 1.20x and 1.30x; 57.0% of the portfolio had current debt service coverage of 1.31x or higher.

DSCR on Morningstar NCF	% of Cut-off Portfolio Balance	# Loans	Morningstar Debt Yield	Morningstar BLTV	Morningstar ELTV
1.11 x – 1.20 x	8.60%	4	6.57%	94.04%	78.54%
1.21 – 1.30 x	34.43%	25	6.96%	96.48%	80.71%
131 x – 1.40 x	26.54%	25	7.48%	91.99%	77.49%
1.41 x – 1.50 x	12.46%	12	7.95%	92.98%	75.52%
>1.50 x	17.97%	22	9.05%	74.74%	67.67%

Portfolio Leverage

Overall the portfolio leverage is 90.0% based upon Morningstar's estimate of value. The following table presents a summary of the portfolio stratification by leverage point. As illustrated, 14 loans have a loan to value higher than 100%; and 14.1% of the portfolio balance is for loans which have leverage of 80% or lower.

Leverage on Morningstar Value	% of Cut-off Portfolio Balance	# Loans	Morningstar Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR
Less than 70% LTV	3.70%	5	10.98%	2.64 x	2.64 x
70% - 75%	1.21%	2	9.90%	2.84 x	1.92 x
76% - 80%	9.21%	9	8.18%	2.06 x	1.93 x
81% - 85%	7.21%	9	8.37%	1.73 x	1.57 x
86% - 90%	12.52%	13	7.45%	1.75 x	1.33 x
91% - 95%	32.46%	23	7.21%	1.83 x	1.30 x
96% - 100%	17.26%	13	7.16%	1.73 x	1.30 x
101% - 105%	14.28%	11	7.14%	1.74 x	1.29 x
Greater than 105% LTV	2.18%	3	7.32%	1.61 x	1.30 x

Loan Structural Components

SPE and Bankruptcy Remoteness

The borrowers for most of the loans are structured as a single-purpose borrowing entity whose organizational documents or the terms of the loan documents limit their activities to the ownership of only the related mortgaged real property or properties and, subject to exceptions, including relating to subordinate debt secured by the related mortgaged real properties, generally limit the borrowers' ability to incur additional indebtedness other than trade payables and equipment financing relating to the mortgaged real properties in the ordinary course of business. The borrower(s) for The Village of Sycamore Ridge and Diamond Lake 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, including the Carmel Rincon Apartments loan. Morningstar prefers a nonconsolidation for a loan of such size.

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.

Voluntary Prepayment

Eighty-four of the loans, collectively representing 97.1% of the cut-off portfolio balance, provide for a prepayment lock-out and a defeasance period during which voluntary prepayments are prohibited; however, after a certain period, the related mortgage loan may be defeased without the payment of a yield maintenance or prepayment premium. For the assets which defeasance is allowed, the lockout period ranges between 28 and 31 months with an average of 30 months. Thereafter, the loans provide for a defeasance period ranging between 84 and 92 months with an average of 86 months. Defeasance is a process whereby highly rated government securities replace the mortgage in a sufficient amount to continue the monthly payments. The defeasance period is typically followed by a short period during which voluntary prepayments may be made without any restriction or prepayment premium.

There are four loans which provide for a prepayment period during which time voluntary prepayments must be accompanied by the payment of a yield maintenance charge or prepayment premium, and thereafter, a short period where voluntary principal prepayments may be made without any restriction or prepayment premium. These loans include the Alexan Southwood Apartments, The Villas At Beaver Creek, The Savoy Apartments, and The Village of Sycamore Ridge and represent a total of 2.9% of the cut-off portfolio balance.

Property Releases/Substitutions

None of the properties provide for collateral release provisions or allow for substitutions.

Subordinated Debt

The Country Lights loan is subject to existing corporate mezzanine debt in the original principal amount of $48,682,728, which is held by a borrower affiliate and subject to an intercreditor agreement; the sponsor on this loan reported that the mezzanine debt is corporate debt that remained in place at the time of origination of the underlying mortgage loan in order to avoid adverse tax consequences of retiring the corporate debt. Though payments on the mezzanine debt are generally subordinate to the mortgage loan held by the trust, the presence of additional debt introduces risks to the senior debt including: i) reduced borrower skin-in-the-game that may remove incentives to maintain or improve the competitiveness of the property resulting in lower rental streams, and ii) the presence of additional debt increases the difficulty of refinancing a mortgage loan at the maturity date.

Pursuant to the intercreditor agreement, amounts due to the mezzanine lender may not be paid from cash flow or other distributions from the mortgage borrower or the mortgaged property other than excess cash flow (as described in the intercreditor agreement) and any prepayments of the mezzanine loan during a mortgage loan event of default must come only from a third party who is not obligated under any of the mortgage loan documents. In addition, per the arranger, while there is not a complete restriction on enforcement and foreclosure of the mezzanine loan, mitigants include the fact that such action would be subject to the transfer restrictions in the mortgage loan documents. The mezzanine lender also has certain consent rights regarding property management which (I) may impede or delay senior lender's rights and (II) while not preferred, are not precluded while the mezzanine lender is a borrower affiliate.

Future Subordinated Debt

In addition to the existing corporate mezzanine debt related to the Country Lights loan, all 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 reflect highlights of certain material loan features and/or concerns.

Loans with a Morningstar LTV Greater than 100%

Based upon our Morningstar valuation, 14 loans have a loan to value higher than 100%; 83.6% of the cut-off portfolio balance is for loans which have leverage of 100% or lower.

Loans with a Morningstar DSCR Less than 1.00 x

Based upon our Morningstar valuation, none of the loans have a DSCR which is lower than 1.00x, and four loans have a DSCR between 1.00x and 1.20 x.

Crossed Loans

None of the loans are cross-collateralized and cross-defaulted with each other.

Purchase Options and Rights of First Refusal

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.

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 default again in the future. At the Jefferson At Ventura, representing 3.3% of the cut-off portfolio balance, the sponsors reported at least one prior foreclosure with respect to the sponsor's other properties.

Sponsor or Borrower Litigation

As per the arranger, there are nine properties, including the Carmel Rincon Apartments, Jefferson at Ventura, Regents Park Of Troy, The Alley 24, Alcyone Park, Park West Apartments, Lincoln Park, Park Villas Apartments, and Eagles West comprising in aggregate 17.1% of the cut-off portfolio balance, for which the sponsors reported existing or past litigation. While mitigants were noted with respect to various claims such as insurance coverage or indication that the lawsuit will be dismissed, there is no assurance that such litigation will not impact the use, operation, value or cash flow of the property. The following summarizes litigation on the top 20 loans.

- Carmel Rincon Apartments, representing 4.6% of the cut-off portfolio balance, the borrower and guarantor are defendants in litigation relating to, among other things, borrower's ownership of the property. Per the arranger, the plaintiff in the litigation is the former owner of the property, who among other things, filed a lis pendens against the property which was ordered to be removed by the trial court, which court ruled against the plaintiff. The plaintiff filed an appeal which is ongoing. If the plaintiff is successful on appeal there could be a monetary judgment and/or a property transfer, either of which could result in the reduction or elimination of property cash flows and therefore adversely impact the ratings. Mitigants include that per the arranger, the lender's title insurance policy insures fee simple title and a valid first lien in favor of the lender with no exceptions to coverage pertaining to the litigation and the loan documents contain a sponsor guaranty of certain nonrecourse carveout provisions relating to losses and damages in connection with the litigation.

- Jefferson At Ventura, representing 3.3% of the cut-off portfolio balance, the sponsor reported that the guarantor and an affiliate were named as defendants in two pending lawsuits. The sponsor reported that the first lawsuit brought by various investors in food and entertainment venues alleges that various improprieties were committed by the guarantor and an affiliate in connection with profit sharing agreements. The second lawsuit was commenced by a former employee of an affiliate of the guarantor, alleging damages based on conduct by the affiliate following the voluntary resignation of the plaintiff.

- Regents Park Of Troy, representing 2.5% of the cut-off portfolio balance, the sponsor reported that the guarantor is a defendant in a lawsuit against his former firm for legal malpractice with regards to the firm's handling of a case against a general contractor on a real estate project.

- The Alley 24 and Alcyone Apartments, collectively representing 3.2% of the cut-off portfolio balance, the sponsor reported that it was named as a defendant in a lawsuit filed by the home owners association of a condominium developed by the sponsor, which lawsuit alleges damages as a result of construction defects.

Properties with a Condominium Interest

There are three properties, collectively representing 6.2% of the cut-off portfolio balance, that are currently operated as apartment communities, but which have an existing condominium structure/association. These assets include Carmel Rincon Apartments, Gaslight Lofts, and Park Villas Apartments. Each sponsor reported that the related borrower owns 100% of the condominium units. In the security instrument, each 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 underlying mortgage 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 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 borrower to comply with any laws or regulations related to the condominium.

Properties Secured by a Leasehold Interest

All but one of the loans encumbered the fee simple ownership of the land and real estate. One loan, The Villas at Beaver Creek in Irving, TX (1.0% of the mortgage pool balance) involves a combination of fee simple and leasehold ownership. The property leases two small parcels from the Dallas County Utilities Reclamation District and the annual lease payment is $1,707 per year; the lease runs through December 2061. With respect to these two tracts, the underlying mortgage loan is secured only by the borrower's interest as a lessee under the two ground leases and there are no financeable ground lease representations on this lease.

Lack of Guarantees

With respect to the loans secured by the Parkside At Legacy V, Ballantyne Apartments, Norman Towers, Princeton Park Apartments, Rockburne Estates, Westford Park Apartments, Princeton At Mt. Vernon, Teaneck Gardens, Hadley Park Apartments, Lowell Arms Apartments, and 670 Princeton Boulevard Apartments, collectively representing 6.7% of the cut-off portfolio balance, no guarantees of the nonrecourse carveout provisions of the related loan documents were obtained. In addition, with respect to the loan secured by Carmel Rincon Apartments, representing 4.6% of the cut-off portfolio balance, a guaranty of certain recourse carveout provisions pertaining to losses and damages in connection with litigation matters discussed in the Sponsor or Borrower Litigation section on page 12 of this presale report was obtained, but no other guarantees were obtained. The presence of the sponsor guaranty for the Carmel Rincon loan precluded the ability to deliver a nonconsolidation opinion for such loan.

In addition, some of the loans may be guaranteed, in whole or in part, by sponsors or other parties that are funds or other entities the terms of which may be subject to expiration or other structural contingencies. In such cases, the loan documents may require such entities to extend their terms or to otherwise take action or provide additional security to the lender regarding the continued existence of such entities during the term of the underlying mortgage loans.

Tenants in Common

Hunters Run, Pinnacle At Galleria, Indigo Park, and Park Towers, collectively representing 3.8% of the cut-off portfolio balance, the borrowers which own the mortgaged real properties are structured as tenants-in-common. Generally, in tenant-in-common ownership structures, each tenant-in-common owns an undivided share in the subject real property. If a tenant-in-common desires to sell its interest in the real 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 subject real property and distribute the proceeds to each tenant-in-common owner proportionally. According to the arranger, 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.

Right of Way

The Reflections Of Boca Del Mar located in Lake Worth, Florida (which represents 1.1% of the cut-off portfolio balance) has access to a public right of way only by means of access through and over a private road, and over a bridge owned by the Lake Worth (Florida) Drainage District pursuant to a use permit issued by the district. Morningstar has assumed that the property will not end up landlocked or without access.

Right of First Offer

The Alley 24 asset, which represents 1.6% of the cut-off portfolio balance) is subject to a land use restriction agreement pursuant to which, among other things, the City of Seattle is entitled to a right of first offer to purchase the property. Per the arranger, the City agreed to waive its right of first offer in connection with a transfer that arises in the event of an enforcement action pursuant to the mortgage loan documents; however the City did not waive its right of first offer with respect to any other transfers.

Property / Collateral Summary

This section provides a portfolio level perspective on the properties backing the loans. Asset Summary Reports providing property details and Morningstar line item analysis are available for the top 20 loans. Asset Summary 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 NCF, capitalization rate and value is available in Excel format. This Loan Collateral Summary Table along with all of the Asset Summary Reports can be accessed through Morningstar's website at http://ratingagency.morningstar.com, by going to the Ratings Report section.

Geographic Composition

There is some risk associated with the geographic concentration of this portfolio. The following tables provide the geographic stratifications for the top five states and by region.

State	% of Cut-off Portfolio Balance	# of Properties
California	22.16%	15
Texas	17.75%	15
Florida	9.79%	8
Pennsylvania	6.48%	3
Washington	4.72%	4

Morningstar Region	% of Cut-off Portfolio Balance	# of Properties
Western, Northern Pacific	29.17%	21
Southern, West Coast Region	19.85%	16
Southern, East Coast Region	13.46%	15
Mid-Atlantic Region	9.06%	7
Midwest, Eastern Region	8.98%	6
Western, Mountain Region	6.75%	8
New England Region	5.65%	8
Southern, Atlantic Region	4.95%	3
Midwest, Western Region	2.14%	4
Western, Southern Pacific	0.00%	0
Non-USA	0.00%	0

Property Quality

Morningstar visited 43 properties backing 43 loans (68.0% by cut-off portfolio balance) and assigned quality scores to each. Morningstar utilized a 1 to 5 quality score scale with "1" being the best rating and "5" the worst. Factors including age, location and condition are considered in assigning the quality score. The quality score is factored into the capitalization rate to derive our property valuation. The weighted-average quality score for the visited properties was 2.93.

Morningstar Property Score	Property Quality	# of Properties	% Cut-off Portfolio Balance
1	Excellent	--	--
2	Good	5	11.4%
3	Average	81	84.7%
4	Fair	2	3.9%
5	Poor	--	--

Two loans were assigned a property score of 4 which rates the building as fair including the Creekside Apartments (2.6% of portfolio cut-off balance) and the Riverchase Landing Apartments (1.3%). The Creekside Apartments was constructed during 1985 and is suffering from deferred maintenance; this risk should be mitigated over the loan term as the new ownership plans to invest $9 million in renovations over the next three years, with about $4.3 million budgeted for interior upgrades and $4.7 million for exterior improvements. This investment should enable the property to improve is overall quality and value.

Property Age

The majority of the assets are less than 30 years old; notably 23.8% of the assets were constructed during the last ten years. Twenty five assets, representing 24.2% of the cut-off portfolio balance are older than 40 years (built prior to 1973). The following table presents a summary of the asset age.

Age in Years	% of Cut-off Portfolio Balance	# of Properties
> 50	4.2%	4
40 - 50	20.0%	21
30 - 39	6.0%	8
20 - 29	60.0%	23
10 - 19	15.9%	13
< 10	23.8%	19

Ownership Interest

All but one of the loans comprise the fee simple or leased fee ownership of the land and real estate. One loan, The Villas at Beaver Creek in Irving, TX (1.0% of the mortgage pool balance) involves a combination of fee simple and leasehold ownership. The property leases two small parcels from the Dallas County Utilities Reclamation District and the annual lease payment is $1,707 per year; the lease runs through December 2061.

Ownership Interest	% of Cut-off Portfolio Balance	# of Properties
Fee Simple	98.7%	86
Leasehold	--	--
Fee & Leasehold	1.0%	1
Leased Fee	0.3%	1

One property, the Teaneck Gardens in Teaneck, NJ, involves the leased fee interest in the real estate; the property is a cooperative building and the property is leased to the cooperative. The collateral for a cooperative loan involves the fee simple interest in a multifamily building which has, in turn, been leased to the individual cooperative apartment unit owners (technically the collateral for this loan is the leased fee interest). The apartment unit owners pay monthly maintenance charges which cover not only ongoing maintenance and operating of the public areas of the building, but also mortgage interest payments on the leased fee loan. Although each cooperative unit owner typically has debt on their unit, the mortgage debt on the individual units is fully subordinated to the debt on the leased fee interest. In the event of default the borrower may foreclose the entire building and convert cooperative units to rental apartments. Morningstar believes that in order to preserve the value of their collateral, the unit owners and their respective lenders are unlikely to allow the subject leased fee loan to go into default.

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.

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 current deep recession. Renters are better able to relocate to another city or neighborhood upon the loss of a job. Renters can take on 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.

Risks Associated with Student Housing Properties

Seven loans, comprising 5.6% of the cut-off portfolio balance, are secured by real properties that have a significant number of units (20% of 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 adversely affected by new on-campus housing. Student tenants also have a higher turnover rate than other types of multifamily tenants and student leases could run over terms shorter than 12 months. Furthermore, properties with student tenants are more susceptible to damage and everyday wear and tear. Four properties including The Woodlands Of Baton Rouge, Eagles West, Maplehurst Park, and Midtown Place (representing 2.1%, 0.61%, 0.59%, and 0.30% of the cut-off portfolio balance, respectively) were 100% occupied by student housing tenants.

Risks Associated with Properties Leased to Military Tenants

Base closings and the transient nature of military service may adversely affect the rental stream from these properties. Eleven of the assets indicated that a minor portion of their occupancy is generated by military tenants. The Hunters Run, comprising 1.4% of the cut-off portfolio balance, currently has approximately 10% of the occupied units leased to military tenants. Crown Point Apartments, comprising 0.3% of the cut-off portfolio balance, has the largest share of military tenants; this source of demand represents only 22% of its units leased to military tenants.

Risks Associated with Income-Restricted Properties

There are a total of six loans, accounting for 11.8% of the cut-off portfolio balance, that have income restriction requirements or which receive subsidies or tax credits in turn 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 limit the potential tenant base. The below summarizes the terms of the income restrictions for the top 20 loans; the Asset Summary Reports for the top 20 loans also detail these restrictions.

- The Carmel Rincon Apartments located in San Francisco (representing 4.6% of the cut-off portfolio balance) is subject to a land use restriction agreement in favor of the Redevelopment Agency of the City and County of San Francisco and Rincon Center Associates, which generally requires that 46,000 gross square feet be maintained as restricted rental units, 40% of such restricted units be rented to tenants earning less than 80.0% of the area median income, and 60% of such restricted units be rented to tenants earning between 80.0% and 120.0% of the area median income. The restrictions in the agreement are scheduled to remain in effect for so long as the mortgaged property is operated as a rental property.

- The Creekside Apartment Homes (representing 2.6% of the initial cut-off portfolio balance) is subject to a land use restriction agreement in favor of the City of Simi Valley, which generally requires that 40 units be leased to tenants whose income does not exceed 80.0% of the area median income and at least 40 units be leased to tenants whose income does not exceed 50.0% of the area median income. The restrictions in the agreement are scheduled to be in effect until July 2013, Management has notified tenants which benefit from the income restrictions that the units will be converted to market rental units after July 2013; the majority of the tenants have indicated that they will be vacating the units at that time. Morningstar has not underwritten any upside associated with the conversion of these units to market rental terms.

- Alley 24 (representing 1.6% of the cut-off portfolio balance) benefits from a limited tax exemption in connection with the City of Seattle's Multifamily Housing Property Tax Exemption Program. Pursuant to a related land use restriction agreement, while the limited tax exemption is in effect, the borrower is required to rent a minimum of 20.0% of units to tenants earning no more than 60.0% of the area median income. The sponsor reported that the restrictions expire in 2017. Morningstar has not underwritten any upside associated with the conversion of these units to market rental terms.

In addition to the above, some of the assets have tenants that rely on rent subsidies under various government funded programs, including Section 8. For example, with respect to the underlying mortgage loans secured by the Eaton Square, Creekside Apartment Homes, Hunters Run, Willow Creek, Indigo Park, The Montana Apartment Homes, The Hills At Spring Street, Crown Pointe Apartments, and The Village Of Sycamore Ridge, collectively representing 9.9% of the cut-off portfolio balance, the sponsor for each asset reported that certain tenants at each related mortgaged real property utilize Section 8 vouchers. In addition, with respect to certain of the underlying mortgage loans, the borrower may receive subsidies or other assistance from government programs. Generally, the mortgaged real property must satisfy certain requirements, the borrower must observe certain leasing practices and/or the tenant(s) must regularly meet certain income requirements. For purpose of our underwriting, Morningstar has assumed that these income restrictions will stay in place throughout the loan term.

Risks Associated with Corporate Tenants

Fifteen loans have some units which are leased to corporate entities; if these leases were terminated by the company, the property may be subject to a sudden increase in vacancy which could have an impact on operating results. The Country Lights, Regents Park Of Troy, Alley 24, and Alcyone Apartments, collectively representing 6.3% of cut-off portfolio balance, have 9.0%, 17.0%, 17.0%, and 31%, respectively, of their units occupied by corporate tenants. Expiration or non-renewals of corporate leases and vacancies related to corporate tenants may adversely affect the income stream at the mortgaged real properties.

Risks Associated with Older Properties

Twenty-nine of the loans, collectively representing approximately 26.9% of the portfolio by cut-off portfolio balance are secured by real properties constructed prior to 1980. The age of the properties may affect their competitive standing and potentially impact their ability to sustain existing cash flow levels. Of the portfolio, 49 loans (59.8% of the cut-off portfolio loan balance) were constructed between 1980 and 1989, and 10 loans (13.2% of the portfolio loan balance) were constructed after 2009.

Property Type Composition

The following table presents a summary of the top 20 loans which have significant exposure to specialty tenants.

Property Name	% Cut-off Portfolio Balance	Military Housing	Student Housing	Corporate Housing	Senior Housing
Country Lights	4.74%	--	--	9.0%	--
Regents Park Of Troy	2.53%	--	1.0%	17.0%	--
Woodlands Of Baton Rouge	2.10%	--	100.0%	--	--
Alley 24	1.62%	--	--	17.0%	--
Alcyone Apartments	1.53%	--	--	31.0%	--

Environmental Concerns

Phase I environmental site assessments ("ESAs") were prepared by independent third-party environmental consultants. All of the environmental reports were prepared within the past 13 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. Significant environmental concerns raised by the ESAs, if any, for the top 20 loans are noted below and are detailed in the Asset Summary Reports specific to each property.

- Eaton Square, which represents 2.9% of the cut-off portfolio balance, had two 5,000-gallon former underground storage tanks located at the property which the engineer recommended be removed. According to information provided by the arranger, the sponsor reported that the tanks have since been removed and that the consultant delivered a letter of reliance that the USTs had been removed, and that no contaminants exist in the soil and groundwater.
- Emerald Palms, which represents 2.6% of the cut-off portfolio balance, has a leaking UST facility with petroleum discharges in the vicinity of the mortgaged real property. The environmental consultant reported that the facility had not achieved regulatory closure, but was classified as a low priority site that was eligible for state remediation funds. The environmental consultant recommended periodic review of the case file until regulatory closure is granted.

- Regency Plaza Apartments, representing 2.5% of the cut-off portfolio balance, has a land-use restriction which restricts the use of groundwater for drinking purposes, prohibits the disturbance of soil without a soil management plan, and requires ongoing engineering controls in the contaminated area. An earlier environmental report identified areas of contamination by arsenic, lead, and other toxic compounds. Soil removal and installation of a landscape cap and clean soil were conducted and the appropriate government agency approved the land use restriction. The property has access to and uses a municipal water source.
- Advenir At Stapleton, which represents 2.1% of the cut-off portfolio balance, has a groundwater plume contaminated by trichloroethylene (TCE). The environmental consultant reported that the source of the contamination has been remedied and noted that TCE levels are declining annually. The environmental consultant recommended that quarterly monitoring reports on the plume be obtained from the applicable regulatory authority. We cannot assure you that environmental conditions will not adversely impact the operations at or the value of the mortgaged real property.
- At the Alley 24, representing 1.6% of the cut-off portfolio balance, the soil and groundwater at the mortgaged real property were impacted by a release of petroleum products and metals during the redevelopment of the mortgaged real property, and the mortgaged real property is listed on several environmental databases as a result. The environmental consultant reported that a no further action letter was subsequently issued by the relevant regulatory agency following soil and groundwater remediation, which included excavation of contaminated soils for off-site disposal.

Seismic

Twenty-four of the properties (29.8% of the cut-off portfolio balance) are in an earthquake-prone area (seismic zone 3 or 4) including California and Oregon. Probable Maximum Loss (PML) is used to characterize 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, concluded that only one of the properties had a probable maximum loss (PML) of 20.0% or greater. The 500 Townhome Apartments, located in South Salt Lake City, Utah, had a PML of 23.0%. This property, which represents only 0.3% of the overall portfolio balance, must provide for earthquake insurance.

Flooding

Ten assets, representing 11.1% of the cut-off portfolio balance) are required to have flood insurance. The largest loan in the portfolio, Country Lights in Bensalem, PA which represents 4.74% of the portfolio has experienced flooding in the past and has flood insurance to cover damages. Other large assets with flood coverage include Waterford Landing Apartments, Reflections Of Boca Mar, Clipper Apartments, Indigo Park, Westford Apartments, Savoy Apartments, and Park Towers which represent 1.3%, 1.1%, 0.8%, 0.6%, 0.6% 0.5%, and 0.5% of the cut-off portfolio balance, respectively.

Windstorm

All of the assets carry windstorm insurance.

Notice of Insurance Termination

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

Securitization Trust Summary

Freddie Mac Series K-028 Structured Pass-Through Certificates (SPC K-028)

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.

Priority of Payments on Trust Certificates

The priority of payments on the FREMF 2013-K28 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 realized losses 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 realized losses 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 realized losses 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 realized losses to the Class D 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 Trust Certificates

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

Rated Final Distribution Date

The rated final distribution date of each class of certificates is the distribution date in June 2046. 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.

Trust Structural Features / Concerns

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

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% 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% 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% 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 CP IV K28, LLC or an affiliate 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.

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.

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.

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.

Conflicts of Interest

There are various conflicts of interest among and between various parties to the transaction. However, the special servicer and master servicer are required to service the assets without regard to their respective compensation arrangements. Morningstar's analysis assumes the various parties comply with their duties.

Transfer of Rights

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

Freddie Servicing Guide

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

Workout Strategy Information

We have assumed that no loan documents include any right of borrower to receive workout strategy information.

Reserve Accounts

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

Real Estate Tax Escrows

All of the loans provide for monthly or upfront escrows to cover property taxes on the properties. 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 real estate taxes and assessments. The escrows are under the control of the master servicer. The balance of reserves in the escrow account as of May 2013 was $12.7 million.

Insurance Escrows

Sixty nine loans, representing 64.8% of cut-off portfolio balance, provide for monthly or upfront escrows to cover insurance premiums on the properties; the 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. The escrows are under the control of the master servicer. The balance of reserves in the escrow account as of May 2013 was $3.4 million.

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. The borrowers on certain mortgage loans are required to deposit funds into this account. Seventy-five loans (representing 84.9% of the cut-off portfolio balance) 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. The balance of reserves in the escrow account as of May 2013 was $5.9 million.

Engineering Reserves

These accounts cover the deferred maintenance items that were identified in the respective property condition assessment reports and 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 as of May 2013 was $8.19 million.

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. All of the appraisal reports were prepared within the past 13 months; the average age of the reports was nine months.

Property Condition

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 13 months of the date of securitization. These reports identified $7.1 million of deferred maintenance items as well as quantified long-term capital expenditure needs. Up-front reserves of $8.19 million (115% of the recommended immediate repairs) 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, fifty-nine of the assets provide for a monthly reserve for replacement account which can be used to repair and renovate the properties as needed.

Environmental

Phase I environmental site assessments ("ESAs") were prepared by independent third-party environmental consultants. All of the environmental reports were prepared within the past 13 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. Significant environmental concerns raised by the ESAs for the top 20 assets are identified on pages 18-19 of this presale and are noted in the Asset Summary Reports specific to each property.

Seismic Studies

Seismic Studies were prepared by independent third-party consultants for all assets located in an earthquake zone. A total of 24 reports where commissioned and all of the reports were prepared within the past 12 months.

Scope of Analysis

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 June 7, 2013: (i) the June 7, 2013 posted draft information circular, (ii) the following for the Country Lights loan: (a) loan summary for the Country Lights loan, (b) the second amended and restated limited partnership agreement of Korman Financing Partnership, L.P. dated as of December 28, 2012, (c) the limited liability company agreement of KFP General Partner LLC dated as of December 28, 2012, (d) opinions of Young Conaway Stargatt & Taylor, LLP dated December 28, 2012 regarding authority to file bankruptcy and DE LLC matters, (e) opinion of Ballard Spahr LLP dated December 28, 2012 regarding enforceability and other matters, (f) opinion of Young Conaway Stargatt & Taylor, LLP dated December 28, 2012 regarding nonconsolidation and (g) intercreditor agreement dated as of December 28, 2012,(iii) the following for the Jefferson at Ventura loan: (a) loan summary for the Jefferson at Ventura loan, (b) limited liability company agreement of NRFC Ventura Holdings, LLC dated as of February 11, 2013, (c) opinions of Berger Harris, LLC dated February 11, 2013 regarding authority to file bankruptcy and DE LLC matters, (d) opinion of Silicon Valley Law Group dated February 11, 2013 regarding enforceability and other matters, (e) opinion of Haynes and Boone, LLP dated February 11, 2013 regarding due execution and other matters and (f) opinion of Berger Harris, LLC dated February 11, 2013 regarding nonconsolidation, (iv) iii) the following for The Plaza at Sherman Oaks loan: (a) loan summary for The Plaza at Sherman Oaks loan, (b) limited liability company agreement of Raintree Plaza Sherman Oaks LLC dated effective as of December 12, 2012, (c) opinions of Greenberg Traurig, LLP dated January 11, 2013 regarding authority to file bankruptcy and DE LLC matters, (d) opinion of Landmark Law Group, Inc. dated January 11, 2013 regarding enforceability and other matters and (e) opinion of Greenberg Traurig, LLP dated January 11, 2013 regarding nonconsolidation, (v) the following for the Carmel Rincon Apartments loan: (a) loan summary for the Carmel Rincon Apartments loan, (b) the articles of incorporation of CP III Rincon Towers, Inc. filed April 8, 2010 amended by articles of amendment filed May 17, 2013, (c) opinion of Otten, Johnson, Robinson, Neff & Ragonetti, P.C. dated May 20, 2013 regarding authority and other matters and (d) opinion of Manatt, Phelps & Phillips, LLP dated May 20, 2013 regarding enforceability and other matters, (vi) the June 7, 2013 posted draft pooling and servicing agreement, (vii) the form intercreditor agreement for supplemental financing (included as an exhibit to the request for preliminary feedback) posted as of May 14, 2013, (viii) the June 5, 2013 posted draft offering circular supplement regarding the K-28 SPCs and (ix) the June 5, 2013 posted draft mortgage loan purchase agreement.

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-28 SPC certificates terms supplement to pass-through certificates master trust agreement, (ii) the K-28 SPC master trust agreement (which we are assuming will be the same as the June 1, 2010 master trust agreement used in connection with the K-024 SPCs), (iii) true sale opinion(s) for the sale of the loans to the depositor and the securitization trust and relating to the transfer of the K-28 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 that begins with the review and analysis of the loan collateral in the trust based on 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.

Tenant Categorization

Rent rolls are analyzed to determine the proper breakdown of tenants into categories, such as anchor, in-line, junior anchor, outparcel and other categories based on the individual property. Categorizations are made based on the nature and terms of the lease, rather than solely on a typical categorization of the tenant.

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 4% 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 Reserve

Capital reserves are generally underwritten to that recommended in the property condition assessment for each property with an additional 10% cushion. In the event a property condition report is unavailable, Morningstar generally underwrites multifamily capital expenditures at $250 per unit and $300 per unit for student housing properties. Independent living communities are underwritten to $300 per unit and assisted living facilities are estimated to be $350 per unit.

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 whether additional adjustments are required. These adjustments will then be made and noted in the Asset Summary Report.

Morningstar Value

Morningstar applies the capitalization rate to the Net Cash Flow to determine the value of the property. Certain adjustments are made for upfront reserves and existing real estate tax abatements.

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 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 the related assumptions used by Morningstar.

Country Lights

Analyst: Howard Peterson 267-960-6024
Analytical Manager: Sheila Bjornstad 646-560-4511

Property Summary		
Property Type	Multifamily/Garden	
Location	Bensalem Township, PA	
Year Built/Renovated	1971/2011	
Multifamily Units	1072	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	91.70%	As of: 5/28/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$90,000,000	($83,955/unit)
Loan Amount (Cut-Off Balance)	$90,000,000	($83,955/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	5	
Interest Rate	3.42000%	

Morningstar Analysis		
Current DSCR	1.95 x	
Amortizing DSCR	1.27 x	
Beginning LTV	98.28%	
Ending LTV	81.40%	
Capitalization Rate	6.65%	
Morningstar Occupancy	91.60%	
Net Operating Income	$6,474,535	
Net Cash Flow	$6,089,868	
Value	$91,576,956	($85,426/unit)
Debt Yield	6.77%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$90,000,000	3.42000%	1.95 x	1.27 x	98.3%	81.4%
Total	**$90,000,000**	**3.42000%**	**1.95 x**	**1.27 x**	**98.3%**	**81.4%**

Morningstar Summary

Morningstar Perspective

The Country Lights loan is a ten-year, $90.0 million ($83,955 per unit) refinancing of an existing $63.54 million loan. The loan is interest-only during the first two-years, then amortizes over a 30-year schedule. The property was appraised for $120.05 million and the loan represents a 75.0% loan-to-appraised value ratio. The community was developed from 1971 - 1975. The property is a 1,072-unit garden-style apartment complex in Bensalem, Pennsylvania, approximately 20 miles northeast of Philadelphia. Approximately 9% of the units, or 95 units, are operated as short term corporate units; however the borrower has agreed to limit corporate units to no more than 10% as a condition of loan closing. The property is currently 91.7% occupied as of the May 28, 2013 rent roll, with average net rents of $1,111 per unit per month and gross rents of $1,213 per unit.

Morningstar's net operating income ("NOI") of $6.47 million is nearly $284,791, or 3.9% below the NOI in the trailing twelve month ("TTM") period ending March 31, 2013. While Morningstar underwrote gross potential rent ("GPR") and vacancy to in-place, the main sources of the NOI variance are our underwriting of higher real estate taxes, repairs & maintenance and advertising expenses. The real estate taxes were underwritten based on TTM (March 31, 2013) with a 3.5% inflation factor applied, and repairs & maintenance and advertising expenses were based on weighted historical averages with more weight on the most recent TTM (March 31, 2013).

The property was inspected on May 30, 2013 and was found to be well maintained with on-going renovations and an overall acceptable condition. The community continues to perform well in a submarket with low vacancy and improving rents. The property is conveniently located in a desirable neighborhood of Lower Bucks County, close to Philadelphia and other major employment centers, with good access to area highways and transportation networks, and major retail shopping areas. Trenton, New Jersey is close by with convenient train service, including AMTRAK, NJTransit and SEPTA (Southeastern Pennsylvania Transportation Authority) to other major areas, like New York and Washington DC.

The Bears Say

- The subject is an older property, built in phases beginning in 1971 to 1975. The engineering report indicated that the property was in overall good condition and did not require immediate or short term repairs, however was recommending higher than average annual reserves of $326 per unit. Morningstar's typical minimum annual reserves are $250 per unit for multifamily properties. Morningstar underwrote to the property engineering report recommendation, plus 10%, or $359 per unit.
- Highly leveraged with a beginning loan-to-value of 98.28% based on Morningstar's calculated Net Cash Flow ("NCF") of $6.09 million. The loan is also interest-only for the first two-years. The risk is mitigated by the Morningstar interest only DSCR of 1.95x on sustainable cash flow that is 9.6% less than the trailing twelve months ending March 31, 2013. The variance in NCF is attributable to our underwriting of real estate taxes, repairs & maintenance, advertising expenses and required capital expenditure reserves. Morningstar's amortizing DSCR of 1.27x provides a relatively low level of support in the event of a downturn.
- The subject property leases approximately 10% of its units to area companies for short-term corporate leases. The fully furnished units have a minimum lease term of 30 days and automatically renew each month until the customer provides 15 days written notice. Property management has indicated that the average corporate tenant stay at between 60 days and one year. There is not a significant concentration associated with the corporate leases, except for Agusta Westland, a British-Italian designer and manufacturing company for civil and military helicopters with plant operations in Philadelphia. The area consists largely of light manufacturing/assembly and distribution users with several industrial and corporate parks located within five miles of the property.

The Bulls Say

- Subject property is located in a high occupancy submarket with sub-3% vacancy rates according to Reis. Historical vacancy rates in the submarket were 3.5% in 2007, peaked at 4.8% in 2009 and has gradually improved to its current 2.3% mean vacancy rate. Properties with a similar vintage (1970-1979), representing 48% of the total submarket, are reporting average vacancy of 1.9%.
- The Country Lights property is located in a desirable neighborhood of Lower Bucks County. The area benefits from good access to area highways and transportation networks and all of the amenities, services, institutions and facilities that the Philadelphia metropolitan area offers. Philadelphia is home to 12 colleges and universities, including Temple University, University of Pennsylvania, Villanova University, Saint Joseph's University, and LaSalle University.
- According to Reis, average asking rents in the submarket are anticipated to increase on average 3.5% over the next five years. This potential increase has not been considered in Morningstar's overall underwriting.

- Borrower has consented to the lender that no more than 10% of the leases will be designated as a corporate lease. In addition, the borrower will not have more than 10% of the leases with less than six months.
- The borrower has implemented $6 million of renovations over the past three years to improve the property and increase rent. Approximately $1.2 million was spent on interior unit renovations consisting of new appliances, carpeting and upgraded kitchens and bathrooms. Approximately $3 million was spent on amenities including a new clubhouse, leasing office, terrace and fire pit. The remainder of the renovations was to roof and windows, land improvements and HVAC. The borrower plans to continue renovating units upon turnover at a rate of 100 units per year. The renovated units are generating $150 per month in rental increases.
- Established property management company. The borrower-controlled management company has been in the real estate industry for over 40 years and currently manages 4,275 units in Pennsylvania, New Jersey and New York with 2,000 units in the local area.

Property Description

The subject property is a 1,072-unit, garden-style apartment complex in Bensalem, Pennsylvania, within the Philadelphia metropolitan area. The property was built between 1971 and 1975 and consists of a 72 two-story buildings situated on 76.2 acres. The property provides 1,842 open parking spaces, representing a 1.72 spaces per unit ratio.

The property has been renovated between 2009 and 2011. Common area amenities include a recently renovated clubhouse, a business/leasing center, an Olympic size swimming pool with pool house, a full-size fitness center, larger community terrace with fire pit and two lighted tennis courts.

Unit amenities include fully equipped kitchens with dishwasher and garbage disposal and private washer and dryer. Select units include a full size washer and dryer, patios or balconies and some include fireplaces. Corporate units are fully furnished.

The property is located about 20 miles northeast of Philadelphia, less than two miles from U.S. Route 1, which connects to the Pennsylvania Turnpike. Interstate 95 is less than five miles. Interstate 95 is the main highway along the East Coast, connecting Florida to the Canadian border in Maine. The location is about 70 miles southwest of New York City and 15 miles from Trenton, the capital of New Jersey. Trenton also has train service with AMTRAK, NJTransit and SEPTA. The area is within a five mile drive to Horizon Corporate Center and the Northbrook Corporate Center, consisting of over 500,000 square feet of office space with another 500,000 square feet proposed.

The property is less than one-mile from Neshaminy Mall, a 1.0 million square foot retail shopping mall with Sears, Macy's and Boscov's, along with a 24-screen AMC theater. There is also a Home Depot, Lowes and Wal-Mart nearby. Franklin Mills Mall, a 1.6 million square feet outlet mall, is five-miles south and the PARX Casino and Race Track is three-miles south of the property.

Morningstar visited the property on May 30, 2013. The property is in a residential neighborhood with a mixture of single and multi-family residences. Signage for the leasing office, management office and various sections of the site refer to the property as "ark - Apartment Residences by Korman". It is located immediately north of Interstate-276 and east of U.S. Route 1, approximately one mile east of the Neshaminy Mall (anchored by Macy's Sears and Boscov's), Target, Wal-Mart, Lowe's and Home Depot, along with numerous chain restaurants. The property is large and appears to be well-maintained. It was formerly operated as three separate complexes, but when the clubhouse was renovated in 2011, management and leasing offices were centralized such that there is now one central leasing office in the clubhouse, one management office in the "Villas" section of the property, and the number of model units was reduced from three to two. The clubhouse renovation included the elimination of an outdated sauna and locker area, which is now utilized as a business center and café for residents. The area has Wi-Fi, and a continental breakfast is available for tenants during the weekdays. The clubhouse includes a fitness center, and the leasing office is next-door. A large in-ground pool, two lighted tennis courts, and sitting/lounging areas are located behind the clubhouse, along with a new, very large fire pit. According to the property manager during the property inspection, it was indicated that the overall occupancy was 93% as of the inspection date (improved from the May 28, 2013 rent roll), and indicated that 95% occupancy should be achieved within thirty days. There are currently 94 furnished, corporate units, and these units are typically 75% occupied under short-term leases, which tends to drag overall occupancy down. Major corporate clients include Agusta Aerospace and International SOS. The premium for furnished units is approximately 2.5 times the normal rent. The regional manager for the property indicated that turnover for non-furnished units is approximately 15 units per month, and leases have 12-month terms. No concessions are being offered.

Approximately 34% of the property has updated kitchen cabinets. Units upgraded 5-10 years ago are rented at a $100/month premium, and units with more recent cherry cabinet upgrades are rented at a $200/month premium. A renovation program began ten years ago to upgrade bathroom vanity cabinets, floors, tile walls, toilets and tubs on turnover, on an as-needed basis. All units include a washer and dryer. There is currently a two-year project underway to replace all roofs and doors in the Villas section, and roof replacements were underway at the time of Morningstar's inspection. A similar project was completed for the Summit and Terrace sections over the last two years, and the Grove section is scheduled for next year. Therefore, all buildings will have new roofs by year-end 2014.

Based upon our evaluation, Morningstar assigned a property quality score of 3 to the property which rates the property as average. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. Factors including the property's age, location, and condition are considered in assigning the quality score. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our capitalization rates.

Unit Type Mix

The property is comprised of 1,072 units among 72 two-story buildings, split between 670 one-bedroom units (62.5% of the total) and 402 two-bedroom units (37.5% of the total). The average unit is 879 square feet in size with one-bedroom units averaging 860 square feet and two-bedroom units averaging 959 square feet. The property includes approximately 9% of the units, or 95 units, which are considered short term corporate units. Borrower has agreed to lender to limit corporate units to no more than 10% of the units as a condition of loan closing. Corporate units have a minimum lease term of 30 days and automatically renew each month until the customer provides 15 days written notice. Corporate units are fully furnished and the property pays for all utilities on those units. Property management has indicated that the average corporate tenant stay at between 60 days and one year. On average, the subject is achieving a $780 (net of vacancy) rent premium on the corporate units. On average corporate rent for one-bedroom units is $2,030 per month and for two-bedroom units is $2,400 per month.

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	670	62.5%	860
Two Bedroom	402	37.5%	910
Total	**1,072**	**100.0%**	**879**

Market Overview

Country Lights is located in the city of Bensalem, Pennsylvania, Bucks County, within the Philadelphia MSA.

The collateral property is located in the Torresdale / Bensalem multifamily submarket, within the larger Philadelphia metro market, according to Reis. According to Reis in the fourth quarter 2012, the mean per unit asking rent for the submarket was $949 per month and units of a similar vintage (1970 – 1979) was $983 per month. The mean vacancy for the submarket was 2.38% and units of a similar vintage age were 1.9%.

The appraisal identified six comparable properties, all located within four miles of Country Lights. Average comparable per unit rental rates ranged between $974 and $1,308 per unit per month (average - $1,118 per unit). The appraisal reported comparable property occupancy levels between 93% and 98%, with an average of 95.3%. The appraiser estimated market rent for this property to be $1,084 per month with market vacancy of 5%.

For the purposes of estimating market rent and vacancy for the non-corporate unit portion, Morningstar utilized the appraiser's estimate, which was $1,084 per month and vacancy of 5%. Our estimate of market rent net of vacancy is greater than in-place economics as of the most recent rent roll and as a conservative measure we therefore underwrote multifamily rents to the in-place rent with a 5% minimum vacancy.

Sponsorship/Management

The borrowing entity is a private single-purpose, Pennsylvania limited partnership. The property management is Korman Communities, Inc., a borrower controlled management company. The contract fee is 3.0% of effective gross income.

Morningstar Analysis

	Morningstar	2010	2011	TTM 3/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$14,297,182	$12,590,559	$12,728,001	$11,761,328	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	0	0	0	0	
Commercial Income (Corporate)	958,000	729,000	1,032,000	2,172,031	
Parking Income	0	0	0	0	
Other Income	134,628	103,326	152,431	159,725	
Less: Vacancy Loss	-1,276,598	0	0	0	
Less: Concessions & Collection Loss	-57,583	-89,097	-42,057	-57,886	
Effective Gross Income	**$14,055,628**	**$13,333,788**	**$13,870,375**	**$14,035,198**	**$14,162,663**
Expenses					
Real Estate Taxes	$1,537,970	$1,426,752	$1,467,257	$1,503,677	
Property Insurance	359,168	251,598	290,277	347,022	
Utilities	958,376	907,784	975,716	994,843	
Repairs and Maintenance	1,363,954	1,469,499	1,349,755	1,297,814	
Janitorial	0	0	0	0	
Management Fees	421,669	402,686	417,373	417,259	
Payroll & Benefits	1,520,853	1,762,255	1,570,181	1,523,359	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	438,562	274,541	282,455	227,587	
Professional Fees	0	90,696	56,300	0	
General and Administrative	980,541	849,859	875,151	984,741	
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	**$7,581,093**	**$7,435,669**	**$7,284,465**	**$7,296,302**	**$7,536,719**
Net Operating Income	**$6,474,535**	**$5,898,119**	**$6,585,910**	**$6,738,896**	**$6,625,944**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	384,668	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$384,668**	**$0**	**$0**	**$0**	**$349,472**
Net Cash Flow	**$6,089,868**	**$5,898,119**	**$6,585,910**	**$6,738,896**	**$6,276,472**

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	$1,111
Vacancy (%)	8.3%

As of the May 28, 2013 rent roll, average multifamily rents were $1,213 per unit (gross) and vacancy was 8.3%. Historical cash flows were presented on a net basis without vacancy or concessions. On a net basis, average rents are estimated to be $1,111 per unit. 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 appraiser's estimate of $1,084 per unit along with market vacancy at 4.7% based on the appraiser's rent comparables. The commercial space was underwritten based on the 12/31/12 rent roll, net of the gym space, with in-place rents and vacancy.

The subject's corporate units were underwritten as part of the gross potential rent based on similar units average rents. The rental premiums associated with corporate housing units was reported separately and was underwritten as Commercial Income (Corporate). This income is net of vacancy and is based upon the TTM (October 31, 2012). Historically, premiums were $729,000 in 2010, $1,032,000 in 2011 and $2,172,031 as of the TTM (March 31, 2013).

Other income includes income from parking, laundry and miscellaneous fees.

Expenses

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

Real Estate Taxes were underwritten based on the appraiser's estimate of $1.538 million for 2012. According to Bucks County, 2013 millage rates remained unchanged from its 2012 millage rates.

Insurance was underwritten based on the TTM (March 31, 2013) and inflated by 3.5%.

Management Fees were underwritten to a minimum 3.0% of effective gross income, consistent with the actual contact fee of the management company.

Utilities were underwritten based on the borrower's budget, plus inflation. This is lower than historical, but higher than the appraiser's estimate of $670,000. It should be noted that Utilities were underwritten by the issuer based on trailing twelve months ending October 31, 2012 and inflated by 3%, which was consistent with the property's historical expense and higher than the appraisal estimate with the exception of cable expense. Historically, the property provided tenants with free basic cable at a cost of approx. $30 per unit. This was originally put in place due to a higher concentration of corporate units. The borrower determined that many tenants did not like the free cable since they only have the choice of one provider and basic cable and tenants were unable to upgrade to get additional channels or special features. The borrower has switched six other properties from landlord pay to tenant pay cable. The transition has gone smoothly without having to reduce rent or offer concessions. Cable is being phased-out upon turnover of the units. Underwritten expense includes the cable expense tied to the current units in which it is included.

Overall, expenses were 54.1% of effective gross income, which is slightly higher than the trailing twelve months ending March 31, 2013 of 52.0%, but well ahead of the appraiser's estimated operating expenses of 43.9%. Much of this difference is attributable to the lower utility expense underwritten by the appraiser.

Capital Items

A reserve for future capital expenditures is underwritten at $359 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar's multifamily capitalization rate for Philadelphia is 6.4%, with an adjustment of 25 basis points for the additional short-term corporate tenancy risk. The final Morningstar capitalization rate was 6.65%. This estimate is more conservative than the appraiser's capitalization rate of 6.0% and the capitalization rates from appraiser's sales comparables which averaged 6.2%.

Carmel Rincon Apartments

Analyst: Chandan Banerjee 646-560-4512
Analytical Manager: Sheila Bjornstad 646-560-4511

Source: Morningstar, Inc.

Source: Morningstar, Inc.

Property Summary		
Property Type	Multifamily/High-Rise	
Location	San Francisco, CA	
Year Built/Renovated	1989/2012	
Multifamily Units	320	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	95.00%	As of: 5/30/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$86,867,000	($271,459/unit)
Loan Amount (Cut-Off Balance)	$86,867,000	($271,459/unit)
Loan Term (months)	120	
I/O Period (months)	120	
Amortization Term (months)	0	
Loan Seasoning (months)	0	
Interest Rate	3.42000%	

Morningstar Analysis		
Current DSCR	2.20 x	
Amortizing DSCR	2.20 x	
Beginning LTV	78.49%	
Ending LTV	78.49%	
Capitalization Rate	6.00%	
Morningstar Occupancy	93.42%	
Net Operating Income	$6,704,050	
Net Cash Flow	$6,640,050	
Value	$110,667,497	($345,836/unit)
Debt Yield	7.64%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$86,867,000	3.42000%	2.20 x	2.20 x	78.5%	78.5%
Total	**$86,867,000**	**3.42000%**	**2.20 x**	**2.20 x**	**78.5%**	**78.5%**

Morningstar Summary

Morningstar Perspective

The Carmel Rincon Apartments loan is a ten-year, $86.87 million ($271,459 per unit) financing to refinance the sponsor's existing debt of a 320-unit high-rise multifamily property in San Francisco, California. The loan represents a 48.8% loan-to-appraised value ratio. According to the issuer, the sponsor of the loan acquired a $110.00 million non-performing Bear Stearns note secured by the property at auction on April 16, 2010 at a 24.5% discount or for $83.00 million. The sponsor subsequently invested an additional $13.57 million on legal costs associated with non-judicial foreclosure proceedings. On October 12, 2010, the sponsor acquired title to the property at the foreclosure sale with a $73.00 million credit bid. Since its acquisition, the sponsor has invested $5.29 million to renovate the property.

Developed in 1989, the property was 95.0% occupied as of May 30, 2013. According to the issuer, historical vacancy at the property has ranged from 5.6% to 21.8% over the previous two years. Vacancy was higher than market throughout 2011 and 2012 due to renovations at the property during which units were intentionally held offline. The property reported net cash flows (NCF) of $4.15 million in 2011 and $6.23 million for the twelve months ending March 31, 2013, an increase of 50.2%. The improvement in NCF is due a 15.9% improvement in revenues from $8.74 million to $10.12 million combined with a 17.7% decrease in expenses from $4.43 million to $3.65 million, in the same period.

The property is subject to an Owner Participation Agreement (OPA), more fully described in the Rent Restriction section below, between the sponsor and the City of San Francisco. Under the provisions of the OPA, the property is required to reserve 76 units for low and moderate income households. Low income households are those with less than 80% of the median household income and moderate income households are defined as those with 80%-120% of the median household income. Rents for low income households are fixed at a maximum of 32.5% of 72.0% of median income, and rents for moderate income households are fixed at a maximum of 32.5% of 108.0% of median income. The rent restrictions run with the property and would not terminate in the event of a foreclosure. Morningstar underwrote the rent for the below market rate (BMR) units to the current average in-place rent and the vacancy to the current in-place vacancy.

For the market rate apartments, Morningstar underwrote rents based on the average class-A apartment rents in the property's submarket according to Reis. Morningstar's vacancy assumption was also based on the Reis submarket class-A occupancy. Morningstar's analysis of the property resulted in an NCF of $6.64 million, which is 1.2% lower than the issuer's underwritten NCF. Morningstar's concluded value of the property is $110.67 million, which is 37.8% lower than the appraised value. The resulting Morningstar LTV ratio and DSCR (amortizing) are 78.5% and 2.20x respectively.

Morningstar visited the site on Friday, June 1, 2013, met with the property manager and observed some of the typical residential units, vacant apartments and common areas and amenities available at the property. Morningstar visited both market rate and BMR units. Based on the visual, external observations, the property seemed to be generally well maintained and Morningstar noted no obvious deferred maintenance issues. However, there is a distinct difference in the level of finishes in the BMR units versus the market units. Morningstar also visited the seventh floor deck, where the sponsor plans to provide common outdoor amenity space at a cost of approximately $215,000. The property manager also said that, since the property uses a lease rent option (LRO) system with daily mark-to-market and the property is over 96% leased, there are no concessions offered. Based on the visual appeal, level of amenities and fit outs, and its location, Morningstar assigned the property a score of 2 (good).

The Bears Say

- Full Term Interest Only Loan: The loan is interest only for its entire term. The interest only risk is partially mitigated by the low leverage of the loan (48.8% to appraised value; 78.5% to Morningstar value), a DSCR of 2.20x and almost $15.00 million of sponsor equity.
- Sponsor Fund Expiration: Key sponsor, Carmel Partners Investment Fund III, LP (Fund III) expires within the loan term on August 17, 2015. It can be extended by two separate one-year terms with the approval of the advisory committee, which could push the termination out to August 2017. The partnership agreement requires that the general partner use commercially reasonable efforts to liquidate the Fund's assets in an orderly manner; a reasonable time period will be allowed for the orderly winding-down of the Fund and the liquidation of its' assets; and the partnership agreement remains in full force and effect during such winding-down period. This provides that Fund III continues in existence, notwithstanding expiration of the term, until the winding-down is complete and the certificate of limited partnership is cancelled. In addition, provided that the guaranty referenced below is still in effect, Fund III is required to extend its maturity date 6 months past the loan maturity date, provide a replacement indemnitor acceptable to lender, or post a letter of credit equal to 5% of the Unpaid Principal Balance (UPB)
- Pending Litigation: The sponsor acquired a $110 million non-performing Bear Stearns note secured by the property at auction on April 16, 2010 for $83.00 million and subsequently commenced non-judicial foreclosure proceedings and took title to the property at a foreclosure sale on October 12, 2010 with a credit bid of $73.00 million. The prior owner filed a lis pendens and the case went to court in July and August 2012. The court found all of

the plaintiff's claims to be without merit and, on January 23, 2013, ordered the lis pendens to be expunged. The lis pendens removal was recorded in February 2013. With the expungement of the lis pendens, clear title, without exception to the litigation, is available to a permanent lender to be in a first mortgage/lien position. However, the prior owner filed an appeal of the judgment on April 24, 2013 and the appeal is pending. As such, Fund III (net worth $404.58 million; liquid assets $24.90 million) was required to execute a non-recourse carve-out guaranty to indemnify the lender against any actual loss or damage suffered by lender in connection with the pending litigation. During the time that the guaranty is live and enforceable, Fund III has covenanted to maintain a minimum net worth in an amount equal to $89.00 million, and maintain minimum liquid assets in an amount equal to $4.45 million. In addition, a clean title policy was issued by Chicago Title, a subsidiary of Fidelity National Title, which also handled the underlying foreclosure.

- Rent Restriction: The property is subject to an Owner Participation Agreement (OPA) between the sponsor and the City of San Francisco. Under the provisions of the OPA, the property is required to reserve 76 units for low and moderate income households. Low income households are those with less than 80% of the median household income and moderate income households are defined as those with 80%-120% of the median household income. Rents for low income households are fixed at a maximum of 32.5% of 72.0% of median income, and rents for moderate income households are fixed at a maximum of 32.5% of 108.0% of median income. The rent restrictions run with the property and would not terminate in the event of a foreclosure. Morningstar underwrote the rent for the Below Market Rate (BMR) units to the current average in-place rent and the vacancy to the current in-place vacancy.

The Bulls Say

- Location and Access: The property is located just south of the Embarcadero, within a few blocks west of the waterfront. The property has excellent views of the San Francisco Bay. It also has excellent highway access – including interstate-80, Highway-101, and Interstate-280. Public transportation includes SF MUNI (bus, light rail, and trolley service), Bay Area Rapid Transit (BART) and Caltrain.
- Property Condition: According to the property condition assessment (PCA), there are no deferred maintenance issues. In addition, the sponsor plans to renovate the market rate units that haven't already been renovated and is also renovating the seventh floor roof deck as an outdoor amenity space. The property is a successful redevelopment of an historic art-deco post office, which is featured in the National Registry of Historic Places. Since its completion in 1989, Rincon Center it is regarded as one of San Francisco's premier mixed-use properties due to its location and integration of office, retail, and residential uses.
- Strong Sponsor and Management: The property is managed by Carmel Partners, Inc., a borrower-controlled management company. The principals of the management company have been in the real estate industry for over 20 years. Carmel Partners currently manages 18,000 units in California, Washington, Hawaii, Colorado, Virginia and Washington DC, with 4,109 units in the local area.

Property Description

Carmel Rincon Apartments is a 320-unit, high-rise apartment complex comprising of two 17-story buildings. The property is part of a vertical subdivision comprised of four parcels: Parcels 1 and 3 (together, the commercial tract) which consists of retail and commercial space owned by Hudson Rincon Center, LLC Parcel 2 (the post office), which consists of a postal facility owned and operated by the United States Postal Service, and parcel 4, which is the residential parcel (collateral for the loan). The combined development is known as Rincon Center and the Residential Parcel is known as Carmel Rincon Apartments. Since it is a vertical subdivision, the property only has air rights and no land. The property offers 245 parking spaces in a two-level subterranean parking garage (131 single stalls, 57 tandem stalls).

Rincon Center consists of a 5-story retail and office building with a one-level underground parking garage, and an adjacent high-rise structure consisting of a 6 story retail and office base over which are constructed the Carmel Rincon Apartments (floors 7 through 23) and a two-level underground parking garage; level P1 is for the use of the commercial building, and level P2 is for the use of the residential towers. The subject property has its own residential lobby which is separate from the commercial side of Rincon Center and thus has direct pedestrian access to the public right of way. Vehicular access is granted to the property by a recorded, perpetual parking easement which extends to the street (the Access Easement). The parking easement is perpetual and runs with title to the property. The subject property also has its own elevators and laundry facilities in the lower level. There is a license agreement with the owner of the commercial tract for the use of the rooftop deck on the 7th floor.

Due to the mixed-use, high-rise nature of Rincon Center, including multiple owners of the various parcels, the property is subject to a Declaration of Covenants, Conditions and Restrictions (the declaration). Although Rincon Center is not operated as a condominium, the declaration has features similar to a condominium including cross-easements for access and support, joint management areas similar to general common elements, joint management costs similar to assessments, and proportionate shares similar to common interests under a condominium structure. The rights under the declaration pass with title to the fee and are not severable from the fee.

Rincon Center is managed and operated by an owner's committee, which consists of one person designated by the owner of each parcel. The Carmel Rincon Apartments sponsor, as owner of Parcel 4, has a proportional share equal to 29.6%. Hudson Pacific Properties, as owner of Parcels 1 and 3, has a proportional share equal to 68.4%. The USPS has a proportional share equal to 2.0%. A majority of the proportionate shares of all the owners is required for most decisions to be made by the owner's committee.

The owner's committee is responsible for maintaining those areas designated as joint management areas, which consist of all portions of the Rincon Center in which any two or more parcels have non-exclusive rights of use or those which have a beneficial use and enjoyment of the remainder of the Rincon Center, including all portions of utility, mechanical, life-safety, security systems and air shafts, common freight elevators and their shafts, building joints, inter-Parcel stairwells, internal fire exit corridors, garbage chutes, and sidewalks and landscaping. Each parcel owner except the USPS pays its proportional share of the costs and expenses of maintaining and operating the joint management areas.

The property is well maintained and the property condition assessment report (PCA) identified no deferred maintenance items. Similarly, the phase I environmental site assessment report (ESA) identified no recognized environmental conditions (RECs). However, since an above ground storage tank for storing diesel fuel is located on the seventh floor emergency generator room, an O&M plan for the storage tank was recommended.

The property is managed by Carmel Partners, Inc., a borrower-controlled management company. Carmel Partners currently manages 18,000 units in California, Washington, Hawaii, Colorado, Virginia and Washington DC, with 4,109 units in the local area. The contractual management fee is 3.0% of Effective Gross Income (EGI) and Morningstar underwrote management fees at the contractual rate.

The property is located just south of the Embarcadero, within a few blocks west of the waterfront, east of the financial district, and approximately one-mile northeast of Union Square, which is the third largest shopping center in the United States. The property is within walking distance of the Embarcadero, Fisherman's Wharf, Chinatown, AT&T Park, BART/Transbay Terminal, the San Francisco-Oakland Bay Bridge, the financial district, the ferry system, and the Ferry Building with its boutique food shops, restaurants and weekly farmers market. The immediate neighborhood is mixed-use consisting of residential, civic/community, retail, office and general commercial. Residential uses are primarily condominiums and multifamily apartment complexes. California Pacific Medical Center is located three blocks west of the property and St. Francis Memorial Hospital is located 1.4 miles west.

There are several ferry channels and bridges providing access to the downtown area of San Francisco, as well as major arterial roadways – including I-80, Hwy 101, and I-280. Public transportation includes SF MUNI (bus, light rail, and trolley service), Bay Area Rapid Transit (BART) and Caltrain. San Francisco International Airport is located approximately 12 miles south of the property

Unit Type Mix

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	83	25.9%	480
One Bedroom	185	57.8%	604
Two Bedroom	52	16.3%	870
Total	**320**	**100.0%**	**615**

Rent Restrictions

The property is subject to an Owner Participation Agreement (OPA) dated August 20, 1985, between the Redevelopment Agency of the City and County of San Francisco (agency) and Rincon Center Associates, a California limited partnership. The OPA governed the redevelopment of the area in which the property is located and provided for the reconstruction or rehabilitation of blighted areas in the City of San Francisco. While most of the covenants in the OPA relate to the development and construction of the property, and those obligations have been satisfied per a recorded document, in addition to the construction obligations, the OPA requires that 46,000 gross square feet (translates to 76 units) of housing shall be rented to low and moderate income households, with 40% of that total to low income households, and 60% to moderate income households (Below Market Rate or BMR). Low income households are those households with incomes less than 80% of the median income of households in the San Francisco, San Mateo and Marin Counties Primary Metropolitan Statistical Area as determined by HUD. Moderate income households are those households with incomes between 80% and 120% of median income.

The rental restrictions run with title to the land and are effective for as long as the square footage is operated on a rental basis (there are also income restrictions if the units were to be sold independently). In addition, the agency has the right to rent (or purchase if offered for sale) up to 50.0% of all residential units in the property for use by low, moderate and affordable income households. The 50.0% would be reduced by the number of units rented to low, moderate or affordable households. Furthermore, the agency would pay market rents for the units it rents. Rents for low income households shall be no greater than 32.5% of 72.0% of median income, and rents for moderate income households shall be no greater than 32.5% of 108.0% of median income.

The rental restrictions would not terminate in the event of a foreclosure. The OPA provides for mortgagee rights: (a) no cancellation or termination of the OPA without at least 30 days' notice to the mortgagee; (b) no amendments or modifications to the OPA without at least 10 days' notice to the mortgagee; (c) notice of default under the OPA to the mortgagee; (d) mortgagee right to cure defaults within the same period as the parties to the OPA plus an additional 60 days; (d) in the event of a non-monetary default that cannot be cured, then the Agency will extend the cure period as reasonably necessary. The mortgagee rights listed above are contingent on the Agency receiving a copy of the mortgage of record. According to the rent roll as of April 2013, the property was in compliance with the OPA: 76 units were either rented or set aside for rental based upon the Rental Restrictions noted above. Recourse for default under the OPA was added to the note; liability, however, is limited to the borrowing entity, as there is no carve-out guarantor.

Market Overview

The property is located in the South of Market (SOMA) submarket according to Reis. According to the appraiser, the property is classified as class-A. The SOMA submarket has an apartment inventory of 16,018 units as of the first quarter of 2013, which is projected by Reis to increase to 19,311 units by 2017. Approximately 29% of the current inventory is of the same vintage as the property (built between 1980-89). Of the total inventory, approximately 8,500 units (53.1%) are classified as class-A. New additions to supply in the San Francisco metro market include the 417-unit second phase of Trinity Plaza, scheduled to complete construction in July 2013 and the 750-unit Crescent Heights, which broke ground in January 2013 and is scheduled to be completed in April 2014. According to Reis, there are 1,141 apartment units under construction in the SOMA submarket, with a further 7,710 units in the planned/ proposal stage. Despite the expected influx in supply, Reis expects the submarket vacancy rate to reduce to 2.7% by 2017 from the current 5.0% and asking rents to increase by an average of 3.0% annually.

The average asking rent in the submarket as of Q1 2013 was $2,517 per unit per month and the average vacancy was 5.0%. However, class-A asking rents were significantly higher at $3,222 per unit and class-A vacancy was 8.5%. For properties of similar vintage as the subject (1980-89), the average asking rent was $2,935 per unit and the vacancy was 3.2%.

The appraiser identified a competitive set of six properties, with a total of 2,969 units, based on their size and location characteristics. The weighted average occupancy of the comparables was 95.3% compared to 95.0% at the subject. The weighted average rent of the comparables was $3,727 per unit compared to $3,575 per unit at the subject (market rate units only) and $3,222 per unit according to Reis. The appraiser concluded a market rent of $3,378 per unit and a vacancy rate of 4.5%. Morningstar underwrote rents and vacancies for the market rate units based on Reis class-A averages. Morningstar underwrote the BMR units based on the in-place rent and vacancy.

Morningstar Analysis

	Morningstar	2011	TTM 3/2013	Issuer Underwriting
Income				
Gross Potential Rent	$11,166,311	$8,699,654	$10,869,651	
Expense Reimbursement	111,869	14,099	109,681	
Parking Income	674,920	646,771	674,392	
Other Income	141,418	182,130	141,307	
Less: Vacancy Loss	-726,161	-778,929	-1,597,628	
Less: Concessions & Collection Loss	-125,098	-24,954	-73,804	
Effective Gross Income	**$11,243,259**	**$8,738,771**	**$10,123,599**	**$11,234,449**
Expenses				
Real Estate Taxes	$1,913,692	$1,088,773	$1,107,009	
Property Insurance	99,752	37,468	51,774	
Utilities	365,000	1,009,094	40,810	
Repairs and Maintenance	414,401	330,995	367,976	
Management Fees	337,298	255,378	297,064	
Payroll & Benefits	1,115,151	1,249,563	1,373,644	
Advertising & Marketing	170,928	266,493	259,745	
Professional Fees	11,250	10,752	8,967	
General and Administrative	72,400	128,524	86,479	
Other Expenses	39,337	56,692	54,890	
Total Operating Expenses	**$4,539,209**	**$4,433,732**	**$3,648,358**	**$4,450,450**
Net Operating Income	**$6,704,050**	**$4,305,039**	**$6,475,240**	**$6,784,000**
Capital Items				
Leasing Commissions	$0	$0	$0	
Tenant Improvements	0	0	0	
Capital Expenditures	64,000	159,961	248,012	
Total Capital Items	**$64,000**	**$159,961**	**$248,012**	**$64,000**
Net Cash Flow	**$6,640,050**	**$4,145,078**	**$6,227,229**	**$6,720,000**

Analytical Assumptions

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

Revenue Drivers

Rent Per Unit Per Month	$2,908
Vacancy (%)	6.6%

Morningstar underwrote market rents based on the Reis class-A submarket average rent for the market rent unit and based on the average in-place rent for the BMR units.
Morningstar underwrote vacancy based on the Reis class-A submarket average vacancy for the market rent units and the average in-place vacancy for the BMR units.
Morningstar underwrote concessions and collection loss, expense reimbursements, parking income and other income in line with the historical average ratios for each line item, respectively.

Expenses ($14,185 per unit)

Morningstar underwrote real estate taxes and insurance expenses in line with the issuer. Real estate taxes are based on the based on the reported current tax liability ($1,797,001) inflated by 2.0%, plus the borrower's pro-rata share of the parking garage taxes ($80,903 per year). Insurance expense is reportedly based on the actual insurance premium inflated by 3.0%. , which was based on 95% of the acquisition price and the 2012 millage rate inflated by 3%.
Morningstar underwrote utilities and payroll & benefits expenses in line with the issuer's estimates.
Morningstar underwrote advertising & marketing and other expenses in line with the sponsor's budget.
Morningstar underwrote general & administrative expenses based on the historical average expense.
Morningstar underwrote the management fee at 3.0% of Effective Gross Income, which is based on the contractual management fees.

Capital Items

Morningstar underwrote reserves for future capital expenditures at $200 per unit compared to the $162 per unit recommended by the PCA.

Valuation Drivers

Morningstar used a capitalization rate of 6.0% to determine the value of the property. Morningstar's capitalization rate was based on the RERC multifamily capitalization rate of for the San Francisco metro for Q4 2012, with adjustments made for the property's quality score and downtown location. The average capitalization rate of the appraiser's sales comparables was 4.63% and the appraiser's direct capitalization rate assumption was 4.25%.

Jefferson At Ventura

Analyst: Molly Maghran 267-960-6044
Analytical Manager: Sheila Bjornstad 646-560-4511

Property Summary		
Property Type	Multifamily/Garden	
Location	Ventura, CA	
Year Built/Renovated	1984/2012	
Multifamily Units	400	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	93.80%	As of: 3/31/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$62,156,000	($155,390/unit)
Loan Amount (Cut-Off Balance)	$62,156,000	($155,390/unit)
Loan Term (months)	120	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	3	
Interest Rate	3.75000%	

Morningstar Analysis		
Current DSCR	1.74 x	
Amortizing DSCR	1.19 x	
Beginning LTV	91.26%	
Ending LTV	78.45%	
Capitalization Rate	6.05%	
Morningstar Occupancy	93.80%	
Net Operating Income	$4,277,013	
Net Cash Flow	$4,120,660	
Value	$68,110,077	($170,275/unit)
Debt Yield	6.63%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table						
Loan	**Balance**	**Interest Rate**	**Current DSCR**	**DSCR Amtz**	**BLTV**	**ELTV**
Mortgage Loan	$62,156,000	3.75000%	1.74 x	1.19 x	91.3%	78.4%
Total	**$62,156,000**	**3.75000%**	**1.74 x**	**1.19 x**	**91.3%**	**78.4%**

Morningstar Summary

Morningstar Perspective

The Jefferson At Ventura loan is secured by the fee-simple interest in a 400-unit, garden-style apartment complex located in Ventura, California. The 10-year, $62,156,000 ($155,390 per unit) loan facilitated the acquisition of the subject property by deed-in-lieu of foreclosure for an adjusted purchase price of $72.8 million ($182,000 per unit). The asset has an appraised value of $85,260,000 ($213,150 per unit). The $62,156,000 loan represents 73.2% of the current appraised value of $84,960,000. The loan represents 92.26% of Morningstar's more conservative estimate of value.

The property was constructed in 1984, and purchased by the former owner at the top of the market in 2007. The property was overleveraged and the level of debt could not be supported during the economic downturn. The present borrower provided $26.1MM in mezzanine financing in the 2007 debt structure, and in 2013 acquired the property for $72.8 million, which represents the amount of the previous senior note. The borrower contributed $10.6 million of cash at closing, and while Morningstar doesn't quantitatively factor the borrower's equity contribution in our analysis, it is noteworthy that the borrower has invested $36.8 million in the property.

Jefferson at Ventura's effective gross income has remained stable, with average annual increases of 1.4% over the last three years. Morningstar's underwritten rent is $1,381 per unit per month based upon average in-place rent in accordance with the March 31, 2013 rent roll. The appraisal's concluded market rent was slightly higher at $1,407 per unit per month. The overall San Buenaventura submarket average rent per Reis is $1,354 per unit per month, with average rent for similar 1980's vintage properties at $1,479 per unit per month.

Morningstar's analysis of the property resulted in an amortizing DSCR of 1.19x, LTV of 91.26%, and debt yield of 6.63%. Our current DSCR of 1.74x reflects the initial, interest-only payment schedule which is in place for the first 36 months of the ten-year loan term. Morningstar's estimated value of $68,110,077 ($170,275 per unit) is 19.8% less than the appraised value of $84,960,000 ($212,400 per unit). To value the subject property, we utilized a 6.05% capitalization rate, based upon Morningstar's multifamily capitalization rates for the western United States and the Los Angeles metro area. This is 105 basis points higher than the appraisal capitalization rate, and 100 basis points higher than the comparable sales' average capitalization rate.

The previous owner spent $3.1 million in capital expenditures from 2007 to 2012 in renovations and upgrades to the property. Morningstar conducted a site visit on May 30, 2013 and found the property to be in good condition. The property was 94.5% occupied and 97.7% leased. The property manager utilizes Yieldstar, a lease optimization system, for daily rental rate adjustments, and therefore, no concessions are offered. Upgraded and renovated units are rented at a $50 to $100 per month premium versus non-renovated units.

Morningstar's primary concerns with this loan include the partial-term interest-only structure, and the property's ability to retain market share when units are added to submarket inventory. The property has exhibited relatively stable performance for the four years for which Morningstar was provided historical financial information. Morningstar's underwritten net operating income was conservatively underwritten at 0.7% above actual 2012.

The Bears Say

- The property manager referenced 400 units to be added to supply in two projects during 2013, while Reis reported only 78 in the subject's submarket. Further investigation shows that the differential primarily reflects subsidized/low income units that do not directly compete with the subject, some of which are located in neighboring Oxnard.
- Three year interest-only period will reduce deleveraging of the asset by approximately $4.6 million during its ten year term.
- The DSCR on an amortizing basis is 1.19x, offering little protection if revenues weaken. Interest-only coverage is higher at 1.74x.

The Bulls Say

- The property will continue to be managed by Greystar, the largest apartment manager in the U.S., with over 198,000 units under management
- The previous owner spent $3,066,500 ($7,667 per unit) from 2007 to 2012 for capital improvements to the subject property, which included unit upgrades, resulting in increased rents. For example, washers and dryers were installed in all units.
- The property is located in a strong market that consistently supports demand for multifamily housing, and Reis estimates positive rent growth and low vacancy rates for the next several years.

- Equity contribution: the borrower contributed $10.6 million of cash at closing. This is in addition to $26.1 million that was provided in 2007 in the form of mezzanine financing.

Property Description

The subject property is a 400-unit garden-style apartment complex built in 1984, and situated on a 14.34-acre site in Ventura, California, in the Ventura County and Los Angeles metro areas. The site is improved with forty, two-story apartments buildings, and offers parking for 667 vehicles (1.7 per unit), with 264 carports, 135 tuck-under spaces, and 268 open spaces. Units feature fully equipped kitchens, washers and dryers, and a patio or balcony. Common amenities include two swimming pools, two spas, and a clubhouse with a fitness center. The name of the property was recently changed to "Capes at Ventura".

The property has a preferred renter program for employees of local government agencies, Ventura and Oxnard Colleges, area hospitals, and military personnel. Tenancy includes a fair number of Ventura College Students, however all student tenants require parental guarantees.

The previous owner spent approximately $3.1 million from 2007 to 2012 on improvements to the subject property. Major items included the addition of washers and dryers to all units, balcony repairs and replacements, carport and building roof replacements, carpet replacement and plumbing repairs. Interior renovations included front office improvements, new fitness equipment, and unit upgrades such as cabinet re-facing, new countertops, fixtures and blinds, and floor replacements.

A property condition report identified immediate repair items of $296,059 for mold remediation, parking, curb and walkway surface repairs, pool deck repairs, ADA compliance, door replacements, wood siding and stucco repairs, exterior stair landing repairs, and pest remediation. Funds for the repairs were escrowed at 125% of estimated cost. The borrower is required to complete these repairs within 180 days of loan closing. Per borrower's certification, mold remediation and ADA compliance were completed as of February 5, 2013. During Morningstar's site inspection, the property manager stated that much of the deferred maintenance items have been completed, and the roof repairs and building siding work will be complete by August 10, 2013.

A Phase I environmental assessment revealed no evidence of recognized environmental conditions at the subject property or other adjacent properties. The consultant recommended development of and Operations and Maintenance Plan for asbestos, and a Moisture Management Plan to detect and remediate moisture that could lead to mold growth. No further action is required.

Jefferson At Ventura is located within Seismic Zone 4, and has a Probable Maximum Loss of 14.0%, which is less than the threshold at which earthquake insurance is required.

The subject property is located immediately south of Highway 126 and close to Highway 101, leading east to Santa Clarita, northwest to Santa Barbara, and southeast to the San Fernando Valley and Los Angeles. These areas offer a variety of shopping and employment. Major employers in Ventura County include a U.S. Naval Base, Amfen (a biotech research firm), and Bank of America. The Pacific Ocean is four miles west of the subject property.

The property is located in a mixed use area. There is an elementary school directly across Highway 126 to the north. Kaiser Permanente Medical Complex, Ventura County Veteran's Services, and single family duplexes are located to the south of the property. The Ventura County Government center is just west of the subject, and there are additional multifamily properties to the east. Surrounding properties are in average to good condition, and the subject property competes well within its neighborhood. It is located near employment centers, commercial corridors and shopping centers. The area has had positive rent and occupancy trends over the last few years, with similar trends anticipated to continue. Reis estimates effective rent growth averaging 4.5% per year from 2014 to 2017, with average vacancy at 3.1.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
One Bedroom	154	38.5%	571
Two Bedroom	246	61.5%	897
Three Bedroom	0	0.0%	0
Total	**400**	**100.0%**	**771**

Market Overview

Jefferson At Ventura is located in the San Buenaventura submarket, within the Ventura County metro area. Reis reported the average asking rent in this submarket at $1,354 per unit per month as of the first quarter of 2013, with units of the same vintage as the subject property averaging $1,479 per unit per month.

The appraisal identified six comparable properties. The average comparable monthly rent for one and two-bedroom units was $1,426 and $1,703 per unit, respectively. This corresponds to a weighted average monthly rental rate of $1,602 per unit, however some of these properties offer rent concessions. The appraiser concluded monthly market rental rates for the subject property's one and two-bedroom units at $1,289 and $1,480 per unit, respectively. This corresponds to weighted average monthly market rental rate of $1,407 per unit for the subject property. The subject's in-place rents per the March 31, 2013 rent roll averaged $1,381 per unit per month, which is below the appraiser's concluded market rate. While rent concessions are being offered in the subject's submarket, the subject property utilizes Yieldstar and performs daily mark-to-market adjustments, and therefore does not offer rent concessions.

During the first quarter of 2013 Reis reported improvement in mean submarket vacancy from a high of 6.3% in the second quarter of 2009 to the current level of 3.6%, with units in the subject's vintage at 5.2%. Reis forecasts a slight increase in overall submarket vacancy to 3.8% in 2014 due to an anticipated 215 units to be added to the market through year end 2014. During the course of Morningstar's property inspection, the property manager indicated that 400 units in two projects would be added to the supply in the subject's submarket. One is currently in preleasing and scheduled to open this summer, and the other is slated to open this fall. There were no additions to inventory in the subject's submarket from 2006 through 2009, and additions in 2010 and 2011 represented 1% or less of total submarket inventory of 12,336 units. Reis reports an additional 109 units are planned completions for 2016 and 2017, and estimates average submarket vacancy of 3.1% over the next five years, with vacancy declining to 2.7% in 2017.

The subject's vacancy rate according to the March 31, 2013 rent roll was 5.7%. This compares favorably to vacancy during 2011 and 2012 of 6.6% and 6.0%, respectively. The appraisal reported comparable property vacancy of 5.3%, and concluded a 5.0% vacancy rate for the subject property, in addition to 1% for credit loss.

Sponsorship/Management

The borrower is NRFC Ventura Holdings, LLC, a special-purpose, Delaware limited-liability company.

Greystar Property Management has managed the subject property since 2007, and will continue as manager for the current owner. Greystar is a third-party management company with over 198,000 units under management in 105 markets nationwide. The company has been managing multifamily assets for twenty years and is ranked first in the National Multi Housing Council's 2013 ranking of the 50 Largest U.S. Apartment Managers.

Morningstar Analysis

	Morningstar	2010	2011	TTM 12/31/2012 (1)	Issuer Underwriting
Income					
Gross Potential Rent	$6,628,656	$6,217,769	$6,441,126	$6,592,788	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	258,773	250,940	230,259	242,913	
Percentage Rent	0	0	0	0	
Parking Income	5,105	0	5,804	6,181	
Other Income	296,708	238,196	358,359	298,293	
Less: Vacancy Loss	-390,396	-306,207	-427,817	-398,036	
Less: Concessions & Collection Loss	-41,990	-37,764	-24,746	-47,971	
Effective Gross Income	**$6,756,857**	**$6,362,934**	**$6,582,985**	**$6,694,169**	**$6,792,970**
Expenses					
Real Estate Taxes	$777,557	$646,125	$668,255	$794,424	
Property Insurance	146,491	237,974	109,964	135,916	
Utilities	277,108	269,646	275,792	267,546	
Repairs and Maintenance	314,320	257,641	277,380	312,757	
Janitorial	0	0	0	0	
Management Fees	202,706	189,852	189,107	193,175	
Payroll & Benefits	575,848	579,417	564,080	575,848	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	73,308	45,447	51,974	66,469	
Professional Fees	26,666	36,925	28,530	26,666	
General and Administrative	85,841	73,794	85,657	75,702	
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	**$2,479,844**	**$2,336,821**	**$2,250,739**	**$2,448,503**	**$2,327,856**
Net Operating Income	**$4,277,013**	**$4,026,113**	**$4,332,246**	**$4,245,666**	**$4,465,114**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	156,353	243,636	558,668	212,977	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$156,353**	**$243,636**	**$558,668**	**$212,977**	**$142,000**
Net Cash Flow	**$4,120,660**	**$3,782,477**	**$3,773,578**	**$4,032,689**	**$4,323,114**

Note: (1) The issuer provided updated operating results which include the period of April 2012 through December 2012 and March 2013 (a total of 10 months) annualized to prepare an estimate of an updated trailing 12 months ending March 31, 2013. Because this annualized 10 month period excludes two of the most recent months, Morningstar has opted to rely on the actual trailing 12 months ending December 2012 for our evaluation of most recent financial information. As a result, the datapoints provided in the table above and in the text of this asset summary report may not match the tape provided by the issuer.

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	$1,381
Vacancy	6.20%

Morningstar underwrote rent in line with the average in-place rent at the subject property in accordance with the March 31, 2013 rent roll. The average rent in the comparable set of six properties presented in the appraisal had average rent of $1,602 per unit per month, however, several of these properties offer rent concessions, and no concessions are offered at the subject property. The appraiser concluded an average market rent of $1,407 per unit per month for Villas At Jefferson, which is slightly higher than the $1,381 per unit per month in-place average. The overall San Buenaventura submarket average rent per 1Q 2013 Reis is $1,354 per unit per month, with average rent for similar 1980's vintage properties at $1,479 per unit per month.

Other income and expense reimbursements were underwritten based upon historical collections.

Vacancy was underwritten at the 2009 through 2012 four year average vacancy rate of 6.2% which is approximately 0.2% less than actual vacancy reported in the March 31, 2013 rent roll. Underwritten vacancy is higher than the mean San Buenaventura submarket vacancy rate of 3.2%, and also higher than the 5.2% vacancy rate for the units in the subject's 1980's vintage as reported by Reis. Underwritten vacancy is also slightly higher than the appraiser's rent comparables which averaged 5.3% vacancy. The appraisal concluded market vacancy at 6.0% of gross potential income, which includes 1.0% for credit loss.

Expenses

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

Morningstar underwrote real estate taxes based upon the agreed upon acquisition price of $72,000,000, multiplied by the current tax rate, and inflated 2%. This is based upon Proposition 13, approved in 1978. Under Proposition 13, when a property changes hands via a foreclosure, the outstanding loan balance is used as the basis for reassessment. This was confirmed by the Ventura County Tax Assessor. Assessed values may only increase by 2% annually until another transfer of ownership occurs.

Insurance was underwritten at the 3% over the current premium cost.

Morningstar underwrote management fees at 3% of effective gross income, which is our minimum management fee assumption. The contractual rate with Greystar is 2.5%.

Capital Items

A reserve for future capital expenditures was underwritten at $391 per unit per year, which is a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar utilized a capitalization rate of 6.05% to value the subject property, based upon Morningstar's multifamily capitalization rates for the western region of the United States and Los Angeles. The average capitalization rate of the appraiser's sales comparables was 5.05%, and the appraiser's direct capitalization rate assumption was 5.0%.

The Plaza At Sherman Oaks

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Analytical Manager: Sheila Bjornstad (646) 560-4611

Property Summary		
Property Type	Multifamily/Garden	
Location	Sherman Oaks, CA	
Year Built/Renovated	1969/2009	
Multifamily Units	392	
Net Rentable Sq. Ft. (Other)	1,712	
Occupancy	96.20%	As of: 3/31/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$61,673,000	($157,329/unit)
Loan Amount (Cut-Off Balance)	$61,673,000	($157,329/unit)
Loan Term (months)	120	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	3.46000%	

Morningstar Analysis		
Current DSCR	1.82 x	
Amortizing DSCR	1.19 x	
Beginning LTV	93.92%	
Ending LTV	80.15%	
Capitalization Rate	6.00%	
Morningstar Occupancy	94.99%	
Net Operating Income	$4,067,649	
Net Cash Flow	$3,939,799	
Value	$65,663,314	($167,508/unit)
Debt Yield	6.39%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table						
Loan	**Balance**	**Interest Rate**	**Current DSCR**	**DSCR Amtz**	**BLTV**	**ELTV**
Mortgage Loan	$61,673,000	3.46000%	1.82 x	1.19 x	93.9%	80.1%
Total	**$61,673,000**	**3.46000%**	**1.82 x**	**1.19 x**	**93.9%**	**80.1%**

Morningstar Summary

Morningstar Perspective

The loan is secured by a 392-unit, garden-style complex in the Sherman Oaks section of Los Angeles. The property was built in 1969 and is therefore subject to the Los Angeles Rent Stabilization Ordinance. The law limits rent increases to a percentage determined by the city and cannot exceed 8.0%. Once tenants vacate a given unit, the rent may be increased to the market level without restriction. One section containing 20 townhouse units was constructed in 1998 to replace units that had been seriously damaged in the 1994 Northridge earthquake. These units are not subject to any rent restrictions.

Sherman Oaks is a built-up area of the San Fernando Valley with limited land for new supply and rents that are above the average in the Los Angeles area. The area is relatively urbanized with several major commercial corridors. A large number of media companies, including Fox Sports Radio, occupy the high- and mid-rise office buildings along Ventura Boulevard.

Apartment fundamentals remained relatively strong during the recession and strengthened during the recovery. The Reis vacancy rate for the first quarter of 2013 was 3.2%, down from only 5.3% in 2009. The Sherman Oaks submarket is also performing well with steady rent growth and a vacancy rate of 3.2%, down from 6.0% in 2009. Continued improvement in occupancy will be difficult, but the tight conditions should allow landlords to increase rents. In addition, with single-family home prices at over $700,000 and condominiums at over $300,000, there is less risk of tenants vacating to buy homes as the economy improves. New supply is not expected to dampen the recovery to any great degree. An average of 4,800 new units per year are forecasted for Los Angeles by Reis with about 325 in the submarket. We do not consider the new units in the submarket to be a significant threat. Most of the units are clustered about four miles northeast in the North Hollywood Arts District and will be targeted at a different demographic with higher rents.

We are concerned about the leverage on the loan. Morningstar’s underwritten amortizing debt service coverage ratio is only 1.17 on an amortizing basis and the underwritten loan-to-value ratio is 96%. While we believe that the market is stable and will remain so, this level of coverage leaves a small margin should there be any decline in performance. The high loan-to-value is somewhat mitigated by amortization that will reduce the leverage to an 81.5% LTV at maturity. Still, we consider this loan to be at higher risk of maturity default.

Morningstar visited the property on May 30, 2013 and found the property to be in very good condition. Occupancy was 96% at the time of visit. There are a few items of deferred maintenance such as paving and sidewalk repair that remains to be completed. There are few concessions outside of a $100 off the newly established market rents. Many of the tenants are involved in the entertainment industry and the property is working to build relationships with studios to increase the traffic. The property does offer short-term rents to accommodate the tenants; however, these leases are not subject to rent control. The property has few long-term tenants with an average stay of about three years. This allows the property to mark rents to market upon vacancy. Management also reported that one of the commercial tenants was evicted for late payment of rent. An existing tenant has already signed a lease to take the additional space at prevailing rent.

The Bears Say

- The property is subject to the Los Angeles Rent Stabilization Ordinance. Rents may increase at a growth rate determined by the City. However, units may be raised to market once they are vacated. Twenty of the units were constructed in 1998 and are not subject to rent stabilization.
- The rate of new construction appears to be higher than in similar areas of the city at 325 units on average over the next five years in the Sherman Oaks submarket. However, most of the new units will have higher rents and are not expected to compete directly with the subject.
- Three-year interest-only period will limit de-leveraging of the loan; however, the loan will amortize for an addition seven years following the end of the interest-only period.
- High underwritten loan-to-value of 96% coupled with a relatively low 1.17x amortizing debt service coverage ratio.

The Bulls Say

- Strong fundamentals with vacancy below 5.0% and steady rent growth expected.
- High housing affordability gap limits the risk of tenants moving to homeownership.
- Improving economic fundamentals with lower unemployment and higher single-family home values in Los Angeles could continue to feed growth in multifamily demand.

Property Description

The loan is secured by a 392-unit multifamily property in the Sherman Oaks section of Los Angeles, California. The property was built in 1969 with one 20-unit townhouse building that was constructed in 1998 to replace an earthquake-damaged building. There were renovations in 1996 following the 1994 Northridge earthquake and a $3.0 million renovation ($7,653 per unit) renovation from 2009 through 2012. There are 519 parking spaces (1.3 spaces per unit), including 383 garage spaces. The improvements that were built in 1969 are subject to the Los Angeles Rent Stabilization Ordinance.

The property is in Sherman Oaks, a densely populated and affluent section of the San Fernando Valley 15 miles northwest of the Los Angeles central business district. The area is largely suburban residential with commercial uses on the main thoroughfares such as Moorpark Street and Ventura Boulevard. Sherman Oaks is three miles west of the CBS Studio Center and five miles from both Universal City and Warner Brothers Studios. Consequently, the area attracts a number of residents employed in the entertainment industry. The property is one-quarter mile south of US-101, the Ventura Freeway, which connects the area to downtown Los Angeles and the Westside via Interstate 405.

Community amenities include a pool, two spas, fitness center, clubhouse, theater, business center, sports courts and laundry facilities. Unit amenities include kitchen appliances including refrigerators and balconies or patios in all units. The townhouse units include stackable washers and dryers, gas fireplaces and rooftop sundecks.

A Property Condition Assessment was completed by Blackstone Consulting on December 3, 2012 and recommended immediate repairs of $67,175 for asphalt paving and other minor deferred maintenance. A reserve of 125% of the cost was required and repairs were required to be completed within 90 days of the loan closing. The engineer's recommended reserve equates to $297 per unit per year.

A Phase I Environmental Assessment was completed by Blackstone Consulting on December 14, 2012. No Recognized Environmental Conditions were identified and no further action was recommended by the consultant. The consultant did recommend the implementation of a moisture management plan to detect the presence of mold.

The property is located within Seismic Zone 4 and a Seismic Report was prepared. The Probable Maximum Loss is 15%, below the threshold at which earthquake insurance was required.

According to the Zoning Report, the property is legal, non-conforming due to setbacks, height and a parking deficiency. The reconstruction clause allows the property to be rebuilt if total cost of restoration is not greater than 75%. Building law and ordinance insurance was required.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	127	32.4%	433
One Bedroom	183	46.7%	643
Two Bedroom	82	20.9%	917
Total	**392**	**100.0%**	**632**

Market Overview

The Los Angeles multifamily market has bounced back from the recession and is expected to remain healthy. Although the March 2013 unemployment rate of 9.0% is above the national average, this is down from 11.8% in 2010 and total employment is up over 200,000 to 5.94 million from the trough in 2010. In addition, housing prices in Southern California have moved higher, increasing the housing affordability gap and forcing many families to remain in rental housing. According to DataQuick, the median home value in Los Angeles County as of April 2013 was $409,000, 25.8% higher than the prior year. The median condominium price was $350,000, 30.6% higher than in 2012.

For the Los Angeles MSA, Reis reported the mean apartment rent at $1,502 per month with average vacancy of 3.2% for the first quarter of 2013. Asking rents were up 3.0% over the prior year and is now at an all-time high. Reis is forecasting a relatively stable market. Apartment completions are forecasted to increase, with an average of 4,820 units per year over the next five years; however, this new supply represents only a 3% increase in total supply after five years. Therefore, we anticipate some stability in the market, especially in in-fill areas of the county where finding developable land is more challenging.

The property is in the Reis Sherman Oaks/Studio City/North Hollywood submarket. This area is a heavily-developed, middle-class section of the eastern San Fernando Valley. The average rent according to Reis was $1,572 per month with a vacancy rate of 3.2% in the first quarter of 2013. Average rent is about 2.5% higher than in the previous year. There is a significant housing affordability gap with a median home value of $732,000 according to DataQuick, with condominiums at $316,000.

There is some new supply entering the submarket, about 325 units per year on average, most of which we believe will not compete directly with the subject. Most of the new supply in this submarket is being built in the North Hollywood Arts District (NoHo), about four miles northeast of the subject. The area is adjacent to North Hollywood Station on the Red Line subway and has attracted new "transit-friendly" development as a result. Of course, these new developments come at a price and rents tend to be higher than elsewhere in the submarket.

The appraiser identified five comparable properties with a total of 1,165 units that compete with the subject. The comparable properties were built from 1949 to 1988. The three properties built in 1988 would not be subject to the rent-stabilization ordinance. The weighted average vacancy at the comparable properties was 3.8% according to the appraisal. By evaluating rental information provided, Morningstar estimated the market rent at $1,396 for the subject.

Sponsorship/Management

The borrowing entity is Raintree Plaza Sherman Oaks, LLC, a Delaware limited-liability company.

The property manager is Cirrus Asset Management, a third-party management company. This company manages 4,507 units, including 1,327 in the local area. The contractual management fee is 1.75% of the effective gross income.

Morningstar Analysis

	Morningstar	2010	2011	T-10 Ann. 3/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$6,834,561	$6,391,813	$6,459,409	$6,699,715	
or					
Base Rent	0	0	0	0	
Laundry/Vending	44,963	44,702	47,332	39,928	
Expense Reimbursement	211,628	230,239	237,885	187,919	
Percentage Rent	0	0	0	0	
Parking Income	427	675	608	222	
Other Income	277,914	190,221	205,889	277,914	
Less: Vacancy Loss	-361,129	-491,896	-413,873	-194,287	
Less: Concessions & Collection Loss	-193,370	-119,290	-173,479	-187,688	
Effective Gross Income	**$6,814,993**	**$6,246,464**	**$6,363,771**	**$6,823,723**	**$6,947,631**
Expenses					
Real Estate Taxes	$1,076,709	$795,477	$911,653	$929,131	
Property Insurance	64,405	63,506	58,621	62,227	
Utilities	292,485	309,231	320,140	278,658	
Repairs and Maintenance	254,919	310,851	251,043	256,857	
Janitorial	0	0	0	0	
Management Fees	204,450	155,391	157,422	160,013	
Payroll & Benefits	677,899	656,815	646,004	656,567	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	74,280	107,174	74,956	73,942	
Professional Fees	0	0	0	0	
General and Administrative	86,969	112,783	100,578	80,164	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	15,229	14,884	14,692	12,112	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,747,345**	**$2,526,112**	**$2,535,109**	**$2,509,671**	**$2,698,127**
Net Operating Income	**$4,067,649**	**$3,720,352**	**$3,828,662**	**$4,314,052**	**$4,249,504**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	127,850	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$127,850**	**$0**	**$0**	**$0**	**$116,032**
Net Cash Flow	**$3,939,799**	**$3,720,352**	**$3,828,662**	**$4,314,052**	**$4,133,472**

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	$1,453
Vacancy (%)	5.0%

Morningstar underwriting concluded that the current rents were slightly above market and marked the rent lower to $1,453 per month. The underwritten vacancy rate is a minimum underwritten level in accordance with Morningstar's underwriting procedures.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Real estate taxes are underwritten based on the sale price of the property, under Proposition 13 rules in California. Morningstar underwrote a minimum management fee of 3.0% of the effective gross income, greater than the contractual rate of 2.0%.

Capital Items

A reserve for future capital expenditures is underwritten at $326 per unit per year, a 10% increase over the engineer's recommended reserves. No tenant improvements or leasing commissions were taken on the small commercial space at the property.

Valuation Drivers

Morningstar applied a capitalization rate of 6.0% which is our market multifamily capitalization rate for the Los Angeles area. No adjustments were made for condition or quality. Although the property is subject to rent stabilization, we do not believe that this is a deterrent to investor interest.

Eaton Square

Analyst: Chandan Banerjee 646-560-4512
Analytical Manager: Sheila Bjornstad 646-560-4511

Source: Morningstar, Inc.

Source: Morningstar, Inc.

Property Summary		
Property Type	Multifamily/Garden	
Location	Alexandria, VA	
Year Built/Renovated	1946/2008	
Multifamily Units	416	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	95.70%	As of: 3/31/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$54,960,000	($132,115/unit)
Loan Amount (Cut-Off Balance)	$54,960,000	($132,115/unit)
Loan Term (months)	120	
I/O Period (months)	60	
Amortization Term (months)	360	
Loan Seasoning (months)	5	
Interest Rate	3.63000%	

Morningstar Analysis		
Current DSCR	1.94 x	
Amortizing DSCR	1.31 x	
Beginning LTV	90.80%	
Ending LTV	81.88%	
Capitalization Rate	6.50%	
Morningstar Occupancy	93.75%	
Net Operating Income	$4,046,277	
Net Cash Flow	$3,934,179	
Value	$60,525,823	($145,495/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	$54,960,000	3.63000%	1.94 x	1.31 x	90.8%	81.9%
Total	**$54,960,000**	**3.63000%**	**1.94 x**	**1.31 x**	**90.8%**	**81.9%**

Morningstar Summary

Morningstar Perspective

The Eaton Square loan is a ten-year, $54.96 million ($132,115 per unit) financing to facilitate the sponsor's acquisition of a 416-unit garden style multifamily property in Alexandria, Virginia. The loan represents an 80.0% loan-to-appraised value ratio. Developed in 1946, the property was 95.7% occupied as of March 31, 2013. Historical occupancy has also averaged 95.0% since 2010. In the same period, the property has reported net cash flows (NCF) of $3.59 million, $3.86 million and $4.10 million, respectively during 2010, 2011 and the annualized nine month period from April 2012 to March 2013, excluding October to December 2012 (T-9 3/2013). Revenues have increased from $6.04 million in 2010 to $6.78 million in T-9 3/2013, whereas expenses have increased from $2.45 million to $2.68 million in the same period. However, the operating expense ratio has decreased from 40.6% in 2010 to 39.5% in the T-9 3/2013 period, resulting in the NCF growth.

Morningstar's analysis of the property resulted in a NCF of $3.93 million, which is 1.7% higher than the issuer's underwritten NCF. Morningstar underwrote the in-place rents at the property as of March 31, 2013 and a minimum vacancy of 6.25%. The positive variance in cash flows is attributable to the timing of Morningstar's underwriting (based on March 2013 financial information) and the issuer's underwriting based on (August 2012 financial information). During the intervening period, performance at the property has improved leading to the positive variance in the NCF. Morningstar's concluded value of the property is $60.53 million, which is 11.9% lower than the appraised value. The resulting Morningstar LTV ratio and DSCR (amortizing) are 90.8% and 1.31x respectively.

Morningstar visited the site on Monday, May 20, 2013 and observed some of the typical residential units, vacant apartments and common areas and amenities available at the property. Based on the visual, external observations, the property seemed to be generally well maintained. Renovations in progress were observed in the leasing office/ clubhouse and the fitness center. In addition, according to the property manager, renovations to the landscaping and irrigation systems are planned for 2013. The property manager also said that, since the property usually averages around 95% occupancy, rental concessions are generally not offered. Morningstar assigned the property a score of 3 (average).

The Bears Say

- ❖ High Leverage and Interest-Only Period: Based on Morningstar's value of the property, this financing has a 90.8% LTV ratio. The loan is interest-only for the first 60 months of its term and then amortizes on a 30-year schedule. The high leverage and interest-only risk is partially mitigated by the improving trend in operating performance of the property since 2010, as evidenced by stable operating expenses and increasing revenues, and stable occupancy.
- ❖ Property Age and Deferred Maintenance: The property was built in 1946 and the PCA identified $93,067 of deferred maintenance items, including repairs to exterior walls and HVAC systems. In addition, the ESA recommended asbestos and lead paint O&M plans and the removal of USTs (since completed). However, the property was reportedly extensively renovated in 2008 at a cost of $11.70 million ($28,056/unit) and renovations included apartment refurbishment, installation of split HVAC systems, lighting upgrades, interior drywall repair and painting, apartment building exterior painting; window and roof replacement; and exterior landscaping and site drainage upgrades.

The Bulls Say

- ❖ Strong Sponsor and Management: The borrower is owned by a joint venture between Starwood Capital and David King/First Point Partners. Starwood contributed 96% of the equity through the Starwood Distressed Opportunity Fund IX, with the remaining equity (4%) coming from David King. Founded in 1991, Starwood has completed over 400 transactions representing assets of approximately $28 billion (through March 31, 2011). As of 6/30/2012, the fund has approximately $1.9 billion in capital commitments from various institutional investor sources, including sovereign funds, public pension funds, corporate pension funds, endowments, and foundations. The property is currently managed by Bainbridge Management LLC, a third party entity. Bainbridge was established in 1997 and currently manages 26 multifamily properties containing 9,000 units in Florida, Georgia, Maryland, North Carolina, New York and Virginia with 3,479 units under management locally.
- ❖ Stable Occupancy: The property has averaged approximately 95% occupancy since 2010 with minimal concessions. The in-place occupancy as of March 31, 2013 was 95.7% and according to the property manager, the current occupancy as of May 20, 2013 is over 95%.

Property Description

Eaton Square is a 416-unit, garden style apartment complex, situated on 13.33 acres of land. Built in 1946 and most recently renovated in 2008, the property consists of 19 two- and three-story apartment buildings, a clubhouse/ leasing office, and 485 open parking spaces. Common area amenities at the property include a swimming pool, playground, fitness center, and a business center. The property has 228 one-bedroom and 188 two-bedroom units. The 2008 renovation included apartment refurbishment, exterior painting, window and roof replacement, and exterior landscaping and site drainage upgrades. The total renovation budget was approximately $11.7 million ($28,056/unit).

The property condition assessment report (PCA) identified $93,067 of deferred maintenance items, including repairs to exterior walls - brick veneer ($41,000), and HVAC - condensation piping ($20,500). The phase I environmental site assessment report (ESA) identified asbestos containing material (ACM) in apartment door caulk and apartment stairwell floor mastic, and some lead in the paint in the metal stair railings, a basement storage door and ceramic wall tiles. The environmental engineer recommended implementation of operations and maintenance plans (O&M) for both issues. In addition, the environmental engineer observed vent pipes typically associated with underground storage tanks (USTs). The engineer recommended the removal of the USTs, as well as post excavation soil sampling. According to the issuer, the USTs have since been removed and soil testing has not indicated any adverse results. According to the issuer, prior to the loan closing, the environmental engineer delivered a letter of reliance stating that the remediation efforts were sufficient to remove the USTs and that there were no contaminants existing in the soil and groundwater.

According to a zoning report prepared for the property, the property is legal non-conforming due to due to the following: 1) minimum lot area per dwelling unit is deficient by 85,120 square feet; 2) the existing units per acre exceeds the maximum by 9 units per acre; 3) parking is deficient by 175 spaces. However, according to the zoning report, the code allows for the reconstruction of a non-conforming property, in the event of destruction or demolition, provided that there is no increase in the floor area ratio, density, height or degree of noncompliance. The issuer has required building law and ordinance insurance and a carve-out is included for any losses related to the non-conformance.

The property is located approximately six miles southwest of the Washington DC central business district (CBD) in the northern portion of the City of Alexandria, Virginia. Primary access to the property neighborhood is provided by interstate-395, a major arterial that crosses the northern Virginia metro area, and Interstate-495/ Capital Beltway, a major arterial that encircles Washington DC. Public transport access is available through the Metrorail Blue Line service, 1.5 miles northeast of the property, Metrobus service and the DASH bus system, which provides bus service within the city of Alexandria. The Washington Dulles airport is located 15 miles northwest of the property and the Reagan National airport is located three miles northeast of the property.

In the immediate vicinity of the property the predominant land uses are mostly multifamily, single family residential and some commercial uses. The nearest retail facility is the Potomac Yard Center, located about a mile east of the property. It is anchored by Target, Staples, Petsmart, BestBuy, TJ Maxx, Dress Barn, Old Navy, Barnes and Noble, and Sports Authority. The property is located two miles northeast of the Mark Center, a 350-acre mixed use development that will include approximately 3.5 million square feet of office space, 5,000 apartments, a shopping center, restaurants and a 4-star hotel. Approximately, 6,500 employees are expected to relocate to the Mark Center as part of the Base Realignment and Closure Act (BRAC) realignments.

Major employers in the area include the Department of Defense, Institute for Defense Analyses, and the US Patent and Trademark Office. In addition to the relocation of employees to Mark Center, BRAC realignments will relocate approximately 22,000 military and civilian personnel to Fort Belvoir, located 10 miles south of the property, which is to become the Missile Defense Agency’s headquarters.

Unit Type Mix

The unit mix at the property consists of one- and two-bedroom units. A high percentage of the total units are two-bedroom units (45.2% of the total units) , which support higher rents.

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	228	54.8%	623
Two Bedroom	188	45.2%	820
Total	**416**	**100.0%**	**712**

Market Overview

The property is located in the NE Alexandria/ Glebe Road submarket according to Reis. According to the appraiser, the property is classified as class-B. The property's submarket has a total inventory of 3,364 apartment units of which 3,223 units are class B/C. According to Reis, there have been no additions to the supply in the submarket since 2010 and no projects are under construction. However, there are reportedly 1,114 units in the planning/ proposal stages and could add significantly to the total submarket supply in the future.

The average asking rent in the submarket as of Q1 2013 was $1,240 per unit per month and the average vacancy was 2.5%. For properties of similar vintage as the subject (pre-1970), the average asking rent was $1,184 per unit and the vacancy was 2.5%. According to the appraiser, asking rents for class B/C properties have increased by 3.6% since 2010. According to Reis, overall asking rents in the submarket are expected to increase by 4.65% annually going forward.

The appraiser identified a competitive set of six properties, with a total of 1,659 units, based on their size and location characteristics. The weighted average occupancy of the comparables was 98.5% compared to 95.7% at the subject. The weighted average rent of the comparables was $1,609 per unit compared to $1,334 per unit at the subject. The appraiser concluded a market rent of $1,350 per unit and a vacancy rate of 5.0%. Morningstar underwrote rents based on the in-place average rent at the property and vacancy based on a minimum vacancy assumption of 6.25%.

Sponsorship and Management

The property is currently managed by Bainbridge Management LLC, a third party entity. Bainbridge was established in 1997 and currently manages 26 multifamily properties containing 9,000 units in Florida, Georgia, Maryland, North Carolina, New York and Virginia with 3,479 units under management locally. The contractual management fee is 3.0% of Effective Gross Income (EGI) and Morningstar underwrote management fees at the contractual rate.

Morningstar Analysis

	Morningstar	2010	2011	T-9 Annualized 4/2012-3/2013	Issuer Underwriting
Income					
Gross Potential Rent	$6,657,531	$5,872,439	$6,185,235	$6,504,597	
Expense Reimbursement	380,029	339,218	367,239	390,551	
Parking Income	20,002	14,830	20,079	20,149	
Other Income	230,212	215,666	230,972	239,945	
Less: Vacancy Loss	-410,933	-275,201	-330,747	-322,984	
Less: Concessions & Collection Loss	-82,596	-122,826	-92,247	-53,029	
Effective Gross Income	**$6,794,244**	**$6,044,126**	**$6,380,531**	**$6,779,229**	**$6,631,076**
Expenses					
Real Estate Taxes	$659,166	$459,738	$533,906	$645,612	
Property Insurance	81,427	66,653	67,532	78,673	
Utilities	424,142	431,175	414,600	391,532	
Repairs and Maintenance	660,625	602,181	612,610	659,264	
Management Fees	203,827	210,502	221,870	216,368	
Payroll & Benefits	513,183	506,122	492,663	482,316	
Advertising & Marketing	104,093	80,003	92,041	101,060	
General and Administrative	101,503	97,620	89,572	102,615	
Total Operating Expenses	**$2,747,967**	**$2,453,994**	**$2,524,794**	**$2,677,440**	**$2,659,219**
Net Operating Income	**$4,046,277**	**$3,590,132**	**$3,855,737**	**$4,101,789**	**$3,971,857**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	112,099	0	0	0	
Total Capital Items	**$112,099**	**$0**	**$0**	**$0**	**$104,000**
Net Cash Flow	**$3,934,179**	**$3,590,132**	**$3,855,737**	**$4,101,789**	**$3,867,857**

** The T-9 Annualized Cash Flows Exclude October-December 2012*

Analytical Assumptions

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

Revenue Drivers

Rent Per Unit Per Month	$1,334
Vacancy (%)	6.25%

Morningstar underwrote rents in line with the average in-place rent at the property, which is lower than the appraiser's concluded market rent based on the lease comparables. The in-place rents at the property have improved since the issuer's underwriting resulting in a positive variance in the net rent.
Morningstar underwrote vacancy based on a minimum vacancy assumption of 6.25% in line with the issuer. The appraiser concluded to a market vacancy of 5% and the average submarket vacancy, according to Reis, is 2.5%. The in-place vacancy at the property, as of March 31, 2013, was 4.3%.
Morningstar underwrote concessions, and parking income in line with the historical average ratios for each line item, respectively.
Morningstar underwrote expense reimbursements and other income in line with the issuer.

Expenses ($6,606 per unit)

Morningstar underwrote expenses in-line with historicals except where otherwise noted.
Morningstar underwrote real estate taxes in line with the issuer, which was based on 95% of the acquisition price and the 2012 millage rate inflated by 3%.
Morningstar underwrote insurance expense as a 3.5% increase over the T-9 3/2013 expense.
Morningstar underwrote the management fee at 3.0% of Effective Gross Income, which is based on the contractual management fees.

Capital Items

Morningstar underwrote reserves for future capital expenditures at $269 per unit, which is 110% of the PCA recommended replacement reserves of $245 per unit.

Valuation Drivers

Morningstar used a capitalization rate of 6.5% to determine the value of the property. Morningstar's capitalization rate was based on the RERC multifamily capitalization rate for the East Region and Washington DC metro area for 4Q 2012. The average capitalization rate of the appraiser's sales comparables was 6.06% and the appraiser's direct capitalization rate assumption was 6.00%.

Emerald Palms

Analyst: Molly Maghran 267-960-6044
Analytical Manager: Sheila Bjornstad 646-560-4511

Property Summary		
Property Type	Multifamily/Townhome/Garden	
Location	Miami, FL	
Year Built/Renovated	1985/2012	
Multifamily Units	505	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	94.90%	As of: 3/25/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$50,175,000	($99,356/unit)
Loan Amount (Cut-Off Balance)	$50,175,000	($99,356/unit)
Loan Term (months)	120	
I/O Period (months)	48	
Amortization Term (months)	360	
Loan Seasoning (months)	5	
Interest Rate	3.79000%	

Morningstar Analysis		
Current DSCR	1.83 x	
Amortizing DSCR	1.26 x	
Beginning LTV	92.65%	
Ending LTV	81.78%	
Capitalization Rate	6.50%	
Morningstar Occupancy	94.90%	
Net Operating Income	$3,706,330	
Net Cash Flow	$3,520,138	
Value	$54,155,964	($107,240/unit)
Debt Yield	7.02%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$50,175,000	3.79000%	1.83 x	1.26 x	92.6%	81.8%
Total	**$50,175,000**	**3.79000%**	**1.83 x**	**1.26 x**	**92.6%**	**81.8%**

Morningstar Summary

Morningstar Perspective

The Emerald Palms loan is secured by the fee-simple interest in a 505-unit, garden-style apartment complex located in Miami, Florida. The 10-year, $50,175,000 ($99,356 per unit) loan facilitated the September 2012 acquisition of the subject property for a purchase price of $70.5 million ($139,604 per unit). The original loan amount represents 70.5% of the appraised value of $71.2 million. The borrower contributed approximately $20,325,000 of cash equity at closing.

The subject property suffered from recession-related vacancy during the economic downturn, which, when combined with significant rent concessions, equated to an economic vacancy rate reaching 23.1% in 2009. The former owner completed capital improvements aggregating about $2.6 million between 2009 and 2011, and the vacancy rate improved dramatically to 12.9% in 2010, 8.0% in 2011, and 5.5% for the 12 month period ended October 31, 2012. The vacancy rate for the ten month annualized period ending March 31, 2013 (excluding November and December) was 5.0% and reflects physical vacancy of 4.2% and credit loss of 0.8%. Rent concessions are no longer offered at Emerald Palms, and they have declined in the property's submarket. Morningstar notes that had the present financing been in place during 2009, despite the subject's high vacancy during that time, the property generated cash flow that would have provided 1.47x debt service coverage on an interest-only basis, and breakeven debt service coverage on an amortizing basis.

The property's effective gross income increased 8.2% in 2010, 3.9% in 2011, and 8.1% for the ten month annualized period ending March 31, 2013. Morningstar's underwritten rent is $1,222 per unit per month based on average in-place rent according to the March 31, 2103 rent roll. The appraiser's concluded market rent was $1,245 per unit per month. While the subject's rents are higher than submarket rents reported by Reis, they are well supported by six comparable properties presented in the appraisal, which averaged $1,228 per unit per month.

Morningstar's analysis of the property resulted in an amortizing DSCR of 1.26x, LTV of 92.7%, and debt yield of 7.02%. Our current DSCR of 1.85x reflects the initial interest-only payment schedule. Morningstar's estimated value of $54,155,964 ($107,240 per unit) is 28.2% less than the appraised value of $71,200,000 ($140,990 per unit). To value the subject property, we utilized a 6.5% capitalization rate, which is Morningstar's base multifamily capitalization rate for the Miami metro area. This is 70 basis points higher than the appraisal capitalization rate, and 115 basis points higher than the comparable sales' average capitalization rate.

Morningstar visited the property on May 17, 2013 and found the property to be attractively landscaped and located in a primarily residential neighborhood just west of the Florida Turnpike. Many units have been recently upgraded with new countertops and appliances. Pricing adjusts daily and there are no significant contributors to the tenant base.

Morningstar's concerns with this loan include the partial-term (48 months) interest-only structure, and the property's ability to maintain high occupancy with little to no rental concessions when a total of 945 anticipated units are added to the subject's submarket during the next four years. Reis forecasts the submarket vacancy rate to average 3.3% during this period, implying a stable submarket. Morningstar's underwritten net operating income was conservatively underwritten at 6.2% below actual 2011 results and 12.2% below the annualized ten months ended March 31, 2013.

The Bears Say

- The subject property suffered from high vacancy and significant rent concessions during the economic recession.
- While phase II of Emerald Palms was constructed in 2004, the majority of the units were built in the late 1980's resulting in higher repair and replacement requirements.
- There are 945 units in the subject's Kendall Lakes/Hammond submarket scheduled for completion from 2013 through 2017 per Reis, which may slow rent growth and increase vacancy in the submarket.
- Morningstar's underwritten loan-to-value ratio is high at 92.7%.
- The four year interest-only period will reduce deleveraging of the asset by approximately $4.9 million versus a full ten-years of amortization. Morningstar's ending loan to value ratio is 81.8%
- The DSCR on an amortizing basis is 1.26x based upon Morningstar's underwritten net cash flow, offering little protection if revenues weaken. Interest-only coverage is higher at 1.85x.

The Bulls Say

- The subject property rebounded relatively quickly from the downturn in the economy, and is currently outperforming its submarket by virtue of higher average rents and fewer concessions.
- The former owner spent approximately $2.6 million ($5,057 per unit) in capital expenditures from 2009 to 2011, and replacement reserves are escrowed at $269 per unit per year.
- The property is managed by a Grand Peaks Property Management, Inc., a borrower-related company with over 30 years' experience and 5,885 multifamily units under management.
- The sponsor contributed $20,325,000 of cash equity at loan closing, which is 28.8% of acquisition cost.
- Despite the anticipated addition of 945 units to the submarket from 2013 through 2017, Reis projects a 3.3% average vacancy rate during this timeframe.

Property Description

Emerald Palms is a 505-unit, townhome and garden-style apartment complex developed in two phases. The property consists of 34 two and three-story apartment buildings and a clubhouse situated on a 28.25 acre site in the Kendall Lakes/Hammond sub-market of Miami, Florida. There are 906 parking spaces laid out as surface parking around the buildings, reflecting 1.79 spaces per unit. Phase I has 103 townhome-style units built in 1985, and 316 garden-style units built in 1988. Phase II was constructed in 2004 and contains 86 garden and townhome-style units. The 103 townhome units in phase I were rehabbed in 1993 after Hurricane Andrew. Additionally, 106 phase I unit interiors were renovated in 2006, and 129 phase I units were upgraded in 2011 and 2012. Recent capital improvements aggregating $2,553,812 were completed from 2009 to 2011, and include roof replacements, window repairs, exterior painting, landscaping improvements, asphalt repairs, building improvements, water heater and HVAC replacements, and upgrades to 196 units (38.8% of total units). The unit upgrades included new doors, cabinets, countertops, appliances, flooring, ceiling fans and fixtures, and the addition of washers and dryers.

While the building styles are slightly different upon close analysis, exterior paint and landscaping is similar making the phases and different building styles essentially congruous. Units feature fully equipped kitchens, washer/dryer connections, walk-in closets, and a patio or balcony. About 75% of the units include a washer and dryer. Common amenities include two swimming pools, jacuzzi, clubhouse with lounge area, business center, fitness center, laundry facilities, jogging trails, a car care center, lake views and gated access.

Morningstar visited the property on May 17, 2013 and noted that the property is attractively landscaped with updated pool and deck areas. There is a lake along the southern edge of the property providing lake views to several buildings. The on-site manager reported that since the property was recently acquired in December of 2012, needs for replacements of HVAC systems, water heaters and roofs are still being assessed and are currently done on an as-needed basis.

No concessions are currently being offered, and pricing adjusts daily. The manager reported that there are no single large contributors to the tenant base. Some of the larger local employers include Baptist Hospital, the U.S. Coast Guard, and the University of Miami.

A recent property condition report identified immediate repair items estimated at $9,350 which included replacement of missing roof tiles, sidewalk repairs, and replacement of missing wood pickets on security fencing around the lake. All repairs were completed as of March 18, 2013. The property is otherwise in good overall condition.

A Phase I environmental assessment revealed no evidence of recognized environmental conditions. The consultant offered some recommendations which included the following items.

- Short-term radon testing was conducted at the subject property, and eight ground floor units had radon levels above the EPA action level. The consultant recommended long-term testing for the eight units, and result must be delivered within 150 days of closing.
- Intact, non-friable suspected asbestos containing materials (ACM) were observed, and while they do not pose an environmental concern at this time, the owner contracted with the engineer to prepare an abbreviated Operations and Maintenance Plan.
- The consultant recommended that building material exhibiting signs of water damage be cleaned, repaired or replaced, and the source(s) of damage be evaluated and repaired during routine maintenance as part of an existing owner-implemented water intrusion management program.

Emerald Palms is located 2/3 mile west of the Florida Turnpike in a largely residential neighborhood, with several other rental complexes and owner-occupied developments to the north and west. The local area is in the stable stage of its life cycle. The property is located immediately west of the Deerwood Town Center, a community shopping center anchored by Home Depot, Winn Dixie Marketplace, and Office Max. The Miami Zoo, a U.S. Coast Guard station, and the

University of Miami's medical school are located just south of the property, but none of these facilities contribute significantly to the tenancy at Emerald Palms. The majority of tenants are local business owners and blue collar workers. The subject property is located seven miles south of SW 88th Street, a major commercial corridor featuring the 1.4 million square foot Dadeland Mall, and assorted national big box retailers. It is approximately 15 miles southwest of the Miami business district, and 18 miles southwest of Miami International Airport.

Unit Type Mix

Property Unit Type Overview			
Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	0	0.0%	0
One Bedroom	178	35.2%	729
Two Bedroom	286	56.6%	1,029
Three Bedroom	41	8.1%	1,303
Townhomes/Other	0	0.0%	0
Total	**505**	**100.0%**	**946**

Market Overview

Emerald Palms is located in the Kendall Lakes/Hammond submarket, within the Miami metro area. Reis reported the average asking rent in this submarket at $1,093 per unit per month as of the first quarter of 2013, with units of the same vintage as the majority of the subject property averaging $1,070 per unit per month. Reis reports rents for the newer vintage units similar to those in phase II of the subject property at $1,254 per unit per month.

The appraisal identified six comparable properties, of which four were built in the subject's phase I vintage, and two were late 1990's construction. The average comparable monthly rent for one, two and three-bedroom units was $1,100, $1,347, and $1,579 per unit, respectively. This corresponds to a weighted average monthly rental rate of $1,228 per unit. The appraiser concluded monthly market rental rates for the subject property's one, two and three-bedroom units at $1,050, $1,285, and $1,520 per unit, respectively. This corresponds to weighted average monthly market rental rate of $1,221 per unit for the subject property. The subject's in-place rents per the March 31, 2013 rent roll averaged $1,222 per unit per month, which approximates the appraiser's concluded rate.

Q1 2013 Reis reported improvement in mean submarket vacancy from a high of 7.5% in the second quarter of 2010 to the current level of 3.8%, with units in the subject's older vintage at 4.2%, and newer vintage units at 2.3%. Reis projects a 3.3% average vacancy rate over the next five years in this submarket, despite the anticipated addition of 945 units from 2013 through 2017, implying a strong rental market. There have been no additions to inventory in the subject's submarket since 2004, and nearly 3,000 units were converted to condominium use from 2004 to 2008.

The subject's vacancy rate according to the March 31, 2013 rent roll was 5.1%. This is slightly higher than the vacancy rate for the year end 2011 and annualized trailing ten months ended March 31, 2013 (excluding November and December) of 4.6% and 4.1%, respectively. However, rents have increased, concessions have effectively disappeared and economic vacancy was 5.03% for the trailing ten month annualized period, versus 12.9% in 2010 and 7.95% in 2011. The appraisal reported comparable property vacancy of 2.56%, and concluded a 5.0% vacancy rate for the subject property, in addition to 3.5% for rent concessions and credit loss.

Emerald Palms offered concessions for the past several years in order to support occupancy. The improvement in the economy has resulted in reduced vacancy and concessions at the subject property and in its submarket. Concessions in the Kendall Lakes/Hammond submarket have decreased from a high of 4.2% in 2008 and 2009 to the current level of 2.5% as reported by Reis. Concessions at the subject property decreased from 8.0% in 2009 to 1.8% in 2011, to 0.12% for the annualized ten month period ended March 31, 2013. Morningstar underwrote concessions at 1.8% of gross potential income, and vacancy at 5.1% of effective gross income. Morningstar's combined underwritten vacancy and concession rate is higher than the current market rates per Reis, and slightly below the appraisal, which is likely due to timing issues, as the market has continued to improve and the appraisal was completed in September of 2012.

Sponsorship/Management

The borrowing entity is Encompass Emerald Palms, LLC, a single-purpose, Delaware limited-liability company. The property is managed by Grand Peaks Property Management, Inc., a borrower-controlled management company, at a contract rate of 3.0%. The principals of the management company have been in the real estate industry for over 34 years and have extensive experience in development, construction, renovation and operation of multifamily projects. Grand Peaks currently manages 19 multifamily properties encompassing 5,885 units nationwide, with 840 units in the Miami area.

Morningstar Analysis

	Morningstar	2010	2011	T10M 4/1/12-3/31/13 excl. Nov & Dec	Issuer Underwriting
Income					
Gross Potential Rent	$7,405,320	$6,958,409	$6,887,654	$7,253,602	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	67,788	85,740	69,711	61,069	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	231,600	228,608	236,441	244,170	
Less: Vacancy Loss	-382,693	-292,554	-308,033	-300,795	
Less: Concessions & Collection Loss	-133,127	-576,068	-232,215	-63,795	
Effective Gross Income	**$7,188,887**	**$6,404,135**	**$6,653,558**	**$7,194,251**	**$7,172,385**
Expenses					
Real Estate Taxes	$1,036,374	$622,233	$508,413	$421,365	
Property Insurance	539,898	87,045	85,470	539,898	
Utilities	277,730	327,389	281,660	230,248	
Repairs and Maintenance	597,605	723,670	581,893	511,285	
Janitorial	0	0	0	0	
Management Fees	215,667	255,270	265,489	264,125	
Payroll & Benefits	589,089	771,858	762,957	718,325	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	82,032	89,836	89,060	66,348	
Professional Fees	0	15,051	22,130	62,384	
General and Administrative	144,162	139,115	106,764	159,487	
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	**$3,482,557**	**$3,031,467**	**$2,703,836**	**$2,973,465**	**$3,381,702**
Net Operating Income	**$3,706,330**	**$3,372,668**	**$3,949,722**	**$4,220,786**	**$3,790,683**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	186,193	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$186,193**	**$0**	**$0**	**$0**	**$169,175**
Net Cash Flow	**$3,520,138**	**$3,372,668**	**$3,949,722**	**$4,220,786**	**$3,621,508**

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	$1,222
Vacancy	5.10%

Morningstar underwrote rent in line with the average in-place rent at the subject property in accordance with the March 31, 2013 rent roll. The appraiser concluded an average market rent of $1,245 per unit per month which includes premiums for units renovated in 2006 and 2011 - 2012. The average rent in the comparable set of six properties presented by the appraiser had average rent of $1,228 per unit per month. The overall Kendall Lakes/Hammond submarket average rent per 1Q 2013 Reis is $1,093 per unit per month. Reis reports average market rent for the subject's phase I units' vintage at $1,070 per unit per month, with market rent for newer vintage units such as those in phase II reported at $1,254 per unit per month.

Vacancy was underwritten at 5.1% of gross potential rent by Morningstar, which is equal to the vacancy rate shown in the March 31, 2013 rent roll. This is higher than the mean Kendall Lakes/Hammond submarket vacancy rate of 3.8% according to 1Q 2013 Reis, and higher than the 2.6% average vacancy rate reported for the comparable set of properties provided in the appraisal. The appraiser underwrote a higher vacancy rate of 6.5%, which includes the appraiser's estimate for non-revenue units for staff. Despite this estimate, the appraiser forecasted that the vacancy rate would decline to 4.1% at year-end 2012. The average vacancy rate at the subject property from 2010 – 2012 was 4.4%, reflecting a considerable improvement from prior years. Reis forecasts the submarket vacancy rate to average 3.3% over the next five years.

Concessions and credit loss were underwritten based upon the borrower's budget, which is higher than the appraiser's estimate, and also higher than actual operating results at the subject property demonstrated in the annualized trailing ten month financials.

Morningstar's underwritten effective gross income of $1,186 per unit per month approximates the $1,187 per month per unit the property achieved for the annualized ten month period ended March 31, 2013 (excluding November and December), and is just slightly above the $1,181 per unit per month estimated by the appraiser.

Expenses

Morningstar underwrote real estate taxes at $1,036,374 in accordance with the borrower's budget, which was based upon an anticipated reassessment, estimated at 80% of the purchase price, less Florida's 4% early payment discount. This is higher than the appraiser's estimate of $940,000, and higher than the actual 2012 real estate tax liability of $978,896.

Insurance was underwritten at the actual premium cost. The significant increase over historical cost is attributed to the prior owner's inclusion in a blanket policy, and recent premium increases due to Hurricane Sandy.

Morningstar underwrote management fees to 3% of effective gross income, which is the contract rate with Grand Peaks Property Management, Inc., a borrower-related entity.

Morningstar underwrote payroll expense based upon the borrower's budget, which is less than the historical expense, and consistent with the appraiser's estimate. The underwritten expense is supported by the borrower's payroll schedule. The borrower plans to eliminate two positions, a leasing consultant and a maintenance technician.

Professional fees in the most recent twelve months reflect costs associated with the subject acquisition, and were previously nominal. The borrower's budget combined these items with general and administrative expenses and Morningstar underwrote them similarly.

Capital Items

A reserve for future capital expenditures is underwritten at $369 per unit per year, which is a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar utilized a capitalization rate of 6.5% to value the subject property, based upon Morningstar's multifamily capitalization rate for Miami for the 4Q 2012. The average capitalization rate of the appraiser's sales comparables was 5.35%, and the appraiser's direct capitalization rate assumption was 5.80%.

Creekside Apartment Homes

Analyst: Mike Magerman 267-960-6022
Analytical Manager: Sheila Bjornstad 646-560-4511

Property Summary		
Property Type	Multifamily/Garden	
Location	Simi Valley, CA	
Year Built/Renovated	1985/2007	
Multifamily Units	397	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	90.90%	As of: 4/3/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$49,000,000	($123,426/unit)
Loan Amount (Cut-Off Balance)	$49,000,000	($123,426/unit)
Loan Term (months)	120	
I/O Period (months)	48	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	3.69000%	

Morningstar Analysis		
Current DSCR	1.93 x	
Amortizing DSCR	1.31 x	
Beginning LTV	93.67%	
Ending LTV	82.51%	
Capitalization Rate	7.00%	
Morningstar Occupancy	95.00%	
Net Operating Income	$3,664,229	
Net Cash Flow	$3,539,333	
Value	$52,311,894	($131,768/unit)
Debt Yield	7.22%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table						
Loan	**Balance**	**Interest Rate**	**Current DSCR**	**DSCR Amtz**	**BLTV**	**ELTV**
Mortgage Loan	$49,000,000	3.69000%	1.93 x	1.31 x	93.7%	82.5%
Total	**$49,000,000**	**3.69000%**	**1.93 x**	**1.31 x**	**93.7%**	**82.5%**

Morningstar Summary

Morningstar Perspective

The $49,000,000 ($123,426 per unit) 10-year loan facilitated the repayment of a bridge loan by the property's new owner who purchased the property in October 2012. The loan has an interest only period of 48 months. Creekside Apartment Homes is a well-located garden apartment complex completed in 1985 in Simi Valley, California, about 40 miles northwest of Los Angeles. The property's long-time status as a provider of low-income subsidized housing is about to end when the program expires in July 2013. The property's average in-place rent recently increased to $1,240 per unit per month, from $1,152; both of those averages are far below the submarket's average asking rent which is above $1,500 and the appraisal's concluded market rent of $1,555. As current below-market leases expire after July, they will eventually be replaced by tenants paying full market rent, which should provide considerable upside to revenues and net operating income.

Located in Ventura County just to the northwest of Los Angeles, Simi Valley is a small city just off California Highway 118. Simi Valley's population was 124,237 in the 2010 U.S. Census; the population for Ventura County was 823,318. The median value of a home or condominium unit in Simi Valley was $453,000 in 2009, up from $235,200 in 2000. While the median home price increased by 93% from 2000 to 2009, the average asking rent in the Simi Valley submarket rose by just 26% over the same period, according to Reis statistics. The relative levels between the cost of buying versus renting should support continued rental demand at or near current occupancy rates.

Morningstar's net cash flow is lower than the annualized trailing nine months through March 2013 by 7.3%, primarily due to Morningstar's much higher underwritten real estate taxes based on the reassessment upon sale and underwritten capital expenditures reserve. Morningstar's amortizing debt service coverage is 1.31 times, and LTV is 94%.

The property appears to be well positioned to remain competitive in its local market, as occupancy has settled in a range of 94% to 96%. The most recent reported occupancy was 90.9% as of April 2013. In a submarket where vacancy has been less than 4% since the end of 2011 and is still trending lower, and given that the property's five geographically closest competitors on the west end of Simi Valley all have vacancy of 6% or less, there is a high probability that the property will continue to achieve occupancy levels in its recent range around 95%. Anticipated completions of new inventory are expected to be light over the next few years, with Reis projecting 588 units over the next four years, representing just 4.6% growth over the period.

The Bears Say

- Rent revenue has been held down by a low-income housing program which discounts rents for 80 units by more than 60% from market rent levels. This risk is mitigated by the fact that the property's participation in the low-income rent program is coming to an end.
- The property is nearly 30 years old and is in need of fairly extensive rehabilitation. A $9 million capital improvement plan over the next three years is required to bring the property in line with the market.
- The planned renovations will necessitate the displacement of tenants for up to five days as each building undergoes termite treatment and re-plumbing of hot water lines.

The Bulls Say

- The rent restrictions on the low-income housing units will expire in July 2013. The property owner will have the right to increase rents to market levels as affordable rent leases begin to expire.
- The loan agreement requires the ownership to provide satisfactory evidence that at least $5 million of the planned $9 million in renovations has been completed. A $1.75 million reserve for renovations was funded at loan closing.
- With the exception of 90.9% on the most recent rent roll, occupancy has been at 93% or better since 2009. The temporary dip in occupancy could be related to the move outs of restricted rent tenants with expiring leases who know they cannot remain at the property.
- Although asking rents have not yet returned to pre-recession levels, the submarket's vacancy has not exceeded 6% in the past five years and has trended steadily lower since 2010. New additions to inventory are expected to be minimal.
- The property is one block from Los Angeles Avenue, Simi Valley's main commercial thoroughfare.
- The property is about one mile from an entrance to California Highway 118 which connects Simi Valley to the rest of the Los Angeles metro area.

Property Description

The property is a 397-unit garden apartment complex consisting of 35 two-story buildings, plus a leasing office and clubhouse. The property was completed in 1985 on 16.39 acres, and contains 873 parking spaces including 366 carport spaces. The property is about 40 miles northwest of Los Angeles and 30 miles west of Burbank, less than one mile south of California Highway 118. Common amenities include a clubhouse, fitness center, two swimming pools with spas, a tot lot and five laundry facilities. Units include standard kitchen appliances, a patio or balcony and second floor units have vaulted ceilings. As part of the planned renovations, all units will get a washer and dryer. Not all units had a refrigerator under the previous ownership; refrigerators are being installed in any units that do not have one.

The rent restrictions, which are to expire on July 7, 2013, have historically required the property to provide discounted rent on 40 units at 50% of the area's median income (AMI) and an additional 40 units at 80% of AMI. Tenants have been notified, and will not be grandfathered under the restricted rent program, thus they will be exposed to increases to market rent levels when their current leases expire. Current restricted rent tenants may not be evicted without cause. The property owner is not required to increase rents to market – it is at the owner's discretion. As of the November 2012 rent roll, the average restricted rent unit was leased at a 62% discount to the full market rent units, with rents reportedly ranging from $434 to $578 per unit per month.

The previous ownership upgraded 23% of the units in 2007 with new kitchen appliances, cabinets, countertops and flooring, and with new bathroom cabinets. About $9 million in planned renovations is scheduled over the next three years, with about $4.3 million budgeted for interior upgrades and $4.7 million for exterior improvements.

Morningstar visited Creekside Apartment Homes on May 30, 2013. Management indicated that correction of deferred maintenance items and renovations of rent restricted units will be at the top of the priority list with respect to the renovation budget. Some of the deferred maintenance has already been addressed such as a electrical load study to install a washer and dryer in each unit, and termite remediation. According to the owner, upon renovation, there will be potential to increase rents by $250 to $300 per unit per month. Other renovations include expanding pool areas, installing barbecue facilities, replumbing the units for washer installations, exterior siding and balcony reinforcements, and renovation of the leasing office and fitness center.

The 80 rent restricted units will be the first to be renovated. According to the property manager, 90% of the tenants of those units have indicated that they will vacate upon their lease expiration. One tenant has been renewed at market rent. Management has indicated that it will accept Section 8 vouchers only from among current rent restricted tenants who wish to renew at market, not from new applicants. However, the 90% occupancy requirement includes the rent restricted units. It was noted that Simi Valley is a good rental market as there is a Bank of America call center that provides demand, and that development lead times are long because of a long entitlement process.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	87	21.9%	613
Two Bedroom	270	68.0%	862
Three Bedroom	40	10.1%	1,064
Total	**397**	**100.0%**	**828**

Market Overview

Creekside Apartment Homes is in the Simi Valley submarket of the Ventura County apartment market, as defined by Reis. Within this submarket, the average asking rental rate was $1,512 per unit per month as of the fourth quarter of 2012, and was slightly lower at $1,477 per unit per month for properties completed in the 1980s. A majority or 66% of all units in the submarket were built during the 1980s, with a resurgence in development in the 2000 to 2009 period contributing 25% of inventory. The overall submarket asking rate represents a decrease of 0.1% from the prior quarter and an increase of 1.5% from one year earlier. Reis predicts that asking rents in the submarket will increase at an average annual compound rate of 4.0% from 2013 through 2017.

The November 2012 appraisal's comparable properties are eight complexes with a total of 2,590 units, of which six properties with 2,208 units were used in the analysis. The properties span the entire east to west stretch of Simi Valley, a distance of roughly seven miles. The average vacancy for the comparable group was 4.7%, and ranged from 2% to 9%, including the subject property. Excluding the subject property, the average vacancy was 3.9% and none exceeded 6%.

The most recent weighted average rent at the subject was $1,240 per unit per month as of April 2013, though that average is kept substantially lower than the market by restricted rent units. The appraisal concluded a market rent of $1,555 per unit per month. Morningstar underwrote rents at $1,240 per unit per month, thereby giving no credit to the potential upside as the low-income rent program participation expires.

The appraisal concluded a market vacancy of 5.0%, not including 1.0% for collection loss. Morningstar underwrote vacancy at 5.0%, which is lower than the most recent reported vacancy of 9.1%, but higher than the 4.8% average over the last three historical reporting periods.

Sponsorship/Management

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

Morningstar Analysis

	Morningstar	2010	2011	T9 3/31/13 annualized	Issuer Underwriting
Income					
Gross Potential Rent	$5,907,360	$5,321,297	$5,340,989	$5,537,383	
or					
Base Rent	0	0	0	0	
Laundry/Vending	23,204	96,364	92,019	52,323	
Expense Reimbursement	388,425	311,005	326,918	372,985	
Percentage Rent	0	0	0	0	
Parking Income	46,622	16,141	39,359	55,577	
Other Income	230,957	196,187	239,821	238,059	
Less: Vacancy Loss	-303,080	-218,385	-247,109	-341,036	
Less: Concessions & Collection Loss	-146,541	-235,779	-163,920	-81,316	
Effective Gross Income	**$6,146,947**	**$5,486,830**	**$5,628,077**	**$5,833,975**	**$5,786,942**
Expenses					
Real Estate Taxes	$803,595	$351,303	$353,294	$360,737	
Property Insurance	74,757	140,002	136,349	72,207	
Utilities	257,021	261,732	245,767	212,020	
Repairs and Maintenance	476,769	421,955	409,619	472,368	
Janitorial	0	0	0	0	
Management Fees	184,408	308,969	317,531	267,041	
Payroll & Benefits	474,056	444,800	439,820	438,251	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	72,748	61,041	75,821	57,068	
Professional Fees	0	30,929	27,525	17,477	
General and Administrative	105,771	89,196	100,399	99,777	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	33,593	11,400	56,391	20,756	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,482,719**	**$2,121,327**	**$2,162,516**	**$2,017,703**	**$2,289,128**
Net Operating Income	**$3,664,229**	**$3,365,503**	**$3,465,561**	**$3,816,272**	**$3,497,814**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	124,896	269,007	351,987	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$124,896**	**$269,007**	**$351,987**	**$0**	**$113,542**
Net Cash Flow	**$3,539,333**	**$3,096,496**	**$3,113,574**	**$3,816,272**	**$3,384,272**

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	$1,240
Vacancy (%)	5.0%

Rent was underwritten at $1,240 per unit per month, which is also the most recent reported in-place average rent. Vacancy was underwritten at 5.0%, which is lower than the most recent reported vacancy of 9.1%, but in line with the average of the three most recent historical periods of 4.8%. The appraisal's comparable properties had a vacancy of 4.6% including the subject property.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Morningstar underwrote real estate taxes 3.6% higher than the appraisal, which has assumed a new tax level much higher than recent historical levels due to the October 2012 transfer of ownership. Morningstar underwrote management fees at 3% of effective gross income, which is lower than historical levels, though new ownership and a new management contract are in place. The actual contract rate with the borrower-related management company is 3%.

Capital Items

A reserve for future capital expenditures is underwritten at $315 per unit per year, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

The appraisal's capitalization rate analysis is based on the rates of recent comparable apartment sales and market surveys. The appraisal concluded that the direct capitalization rate for the subject is 6.25%. The sales included in the appraisal's comparison resulted in an average 5.56% capitalization rate. Morningstar's base multifamily capitalization rate for the West Region is 6.7%, and for Los Angeles is 6.0%. Morningstar used a blend of the capitalization rates for the West Region and Los Angeles, resulting in a Morningstar capitalization rate of 6.5%. However, the rate was adjusted upward by 50 basis points to 7.0% due to the appraisal's imputed cap rate based on the appraisal's net cash flow and as-is value of $68.8 million.

Gramercy On The Park

Analyst: Eric Vogel 267-960-0531
Analytical Manager: Sheila Bjornstad 646-560-4611

Property Summary		
Property Type	Multifamily/Mid-Rise	
Location	Dallas, TX	
Year Built/Renovated	2010/N/A	
Multifamily Units	535	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	94.40%	As of: 3/31/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$49,000,000	($91,589/unit)
Loan Amount (Cut-Off Balance)	$49,000,000	($91,589/unit)
Loan Term (months)	120	
I/O Period (months)	12	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	3.61000%	

Morningstar Analysis		
Current DSCR	1.92 x	
Amortizing DSCR	1.29 x	
Beginning LTV	99.54%	
Ending LTV	80.47%	
Capitalization Rate	7.00%	
Morningstar Occupancy	94.40%	
Net Operating Income	$3,552,807	
Net Cash Flow	$3,445,807	
Value	$49,225,816	($92,011/unit)
Debt Yield	7.03%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$49,000,000	3.61000%	1.92 x	1.29 x	99.5%	80.5%
Total	**$49,000,000**	**3.61000%**	**1.92 x**	**1.29 x**	**99.5%**	**80.5%**

Morningstar Summary

Morningstar Perspective

The Gramercy On The Park ("the Subject Property") loan is a ten-year, $49,000,000 ($91,589/unit) loan which provided proceeds to refinance an existing loan of about $39.8 million and provided cash out of approximately $8,437,685. The loan represents a 77.5% loan-to-appraised value ratio. The Subject Property is a 535-unit, mid-rise apartment complex that was built in 2011 located in the Far North submarket (as defined by Reis) of the city of Dallas. The property is located in the southeast quadrant of the President George Bush Turnpike and the Dallas North Tollway. Strong job and population growth in Dallas have led the metroplex out of the recession and into a recovery that is marked by tightening market conditions and a shift in the supply/demand balance. This shift has led to lower vacancy rates, rental rate growth, and a stabilization of capitalization rates in the market.

Morningstar conducted a site visit to the Subject Property on May 21, 2013. The Subject Property is situated 17 miles north of the Dallas central business district adjacent to the President George Bush Turnpike and the Dallas North Tollway which provides excellent access to the Central Business District ("CBD") and points across the DFW metroplex. The Subject Property's neighborhood was primarily developed in the 1980s and 1990s that has seen a large growth in development in recent years. The location remains the strongest draw for the Subject Property with direct access to all facets of employment via the Dallas North Tollway and Interstate 635 (Lyndon Baines Johnson Freeway). These highways provide direct access to major employment centers across the metroplex as well as Dallas-Fort Worth International Airport (about 25 miles southwest) and Dallas Love Field Airport (about 16 miles south). The Subject Property was densely situated amongst various apartment complexes along Pear Ridge Drive as you enter the complex from the south not to be considered part of the competitive set. Upon making the physical inspection of the property it was determined that the Subject Property was in good condition and assigned a property score of 2. Additional attractions to the area include the Galleria Mall and the Willow Bend Mall which are located along the Dallas North Tollway to the north and south, respectively. Major employers in the area are situated in the Galleria marketplace area directly to the south of the Subject Property and include companies such as INVESCO, Fed Ex and Citigroup.

The Far North submarket, adjacent to Richardson, is a built up submarket about 17 miles north of the Dallas CBD. The submarket is experiencing growth in the form of the recent approval of a $1.5 billion master-planned project by developer KDC in which the city of Richardson approved rezoning that calls for up to 3,925 apartments. There are additional plans for 418 units to be completed in the first quarter of 2013 which is adding to the increase in supply for 2013. Furthermore, in the Far North submarket there is a planned redevelopment of an old retail center along Arapaho Road, into a combination 650-unit multifamily and 125-unit senior facility. The additions to the market could provide some downward pressure on rents and occupancy at the Subject Property; however, we feel that there is not enough immediate supply to impact the Subject Property.

Apartment fundamentals remain relatively strong in the Dallas MSA as the reported Reis vacancy rate for the first quarter 2013 was 5.2% down from 7.6% in 2009. The Far North submarket is also performing well with steady rent growth and a vacancy rate of 3.7% down from 6.1% in 2009. Expectations for this submarket are that the year's absorption total will be less than the new supply therefore driving vacancy up and have the potential to drive rent growth rates slightly down. This will likely have little impact on the Far North submarket due to the submarket's desirable location with easy access to points across the metroplex.

We are concerned about the leverage on the loan. Morningstar's underwritten debt service coverage ratio is only 1.29x on an amortizing basis and the underwritten loan to value is 100%. This market remains stable, however, we are concerned with the new supply that is scheduled to be completed in 2013 and how that could negatively affect the economics of the loan. The high loan-to-value is somewhat mitigated by the amortization that will reduce the leverage to an 80.5% LTV upon maturity.

The Bears Say

- The expectations that absorption in the submarket will not exceed new supply in 2013 and thus drive vacancy rates higher and rent growth rates lower.
- One-year interest-only period will limit de-leveraging of the loan, however, the loan will amortize for an additional nine years following the interest only period.
- High underwritten loan-to-value of 100% combined with a relatively low 1.29x amortizing debt service coverage ratio.

The Bulls Say

- Strong fundamentals with vacancy below 5.0% and steady rent growth.

- Strong population growth in the market and strong employment growth trends across a broad spectrum of industry could continue to feed multifamily demand.
- The Subject Property is new class A construction with high end amenities situated with excellent freeway access in a desirable submarket.

Property Description

The Subject Property is a 535-unit, class A mid-rise apartment complex located in the far northern portion of Dallas Texas. The property was built in 2011 and consists of three four-story apartment buildings. Additional site improvements include a swimming pool, clubhouse, fitness center, cabanas and pavilions and storage units. There are 1,018 parking spaces which consist of 187 open and 831 garage parking spaces.

The Subject Property includes such common area amenities such as a swimming pool, clubhouse, fitness center, business center, storage units, cabanas and pavilions, grilling areas, and lavish landscaping. Certain unit amenities include black appliances, ceiling fan(s), washer/dryer connections, garden bathtubs, walk-in closets, track lighting and a pantry. There are select units that feature a private yard, patio/balcony, built-in bookshelves, and/or an upgraded package which includes faux wood flooring and/or stainless steel appliances.

A property condition assessment was performed by AEI Consultants on October 12, 2012 and identified no immediate repairs to the Subject Property. The engineer's recommended reserves equates to $150 per unit per year.

A phase I environmental assessment was performed by AEI Consultants on October 12, 2012. No recognized environmental conditions were identified and no further action was recommended by the consultant.

The Subject Property is located within Seismic Zone 0 thus not needing a Seismic Report.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	397	74.2%	783
Two Bedroom	138	25.8%	1,195
Total	**535**	**100.0%**	**889**

Market Overview

The Dallas multifamily market has bounced back from the recession and is expected to remain healthy going forward. Recent employment activity in the Dallas metropolitan area shows that Dallas is one of the few cities nationwide that has returned to prerecession employment levels. Employment is running at record levels and according to data provided by the U.S. Bureau of Labor Statistics, the Dallas-Irving-Plano Metropolitan Division total non-farm employment as of December added 20,400 jobs and up 1.0% from December 2007.

This achievement is part of a larger trend seen across Texas as a whole. Forbes recently reported that four Texas cities, including the top three, are included in their top ten fastest growing U.S. cities in terms of population and economy in 2013. Forbes cited Texas' robust labor markets, low unemployment rates under 6%, the lack of a state income tax, a business-friendly regulatory environment, and strong population inflows as the main contributors to the Texas towns high rankings. Dallas ranked third in the nation in the Forbes's survey behind Austin and Houston.

For the Dallas MSA, Reis reported the mean apartment rent at $879 per unit per month with average vacancy at 5.2% for the first quarter 2013. According to Reis, asking rents were up 3.2% over the prior year and the market is expected to remain stable. Apartment completions are forecasted to increase with an average of 7,184 units per year over the next five years, which could lead to oversupply in some areas of the metroplex.

The property is located in the Reis Far North submarket of the Dallas-Fort Worth submarket. This area is developed with a cross section of both single-family homes and multifamily properties which generally are located near office and retail complexes. The average rent according to Reis is $882 per month with an average vacancy rate of 3.7% in the first quarter 2013 with asking rents typically in-line with the previous year. Single family homes in the submarket average about $250,000 to $500,000 with the recent completion of Citta Park, which consists of 51 for-sale townhome units priced at about $230,000. There are homes in this submarket that price to well over $1,000,000.

There are major plans for development in the submarket with the announcement by developer KDC to acquire 186 acres for development of a $1.5 billion master-planned project in the neighboring Richardson submarket. The project calls for up to 3,925 apartments along with other non-disclosed components. Furthermore in the Far North submarket, plans call for the redevelopment of an old retail center to be inclusive of a 650-unit multifamily property and 125-bed senior facility. The Far North submarket is an attractive submarket due to the excellent access you have to the entire D/FW metroplex via major highways as well as the proximity you have to major office/retail markets directly to the south in Addison.

The appraiser identified six comparable properties totaling 2,524 units that compete with the Subject Property. The comparable properties were built between 1993 and 2011. Based upon information provided in the appraisal, the weighted average rent of the comparable properties was $1,049 per month at a vacancy of 4.7%. Morningstar concluded a slightly lower achievable market rent of $1,004 per month based upon the analysis of the comparable properties within the Subject Property's competitive set and the comparative.

Sponsorship/Management

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

The property manager is Billingsley Property Services, a borrower-controlled management company. The company was formed in 1993 and manages over 11.15 million square feet in the Dallas and Houston markets. The contractual management fee is 2.5% of the effective gross income.

Morningstar Analysis

	Morningstar	TTM 08/31/12	TTM 03/31/13	Issuer Underwriting
Income				
Gross Potential Rent	$6,599,760	$6,081,220	$6,032,655	
or				
Base Rent	0	0	0	
Laundry/Vending	0	0	0	
Expense Reimbursement	211,036	203,541	203,541	
Percentage Rent	0	0	0	
Parking Income	20,017	20,226	19,636	
Other Income	242,091	237,955	268,672	
Less: Vacancy Loss	-378,030	-207,252	0	
Less: Concessions & Collection Loss	-111,338	-81,946	-66,420	
Effective Gross Income	**$6,583,536**	**$6,253,744**	**$6,458,084**	**$6,471,069**
Expenses				
Real Estate Taxes	$1,235,550	$779,933	$716,604	
Property Insurance	78,750	66,138	74,230	
Utilities	233,845	227,991	198,962	
Repairs and Maintenance	289,810	273,234	284,288	
Janitorial	0	0	0	
Management Fees	197,506	153,158	164,244	
Payroll & Benefits	691,966	595,213	678,780	
Common Area Maintenance	0	0	0	
Advertising & Marketing	177,300	124,741	173,921	
Professional Fees	2,473	2,360	2,360	
General and Administrative	123,529	83,149	121,175	
Non-Reimbursable Expenses	0	0	0	
Other Expenses	0	0	0	
Ground Rent	0	0	0	
Market Expense Adjustment	0	0	0	
Total Operating Expenses	**$3,030,729**	**$2,305,917**	**$2,414,564**	**$2,923,096**
Net Operating Income	**$3,552,807**	**$3,947,827**	**$4,043,520**	**$3,547,973**
Capital Items				
Leasing Commissions	$0	$0	$0	
Tenant Improvements	0	0	0	
Capital Expenditures	107,000	0	0	
Extraordinary Capital Expenditures	0	0	0	
Total Capital Items	**$107,000**	**$0**	**$0**	**$107,000**
Net Cash Flow	**$3,445,807**	**$3,947,827**	**$4,043,520**	**$3,440,973**

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	$1,028
Vacancy (%)	5.6%

Morningstar underwriting concluded that the current rents were slightly below market therefore marked the rent to in-place. The underwritten vacancy is based upon the level and is more conservative than market averages provided by Reis (3.7%) and the comparable properties (4.7%).

Expenses

Expenses are underwritten in-line with historical financials unless otherwise noted. Real estate taxes are underwritten based on the re-assessment of the property at approximately 80% of the estimated market value of $63.2 million, resulting in an assessment of $92,500 per unit. Morningstar underwrote a minimum management fee of 3.0% of the effective gross income, greater than the contractual rate of 2.5%.

Capital Items

A reserve for future capital expenditures is underwritten at $200 per unit per year, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar applied a capitalization rate of 7.0%, capitalization rate to the Subject Property. The market capitalization rate for Dallas area multifamily properties is 7.2%. The capitalization rate was then adjusted down 20 bps for the quality of construction.

Aventine At Oakhurst North

Analyst: Howard Peterson 267-960-6024
Analytical Manager: Sheila Bjornstad 646-560-4511

Property Summary		
Property Type	Multifamily/Garden	
Location	Aurora, IL	
Year Built/Renovated	1998/N/A	
Multifamily Units	464	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	91.40%	As of: 2/19/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$48,400,000	($104,310/unit)
Loan Amount (Cut-Off Balance)	$48,400,000	($104,310/unit)
Loan Term (months)	120	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	2	
Interest Rate	3.65000%	

Morningstar Analysis		
Current DSCR	1.79 x	
Amortizing DSCR	1.21 x	
Beginning LTV	102.46%	
Ending LTV	87.85%	
Capitalization Rate	6.80%	
Morningstar Occupancy	91.40%	
Net Operating Income	$3,369,524	
Net Cash Flow	$3,212,332	
Value	$47,240,174	($101,811/unit)
Debt Yield	6.64%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$48,400,000	3.65000%	1.79 x	1.21 x	102.5%	87.8%
Total	**$48,400,000**	**3.65000%**	**1.79 x**	**1.21 x**	**102.5%**	**87.8%**

Morningstar Summary

Morningstar Perspective

The Aventine At Oakhurst North loan is a ten-year, $48.4 million ($104,310 per unit) financing to assist the acquisition of the property with a purchase price of $60.5 million ($130,388 per unit). The loan is interest only during the first three years, then amortizes over a 30-year term. The property was appraised for $61.88 million ($133,362 per unit) and the loan represents a 78.2% loan-to-appraised value ratio; based on the more conservative Morningstar value, leverage is much higher at 102.5%.

The property is a 464-unit garden-style apartment complex built in 1999 and located in Aurora, Illinois. Aurora is a suburb approximately 35 miles west of Chicago and six miles west of Naperville. The property has good transportation access to the Chicago metro via Interstate-88 (three miles from the subject), the major east-west freeway that flows towards downtown Chicago. Interstate-88 is also known as the East-West Tollway, which borders the northern perimeter of Aurora. The Metra commuter train service is also accessed within three miles of the community at the Route 59 station. This train provides access to downtown Chicago with express trains getting commuters to Chicago's Loop in 40 minutes.

The property is 91.4% occupied as of the February 19, 2013 rent roll, with average rents of $1,168 per unit per month. Historical occupancy has averaged 94.3% since 2010. Average in-place rents were consistent with the appraiser's estimated market rents and market vacancy. The Reis submarket mean average rents were $1,159 per unit with mean market vacancy of 3.3%. Morningstar utilized the Reis numbers to reflect market rent and vacancy. Morningstar conservatively adjusted market down to the subject's average $1,168 rents and underwrote vacancy to the subject's actual 8.6% vacancy as of the February 19, 2013 rent roll. Our estimate of market rent net of vacancy is greater than in-place economics as of the most recent rent roll and as a conservative measure we therefore underwrote multifamily rents to the in-place rent of $1,168 per unit and the subject's 8.6% vacancy.

The Bears Say

- Highly leveraged with a beginning loan-to-value of 102.46% based on Morningstar's valuation. Our value is 27.3% lower than the appraisal because Morningstar's Net Cash Flow ("NCF") of $3.21 million is lower than TTM (January 31, 2013).
- The loan is also interest-only for the first three-years. The risk is mitigated somewhat by the Morningstar interest only DSCR of 1.79x on sustainable cash flow that is 5.1% less than the trailing twelve months ending January 31, 2013. The variance in NCF is attributable to our underwriting of higher real estate taxes, along with required capital expenditure reserves. Morningstar's amortizing DSCR of 1.21x provides a relatively low level of support in the event of a downturn.
- The unemployment rate for the Chicago-Joliet-Naperville metro area is 9.6% as of April 2013, which is significantly higher than the national average of 7.5%. This is up from the 8.8% unemployment rate for the same period one year earlier. The unemployment rate in Chicago peaked in December 2009 at 11.3%.

The Bulls Say

- Although the property was built in 1999 and the appraisal noted the property was in overall good condition.
- The property engineering report recommended reasonable inflated reserves of $308 per unit and $56,200 in immediate repairs, primarily asphalt repairs. A deferred maintenance reserve representing 125% of the immediate repairs were escrowed at closing.
- The property is well located in a desirable western suburb of Chicago. The property has convenient access to major highways, local shopping and employment markets. Downtown Chicago is about an hour commute. .
- Property is managed by Lincoln Apartment Management, a third-party management. The management company is a large management company that manages a total portfolio of approximately 145,000 units nationwide and in excess of 5,800 units within the Chicago area.

Property Description

The subject property is a 464-unit, garden-style apartment complex in the city of Aurora, Illinois about 35 miles west of downtown Chicago. The property is five miles east of the Aurora downtown area and six miles west of Naperville downtown area. The property was built in 1999 and consists of 29 two- and three-story buildings on 32.76 acres, along with a clubhouse/leasing center.

Common area amenities include a resort-style indoor lap pool and large outdoor swimming pool, fitness center and business center. The property also includes a unique resident garden near the clubhouse, a picnic area and tot-lot area. Unit amenities include nine foot and vaulted ceilings, crown molding, full-size washers and dryers, large gourmet kitchens with custom cabinetry, large walk-in closets in bedrooms, large soaking tubs with ceramic tile surround and private patios or balconies with storage. The property also includes multi-level townhome style apartments. Additionally, select homes include gas fireplaces and tile backsplashes in kitchens. The property includes 982 parking spaces, including 174 garage spaces and 808 surface parking spaces yielding a 2.12 spaces per unit parking ratio.

The subject is located in a newer residential area bordered by Eola Road on the east, Diehl Road on the north, and Farnsworth Road on the west. Residents at the subject have excellent transportation access to the Chicago metro, including a recently completed Eola Road ramp gives residents easy access to Interstate-88 (three miles from subject), the major east-west freeway. Interstate-88 provides inter-suburban access throughout the western suburbs and links to major Interstates, including Interstate-35, Interstate-294 and Interstate-290. The commute to the Chicago CBD is about 40-60 minutes depending on the traffic volume. Additionally, the Metra commuter train service is accessed within three miles of the community at the Route 59 station. This train provides access to downtown Chicago with express trains getting commuters to Chicago's Loop in 40 minutes. The 495-mile Metra system serves 241 stations in the counties of Cook, DuPage, Lake, Will, McHenry and Kane. Residents are also just minutes away from the Route 59 shopping corridor with grocery stores, including Jewel, Dominicks and Whole Foods all within a short drive from the community. Several big box retailers are also nearby including: Home Depot, Best Buy, Costco, and Lowes. The Westfield Fox Valley Mall is also just minutes away and includes Macy's, JC Penney, Sears, Kohls, Carson Pirie Scott, and numerous top retailers. The subject is within 35 miles of both O'Hare International Airport and Midway Airport. Additionally, Aurora is served by the Aurora Municipal Airport, located only 8 miles to the west.

Morningstar visited the property on May 23, 2013. The property is located in a fairly new residential area; apartment communities nearby appear to have been built within the last ten years. The area has very good school district with great elementary and high school around and has good access to major highways and Metra stations are a few miles away. According to property management, the property was 94.5% occupied as of May 23, 2013, an improvement from the actual 91.4% occupancy on the rent roll dated February 19, 2013. The Aventine At Oakhurst North community offers free parking with garage parking offered for $70.00 per month (85% leased). The property includes two swimming pools, including an indoor lap pool and no concession are currently offered. Based upon our evaluation, Morningstar assigned a property quality score of 3 to the property which rates the property as average. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. Factors including the property's age, location, and condition are considered in assigning the quality score. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our capitalization rates.

Unit Type Mix

The property consists of 464 total units with an average unit size of 1,012 square feet. The majority (62.5% of the units) are concentrated in two-bedroom floor plans representing 290 units, ranging from 1,081 square feet to 1,399 square feet with an average size of 1,172 square feet. The balance of the property is comprised of 174 (37.5%) one-bedroom units ranging from 685 square feet to 777 square feet with an average of 746 square feet.

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	174	37.5%	746
Two Bedroom	290	62.5%	1,172
Total	**464**	**100.0%**	**1,012**

Market Overview

Aventine At Oakhurst North Indigo Park apartments is located in the city of Aurora, Illinois, Dupage County, within the Chicago MSA.

The collateral property is located in the Aurora/Naperville submarket, within the Chicago metro market according to Reis. Per Reis Q4/2012 data, the mean and median per unit asking rent for the market is $1,159 and $1,154 per unit per month, which is consistent with the $1,168 per unit rent at the subject. As of this same time period, mean and median vacancy for the market are 3.3% and 3.1%, respectively. Properties of a similar age (1990-1999) have an average market asking rent of $1,332 per unit with a market vacancy of 4.6%.

The appraisal identified eight comparable properties, all located within four miles of Aventine At Oakhurst North apartments. Average comparable per unit rental rates ranged from $997 and $1,561 per unit (average - $1,297 per unit). The appraiser estimated market rent for this property to be $1,172 per unit with market vacancy of 6%. The appraisal reported comparable property occupancy levels between 90% and 99%, with an average of 95.8%.

Morningstar assumed the market rent and vacancy based on the Reis mean of $1,159 per unit per month and a Reis market vacancy of 3.3%. Our estimate of market rent net of vacancy is greater than in-place economics as of the most recent rent roll and as a conservative measure we therefore underwrote multifamily rents to the in-place rent and the subject's actual 8.6% vacancy.

Sponsorship/Management

The borrower is AMFP II Oakhust North LLC, a Delaware limited liability company. The property management is Lincoln Apartment Management Limited Partnership, a third-party management company. The management company is a large management company that manages a total portfolio of approximately 145,000 units nationwide and in excess of 5,800 units within the Chicago area. The management agreement provides for a contract fee of 3.0% of effective gross income.

Morningstar Analysis

	Morningstar	2010	2011	TTM 1/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$6,503,424	$5,796,920	$6,149,771	$6,409,086	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	219,485	198,056	198,892	216,961	
Percentage Rent	0	0	0	0	
Parking Income	117,851	103,830	114,480	123,306	
Other Income	292,786	408,163	311,057	295,550	
Less: Vacancy Loss	-592,340	-302,985	-338,088	-408,078	
Less: Concessions & Collection Loss	-26,392	-47,783	-28,113	-24,231	
Effective Gross Income	**$6,514,815**	**$6,156,201**	**$6,408,000**	**$6,612,594**	**$6,576,306**
Expenses					
Real Estate Taxes	$1,135,083	$953,343	$984,975	$1,040,390	
Property Insurance	118,400	84,177	79,637	94,284	
Utilities	318,954	299,781	310,228	321,965	
Repairs and Maintenance	497,785	488,422	586,037	497,785	
Janitorial	0	0	0	0	
Management Fees	195,444	244,683	254,667	262,741	
Payroll & Benefits	583,494	514,616	552,053	589,001	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	93,750	95,363	93,240	92,025	
Professional Fees	0	0	0	0	
General and Administrative	202,381	175,800	149,370	204,291	
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	**$3,145,291**	**$2,856,185**	**$3,010,206**	**$3,102,483**	**$3,109,122**
Net Operating Income	**$3,369,524**	**$3,300,016**	**$3,397,794**	**$3,510,111**	**$3,467,184**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	157,192	49,074	45,916	125,752	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$157,192**	**$49,074**	**$45,916**	**$125,752**	**$142,912**
Net Cash Flow	**$3,212,332**	**$3,250,942**	**$3,351,878**	**$3,384,359**	**$3,324,272**

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	$1,168
Vacancy (%)	8.6%

As of the February 19, 2013 rent roll, average multifamily rents were $1,168 per unit and vacancy was 8.6%. Based on a review of the Reis submarket, the appraiser's rent conclusion and the appraiser's rent comparables, Morningstar determined the market rent to be consistent with the subject's in-place rent of $1,168 per unit along with an 8.6% vacancy rate.

Other income includes RUBS (Ratio Utility Billing System) program, parking, pet fees and other miscellaneous fees.

Expenses

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

Real Estate Taxes were underwritten based on the latest 2012 tax bill from DuPage County Assessors at $1,135,083. This is higher than the Issuer's UW of the 2012 tax liability based on the appraiser's estimate, inflated 3.0%.

Insurance was underwritten based on the actual insurance premium.

Repairs & Maintenance expenses were underwritten based on the most recent TTM (January 31, 2013).

Management Fees were underwritten based on the property's current 3.0% contract rate of effective gross income ("EGI).

Overall, expenses were 48.3% of effective gross income, which was slightly higher than the Issuer's estimate of 47.3% and higher than the TTM (January 31, 2013) of 46.9%. The appraiser's estimate of expenses was lower at 45.5%.

Capital Items

A reserve for future capital expenditures is underwritten at $339 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar's multifamily capitalization rate for Chicago is 6.8%. This estimate is more conservative than the appraiser's capitalization rate of 5.75% and the capitalization rates from appraiser's sales comparables which averaged 5.59%.

Regents Park Of Troy

Analyst: Luke Trainer 267-960-6039
Analytical Manager: Sheila Bjornsted 646-560-4511

Property Summary		
Property Type	Multifamily/Garden	
Location	Troy, MI	
Year Built/Renovated	2000/N/A	
Multifamily Units	299	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	93.60%	As of: 4/1/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$48,050,000	($160,702/unit)
Loan Amount (Cut-Off Balance)	$48,050,000	($160,702/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	5	
Interest Rate	3.55000%	

Morningstar Analysis		
Current DSCR	2.21 x	
Amortizing DSCR	1.47 x	
Beginning LTV	101.13%	
Ending LTV	84.09%	
Capitalization Rate	8.04%	
Morningstar Occupancy	93.60%	
Net Operating Income	$3,948,380	
Net Cash Flow	$3,820,109	
Value	$47,513,795	($158,909/unit)
Debt Yield	7.95%	
Morningstar Site Visit	No	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$48,050,000	3.55000%	2.21 x	1.47 x	101.1%	84.1%
Total	**$48,050,000**	**3.55000%**	**2.21 x**	**1.47 x**	**101.1%**	**84.1%**

Morningstar Summary

Morningstar Perspective

The subject loan is a $48,050,000 ($160,702 / unit) refinance, secured by a first mortgage on a 299 unit, class A, garden-style apartment complex, located in Troy Michigan, an affluent suburb of Detroit. The property is conveniently located one mile from Interstate 75, a major north / south arterial, which provides direct access to the Detroit central business district and neighboring employment centers. The loan structure includes a 10-year term, at a note rate of 3.550%, with two-years of interest-only, followed by payments on a 30-year amortization schedule. The loan proceeds were used to refinance existing debt of $39,251,498 and provide $7,088,094 in cash out to the borrower, who intends to utilize these funds, along with third-party financing, to construct a 58-unit Phase II development on an adjacent parcel of vacant land. The existing improvements were constructed on an 18.2 acre site in 2000 and include eleven, three- and four-story structures. The buildings are serviced by one elevator in each structure and security access is obtained via magnetic card system. The project boasts a resort style amenity package, including a 10,000 square foot clubhouse, with indoor resistance pool, spa, sauna, racquet ball court and movie theater. Additionally, the property offers heated, underground parking, concierge service, dry cleaning pick-up, meal delivery and valet service. The property's unit mix includes one, two and three bedroom layouts, which average 1,284 square feet and were 93.6% occupied, as of April 1, 2013.

In-place rents at the subject were $1,178 per unit per month, as of April 1, 2013. This was marginally higher than Morningstar's concluded market rents of $1,767 per unit, which was consistent with the appraiser's assumptions. Reis' mean market rent for class A properties in the subject's Troy submarket was $1,303 per unit per month and $2,071 per unit for 2000 to 2009 vintage properties. However, post-2000 inventory accounts for only 4% of the total apartment stock in the submarket. Per Reis, submarket vacancy rates, as of the First Quarter of 2013 were 3.7% and the subject has experienced strong occupancy trends since 2011, with an average of 95.4%. Peak vacancy at the subject was 14.50% in 2009, which coincided with the highest availability rates in the submarket over the past five years. While the region is largely dependent on the overall health of the automotive industry and its ancillary business lines, recent positive developments in this sector have driven recovery in the Troy market and overall submarket vacancy rates are at a five-year low. Additionally, asking rents for all multifamily inventory are also at a five-year high and effective rents have followed suit. Morningstar's underwritten vacancy is 6.4%, which was slightly higher than the appraiser's concluded rate of 5.0%, but equal to the current occupancy rate at the property. Concessions are currently not being offered at the subject and were not underwritten.

The subject's net operating income has been trending upward since 2009, driven by increased occupancy and rising rental rates, as a result of the general economic stabilization in the region. Trailing 12-Month net operating income as of March 2013 was approximately 4.8% higher than Year-End 2011 and gross potential rent has increased roughly 7.1% over the same period. Morningstar's underwritten net operating income of $3,948,380 was approximately 3.2% below Trailing-12 Month results, largely driven by the higher underwritten vacancy loss. Going forward, Reis has projected sub-5% vacancy and 3.0% average annual rent growth, with minimal new deliveries, through 2017. As it relates to the subject property, the aforementioned gains in net operating income, coupled with stabilized vacancy rates in the submarket and generally favorable results posted by the U.S. automotive sector indicate that the subject property's recent success should be sustained in the near-term.

Morningstar's analysis resulted in an interest-only debt service coverage ratio ("DSCR") of 2.24x, which equates to a 1.47x DSCR on a 30-Year amortization schedule. Our concluded value of $47,513,795 ($158,909 / unit) is a -28.6% variance from the appraised value of $66,500,000 and translates to a Loan-to-Value ("LTV") of 101%, versus a 72.3% LTV via the appraisal.

The Bears Say

- The subject includes 48 units (16%) leased to corporate tenants, with lease terms from six to twelve months, which may impact ongoing vacancy.
- The borrower plans to build an additional 58 units in 2014, on an adjacent parcel of vacant land, which will share the project amenities.
- The loan is structured with interest-only payments for the first 24-Months of the loan term.
- Based on Morningstar's analysis, the Loan-to-Value for the subject property is 101%, with an 7.95% debt yield, which is indicative of high leverage.
- The subject's submarket is closely intertwined with the fortunes of the U.S. automotive industry.

The Bulls Say

- Strong in-place DSCR of 1.47 xs on a 30-Year amortization schedule and a stable trend of in-place cash flows.
- Positive market fundamentals of sub-5% vacancy rates, positive rent growth and minimal new construction in the subject submarket.
- Improving economic conditions, rising consumer confidence, low interest rates and marketing and design efficiency have resulted in increased market share and improved sales for the "Big 3" U.S. Automakers.

Property Description

Regents Park Of Troy Apartments is a 299 unit, Class A, luxury apartment project, located in Troy, MI, 20 miles northwest of the City of Detroit. The property is situated in the Detroit-Warren-Livonia, MI Metropolitan Statistical Area (MSA), in the Troy submarket, as defined by Reis. The subject is located roughly 37 miles southwest of the Detroit Metro Airport (DTW), the ninth busiest airport in the country. Regional access to the area is provided via Interstate 75's clover leaf Interchange at West Big Beaver Road, located less than one mile from the property, which connects Troy to the Detroit CBD to the south and Auburn Hills and beyond to the north. Retail uses in Troy are dominated by The Somerset Collection; a 1.45 million square foot Super-Regional Mall, located less than one-mile from the property. The mall is anchored by Nordstrom, Macy's, Neiman Marcus and Saks Fifth Avenue and serves as a major draw for the area.

The loan collateral includes eleven three and four-story, elevatored buildings, which were constructed in 2000 and contain 383,960 square feet of Net Rentable Area (NRA). Secured, on-site parking is provided for 618 vehicles (1.60 spaces per 1,000 square feet of NRA), including 385 spaces located in an underground, heated garage. Common area amenities include a 10,000 square foot resort-style clubhouse, which features an indoor resistance pool, fitness center, spa, sauna, racquetball court, community room, movie theater, library, billiards room, children's play area and outdoor swimming pool. The property also offers concierge service, dry cleaning pick-up, valet services, meal delivery, home cleaning services, pet sitting and car detailing. Management strives to offer residents similar services to those of a resort hotel. Apartment units average a generous 1,284 square feet in size and include a standard amenity package, with washer / dryer hook-ups and various sized balconies. The borrower intends to spend an additional $500,000 on both interior and exterior upgrades, over the next twelve-months. The borrower also plans to construct a 58 unit Phase II development in 2014, on an adjacent parcel of vacant land, which will share the subject's amenities. The property is well-maintained and no immediate repair items were identified by the property condition assessment.

Per the zoning report completed in November 2012, the property is Legal, non-conforming, due to density and building height violations. The rebuildability clause for the township indicates that a non-conforming structure must be rebuilt in accordance with the current zoning provisions. As a result, the Lender required building law and ordinance insurance coverage and a carve-out was added for any losses related to the non-conforming status.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
One Bedroom	132	44.1%	1,016
Two Bedroom	121	40.5%	1,321
Three Bedroom	46	15.4%	1,957
Total	**299**	**100.0%**	**1,284**

Market Overview

Per Reis, the subject property is located in the Troy submarket of the Detroit Metro. As of the first quarter of 2013, the mean rent in the submarket was $1,091 per unit, per month, which was substantially lower than the mean rent of $871 per unit, per month, for the Detroit metropolitan area. For inventory in the subject's 2000 to 2009 vintage, submarket rental rates were $2,071 per unit, versus $1,317 per unit for the metropolitan area. Class A rents in the Troy submarket were reported at $1,303 per unit, while class B / C product reported average rents of $928 per unit. The Reis mean vacancy rate for the Troy submarket, in the First Quarter of 2013 was 3.7% and 3.6% for class A product type. This compares favorably to a 4.2% multifamily vacancy rate for the Detroit metropolitan area as a whole. Per Reis, only 235 new units are scheduled to be constructed through 2017.

The appraiser surveyed four comparable properties in direct competition with the subject, based on locational and quality characteristics. However, the appraiser noted that all of the comparables were inferior to the subject property, in terms of location, condition and amenities; therefore, an upward adjustment in rental rates was required. After adjustment the range of rental rates spanned from $1,400 per unit to $3,250 per unit, based on the nine floor plans offered at the subject property. Morningstar relied on the appraiser's concluded market rental rate for each unit type, which collectively averaged $1,767 per unit and was comparable to the in-place rents at the property of $1,778 per unit. The comparable set averaged 94.5% occupancy and the appraiser concluded a 5.0% stabilized vacancy rate for the subject property.

Overall, the subject's in-place rents of $1,778 per unit are well-supported by the comparable properties surveyed and while above the overall class A average rents for Troy, these rents are well-below the levels for similar vintage properties in the submarket ($2,071 per unit.)

Sponsorship/Management

The borrowing entity is a recycled, single-purpose, Delaware limited liability company. The subject property is managed by Village Green Management Company LLC, a borrower affiliated entity. Village Green is a privately held company that was founded in 1919 and is headquartered in Farmington Hills, Michigan. The firm currently manages 40,000 units in 13 states, including approximately 28 properties in the Detroit metropolitan area. The contract management fee is 3.50%, which was used in underwriting.

Morningstar Analysis

	Morningstar	2010	2011	TTM 3/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$6,379,464	$5,696,928	$5,858,253	$6,274,714	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	68,093	55,385	60,563	71,799	
Percentage Rent	0	0	0	0	
Parking Income	169,501	134,392	148,334	203,356	
Other Income	151,090	126,282	234,649	183,899	
Less: Vacancy Loss	-428,338	-613,234	-264,687	-171,839	
Less: Concessions & Collection Loss	-7,274	-18,017	-3,133	1,283	
Effective Gross Income	**$6,332,536**	**$5,381,736**	**$6,033,979**	**$6,563,212**	**$6,377,418**
Expenses					
Real Estate Taxes	$745,400	$725,380	$707,883	$822,851	
Property Insurance	92,300	67,373	59,604	78,976	
Utilities	338,981	322,933	309,152	330,204	
Repairs and Maintenance	207,124	144,304	152,437	260,138	
Janitorial	0	0	0	0	
Management Fees	221,639	96,685	205,100	225,090	
Payroll & Benefits	509,568	447,840	455,340	544,024	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	148,289	137,780	133,772	138,529	
Professional Fees	31,290	18,607	14,110	19,468	
General and Administrative	89,565	89,142	108,075	67,095	
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	**$2,384,155**	**$2,050,044**	**$2,145,473**	**$2,486,375**	**$2,372,524**
Net Operating Income	**$3,948,380**	**$3,331,692**	**$3,888,506**	**$4,076,837**	**$4,004,894**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	128,271	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$128,271**	**$0**	**$0**	**$0**	**$116,610**
Net Cash Flow	**$3,820,109**	**$3,331,692**	**$3,888,506**	**$4,076,837**	**$3,888,284**

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	$1,778
Vacancy (%)	6.4%

Morningstar's concluded market rent was based upon the appraiser's analysis and supported by recent in-place rents at the subject property. The appraiser's market rent of $1,767 was based upon the rent comparable analysis as well as the recent operating activity at the property. Average, in-place rents at the subject were $1,778 per unit, as of April 1, 2013. Morningstar's underwritten vacancy rate of 6.4% was based on the subject's recent occupancy history and in-line with the current property occupancy of 93.6%. The appraiser's estimated stabilized vacancy rate was lower than actual, at 5.0%

Expenses

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

Real Estate Taxes: Underwritten to the Issuer's estimate, which was based on the appraiser's projected expense.

Insurance: Underwritten based on the actual insurance premium, per the November 2012 renewal, which is higher than the appraiser's estimate.

Capital Items

A reserve for future capital expenditures is underwritten at $429 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

Morningstar's final capitalization rate of 8.04% was based upon a blend of the Morningstar Midwest cap rate of 7.80% (70% reliance) and the Detroit multifamily cap rate of 8.60% (30% weighted.) Given the subject's desirable location in the Troy submarket, Morningstar placed greater reliance on the Midwest cap rate data points, in determining the final value for the property. The resulting 8.04% capitalization rate is approximately 149 basis points higher than the appraiser's concluded overall rate of 6.55%.

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.

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