Bronx Terminal Market

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Source: Appraisal

Source: Property Condition Report

Property Summary		
Property Type	Retail/Super Regional Mall	
Location	Bronx, NY 10451	
Year Built	2009	
Year Renovated	NAP	
Net Rentable Sq. Ft. (Total)	912,333	
Net Rentable Sq. Ft. (Collateral)	912,333	
Occupancy (Tape)	99.3%	(as of 4/1/14)
Ownership	Leasehold	

Loan Summary		
Loan Amount (Original Balance)	$380,000,000	($417 /sq. ft.)
Loan Amount (Cut-Off Balance)	$380,000,000	($417 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	120	
Amortization Term (months)	0	
Loan Seasoning (months)	1	
Interest Rate	4.52800%	

Morningstar Analysis		
Current DSCR	1.61 x	
Amortizing DSCR	N/A	
Beginning LTV	95.99%	
Ending LTV	99.11%	
Capitalization Rate	7.10%	
Morningstar UW Occupancy	95.69%	
Net Operating Income	$29,134,724	
Net Cash Flow	$28,106,507	
Value	$395,866,301	($434 /sq. ft.)
Debt Yield	7.40%	
Morningstar Site Visit	No	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	BLTV	ELTV
A-1 & A-2 Notes	$140,000,000	4.528%	1.61 x	96.0%	99.1%
A-3 & A-5-1 Notes*	105,000,000	4.528%	1.61 x	96.0%	99.1%
A-4 Note	40,000,000	4.528%	1.61 x	96.0%	99.1%
A-5-2 Note	55,000,000	4.528%	1.61 x	96.0%	99.1%
A-6 Note	40,000,000	4.528%	1.61 x	96.0%	99.1%
Total	**$380,000,000**	**4.528%**	**1.61 x**	**96.0%**	**99.1%**

* Included in the trust.

Morningstar Summary

Morningstar Perspective

The $105.0 million loan is secured by the leashold interest in a 912,333 sqare foot anchored retail center in Bronx, NY. The mortgage secures five additional pari passu loans, with an aggregate original principal balance of $275.0 million, for a total combined debt of $380.0 million. The A-3 and A-5-1 Notes are included in this transaction. The property is anchored by Target, BJ's and Home Depot, each of which have leases that expire well beyond the term of the loan. The property is subject to a ground lease with the City of New York that has an initial term expiring in 2055 and five 10-year renewal terms. In addition, the property qualifies for a 25-year Payment in Lieu of Taxes, or PILOT, program, ending in the tax year 2035/2036.

The sponsor, The Related Companies, L.P., or Related, developed the property in 2009 with a cost basis of approximately $360.1 million. Loan proceeds were used to refinance the debt of $332.9 million, pay closing costs and return approximately $42.2 of equity to the sponsor. There is currently a loan to a 0.01% non-managing member of the ownership structure in connection with historical tax credits that cannot be repaid until the end of 2014. The full amount of the loan was deposited in a reserve account at closing and will be used to pay off the loan on December 18, 2014. Morningstar anticipates that this loan will be repaid as agreed with the funds in the reserve account.

The property is located just south of the new Yankee Stadium in the far west side of the Bronx. The site has direct access from the Major Deegan Expressway (I-87), good access to the Cross Bronx Expressway (I-95), Bruckner Expressway (I-278), Sheridan Expressway (I-895), Triborough Bridge and Grand Concourse. The site is also served by multiple subway and bus routes.The primary competition for the property are located within 10 miles of the property and range in occupancy from 95% to 98%. The property is currently 99.3% leased and 96.8% occupied. Recent leasing at the property includes Chuck E Cheese and CUNY (Hostos).

The property's net operating income, or NOI, and net cash flow, or NCF, has been fairly stable over the past three years and continues to trend upwards. NCF for 2011, 2012 and 2013 was reported at $26.1 million, $27.6 million and $28.2 million, respectively. Morningstar has underwritten to an NOI of $29.1 million and a NCF of $28.1 million, which includes rent from recent leases and contractual rent increases over the next 12 months. Based on our analysis, we estimate an amortizing debt service coverage ratio, or DSCR, of 1.61x, loan to value, or LTV of 96% and a value of $395.9 million ($434 per square feet). Our estimate is 34% less than the appraised value of $600,000,000 ($658 per square feet).

Morningstar considers the property to be a stable, well positioned asset in a unique and desirable location. The property is leased to long term tenants on triple net leases. 40.7% of the total Net Rentable Area, or NRA, is leased to investment quality tenants. The risks associated with the loan (discussed below) are appropriatelty addressed in the underwriting and the loan structure. The loan is highly levered, especially considering that the payments are interest only. There is refinance risk due to the increase in expenses in the ground rent and real estate taxes, due to the phasing out of the PILOT program. Partially mitigating this risk is the fact that the market for retail space in this area is on a triple net basis and any increases in real estate taxes will be absorbed by the tenants. In addition, Morningstar adjusted the ending value NCF to account for the increase in ground rent at maturity.

The Bears Say

- Dark Tenant: Michaels (23,204 square feet) closed and went into a tolling period from January 2012 until January 2014 in order to accommodate the redevelopment of neighboring space, which is now occupied. Michaels began paying the full contractual rent at the end of the termination period. Michaels has not indicated if and when they will reopen the store. Morningstar has underwritten this tenant as vacant.
- Reduced Rent: Toys R Us / Babies R Us (76,921 square feet) recently executed an amendment to its lease, lowering its annual base rent and common area maintenance, or CAM, beginning on May 1, 2015 though the remaining lease term. In exchange for reducing the rent and CAM charges, the borrower received the ability to terminate the lease at any time with 270 days notice. Additionally, the gross sales termination option threshold was lowered to $14.0 million, with the first test year ending April 30, 2016. The total sales for this tenant were $13.6 million in 2013, or $176 per square foot. The Toys R Us / Babies R Us reduced rent is below market. Morningstar underwrote the reduced rent and CAM charges.
- Ground Lease: The property is subject to a ground lease to the the City of New York. The initial term of the ground lease is from September 14, 2006 to September 13, 2055. The ground lease provides for five consecutive ten-year renewal terms. The ground lease payments increase over the term of the loan and are detailed in the Property Description section. Morningstar has underwritten the ten year average of this payment. In addition, the ground rent payment at maturity will be significantly higher than the underwritten amount. Morningstar has adjusted the NCF used to determine the ending value by this difference.

- Loan Structure: The loan is structured with full term interest only payments and the loan proceeds will return approximately $42.2 million of equity to the borrower.
- Future Mezzanine or Subordinate Indebtedness: After the third year of the loan, the borrower has a one time right to have an affiliate of borrower obtain a mezzanine loan provided, among other provisions, that (a) the mezzanine loan shall not be greater than $50.0 million; (b) the combined loan to appraised value of the property is no greater than 65%; (c) a combined DSCR is not less than 1.30x; (d) no event of default exists under the loan documents; and (e) lender has received rating agency confirmation with respect to the mezzanine loan.
- Partial release: The loan is structured with the ability to release a portion of the collateral after the second year of the loan. The release parcel is currently unimproved and is used for overflow parking for Yankee Stadium. The appraisal has attributed no value to this parcel and Morningstar has not underwritten income attributed to the overflow parking.

The Bulls Say

- Location: The property is located in the southwest portion of City of New York's Yankee Stadium Area Redevelopment Project. The property's primary competition have strong occupancy rates, ranging from 95% to 98%. Including the secondary competition and proposed projects that may compete with the property, the average occupancy rate for the competitive set is 92%.
- Tenancy: The property is currently 99.3% leased and 96.8% occupied by 26 tenants. The three anchor tenants, Target, BJ's and Home Depot, are on long term leases, expiring in 2033, 2029 and 2034, respectively. Morninstar has identified six investment grade quality tenants, which total 40.7% of the total NRA and 30.1% of the underwritten GPR. There is minimal rollover during the term of the loan. Through 2024, leases expiring total 30.5% of the NRA and 37.3% of the GPR.
- Sponsorship: The sponsor and the nonrecourse carve-out guarantor for the loan is Related. Related reportedly owns and operates a portfolio valued at over $15 billion, consisting 6,000 luxury rental units, approximately 35,000 affordable housing units and over 9 million square feet of commercial, retail and mixed-use properties located throughout the United States.
- Property Condition: The property was constructed in 2009 and is in good condition. A Property Condition Assessment identified no immediate repair needs.

Property Description

Constructed in 2009, Bronx Terminal Market is a four building, 912,333 square foot retail power center. The main retail section of the property contains two four-story buildings and a central garage with 2,610 parking spaces. Also included in the collateral are two 1-story commercial buildings. Anchors at the property include Target, BJ's and Home Depot. Other tenants at the property include Toys R Us / Babies R Us, Burlington Coat Factory, Best Buy, Raymour & Flanigan, Marshalls and Bed, Bath & Beyond. Morningstar visited the property on April 30, 2014. The property was in good condition and the tenant spaces were accessible and well maintained. Based on the age, physical condition, location and maintenance, Morningstar assigned Bronx Terminal Market a property score of 3 (average).

Bronx Terminal Market is located in the Bronxchester neighborhood of Bronx, NY, in an area of redevelopment by the City of New York. The property is located just south of the new Yankee Stadium. A 2-acre public park is located near the property on the Harlem River waterfront. The site has direct access from the Major Deegan Expressway (Interstate 87), good access to the Cross Bronx Expressway (Interstate 95), Bruckner Expressway (Interstate 278), Sheridan Expressway (Interstate 895), Triborough Bridge and Grand Concourse. The Grand Concourse station, which provides access to the 2, 4 and 5 subway lines, is located three blocks east of the property and the 161st Street-Yankee Stadium station, which provides access to the 4, B and D lines, is located eight blocks north of the property. The Metro North station, located just north of the property on 161st Street provides access to 12 bus routes.

Bronx Terminal market is in good condition, with the no immediate repairs identified in the Property Condition Assessment. Reserve replacements were estimated at $0.09 per square feet on an inflated basis. The Phase I Environmental Site Assessment identified the potential for asbestos-containing materials, or ACM, and recommended the implementation of an ACM Operations and Maintenance Program. In addition, the site is a part of the New York State Department of Environmental Conservation Brownfield Cleanup Program and received a Certificate of Completion in 2009. The property is required to comply with a site management plan. Certifications associated with the engineering controls are required to be kept up to date and filed annually.

The property is subject to a ground lease to the the City of New York. The initial term of the ground lease is from September 14, 2006 to September 13, 2055. The ground lease provides for five consecutive ten-year renewal terms. The expiration date of the ground lease, inclusive of all extension options, is September 13, 2105. The annual ground lease payments are the maximum of (1) a fixed payment that increases every 5 years or (2) a percentage of gross revenues, the percentage of which increases 1% every 5 years until August 2024 when it remains at 5%. There is also a 14 year rent credit, which increases from $200,000 to $500,000 over the term of the loan and expires in August 2023. The ground lease also requires the borrower to pay to the ground lessor a percentage of net sale proceeds or net financing proceeds (7.5% during the initial 49 years and 15% during the renewal terms), not including amounts associated with foreclosure or transfer in lieu, unless the forclosing morgagee is paid in full. Given the fact that the ground rent payments will be increasing over the term of the loan, Morningstar has underwritten the 10-year average of this payment. In addition, the ground rent payment at maturity will be significantly higher than the underwritten amount due to rent increases and the expiration of the rent credit. Morningstar has adjusted the NCF used to determine our ending value by this difference.

The property is part of a PILOT program which ends in the 2035/2036 tax year. As part of the PILOT program, real estate taxes are due on the land however the real estate taxes are fully abated on the improvements for 15 years. Real estate taxes on the improvements are then increased by 10% annually from year 17 through 25. For the property, the initial period of full abatement on the improvments ends in tax year 2026/2027 The PILOT program is a contributing factor to the low occupancy costs for the tenants at the property. Leases at the property and in the market are on a triple net basis and the tenants will absorb the cost of the increases in Real Estate Taxes.

Tenant Overview

Dark Tenant:
Michaels began leasing 23,204 square feet of space on the second floor in January 2010. At the time of lease commencement, the other tenants sharing the nearby space consisted of interior shops with local tenants. Related determined that the interior space was better utilized as exterior junior anchor space and began redeveloping the space in late 2011. This space was leased to Burlington Coat factory, commencing on March 2012 and Chuck E Cheese, commencing on January 2014. Michaels temporarily closed and went into a tolling period from January 2012 until January 2014. Michaels began paying the full contractual rent in January 2014, although it has not reopened the store. Michaels has not indicated if and when it will reopen the store. Morningstar has underwritten this tenant as vacant.

Reduced Rent:
Toys R Us / Babies R Us recently executed an amendment to its lease, lowering its annual base rent and CAM beginning on May 1, 2015 though the remaining term. In exchange for reducing the rent and CAM charges, the borrower received the ability to terminate the lease at any time with 270 days notice. Additionally, the tenants gross sales termination option threshold was lowered to $14.0 million, with the first test year beginning May 1, 2015. The total sales for this tenant were $13.6 million in 2013, or $176 per square foot. The borrower is not actively marketing the space but considers the termination option an important concession from the tenant that gives Related the option to replace the tenant if a new tenant is sourced. Morningstar underwrote the reduced rent and CAM charges.

Morningstar has identified six tenants at the property as investment grade quality, including Target and Home Depot. The investment grade tenants total 40.7% of the total NRA and 30.1% of the underwritten GPR. Morningstar underwrote lower leasing costs for Target and Home Depot only, because the leases expire well after the maturity of the loan. The chart below summarizes the recent tenant sales reported at the property.

Most Recent Sales				
Tenant	**SF**	**Year**	**Total**	**Per Sq Ft**
Burlington Coat Factory	74,329	2013	17,815,000	239.68
Michael's - partial year	23,204	2011	1,267,515	54.62
BJ's Wholesale Club	130,099	2011	134,972,953	1,037.46
Marshalls	37,401	2012	9,974,057	266.68
Toys R Us / Babies R Us	76,921	2013	13,555,135	176.22
GNC	1,980	2013	569,090	287.42
Payless ShoeSource	3,053	2012	407,641	133.52
Skechers	8,741	2013	1,898,815	217.23
Applebee's	6,661	2013	4,987,482	748.76

The top 10 tenants comprise 86.0% of the collateral square feet and contribute 78.2% of base rent. Aside from the previously mentioned anchors, major tenants include Toys R Us / Babies R Us, Burlington Coat Factory, Best Buy, Raymour & Flanigan, Marshalls and Bed Bath and Beyond. According to the appraisal, the property brought the first combined Toys ‘R Us / Babies ‘R Us to New York State and the first BJ’s Wholesale Club and Bed Bath and Beyond to the Bronx.

Morningstar Tenant Overview Table (Top 10)						
Tenant	Net Rentable Square Feet	% of Square Feet	Base Rent Amount	Base Rent $ Square Foot	% of Rent	Lease Expiration
Target	188,446	20.7%	$1,043,991	$5.54	3.6%	Oct-33
BJs	130,099	14.3%	$4,878,713	$37.50	16.9%	Aug-29
Home Depot	124,955	13.7%	$5,498,020	$44.00	19.1%	Feb-34
Toys R' Us / Babies 'R' Us	76,921	8.4%	$1,769,188	$23.00	6.1%	Jan-20
Burlington Coat Factory	74,329	8.1%	$1,932,554	$26.00	6.7%	Jan-28
Best Buy	52,086	5.7%	$2,343,870	$45.00	8.1%	Jan-20
Raymour & Flanigan	46,814	5.1%	$1,872,560	$40.00	6.5%	Oct-24
Marshalls	37,401	4.1%	$1,309,035	$35.00	4.5%	Aug-19
Bed Bath and Beyond	33,877	3.7%	$1,219,572	$36.00	4.2%	Jan-25
Chuck E Cheese	19,834	2.2%	$654,522	$33.00	2.3%	Dec-28
Top 10 Subtotal	**784,762**	**86.0%**	**22,522,024**	**$28.70**	**78.2%**	**Aug-28**

Lease Expiration and Rollover

The property includes 26 tenants ranging in size from 188,446 square feet to 1,375 square feet. The three largest tenants, Target, BJ's and Home Depot, totaling 443,500 square feet and 48.6% of the NRA, each expire well after the term of the loan. The only tenants that are scheduled to roll in the near term are Gamestop and T- Mobile. An additional 30.1% of leases expire through 2024. These tenants include junior anchor tenants, including Toys R Us / Babies R Us, Best Buy, Raymour & Flanigan, Marshalls and Staples as well as most of the smaller in-line stores.

EXPIRATION SCHEDULE								
Year of Expiration	# of Tenants	Sq. Ft. Expiring	Cumulative Sq. Ft. Expiring	% of Total Sq. Ft.	Rent Sq. Ft. Expiring	Total Rent Expiring	Cumulative Rent Expiring	% of Tot Rent
MTM	0	0	0	0.0%	-	$0	$0	0.0%
2013	0	0	0	0.0%	-	$0	$0	0.0%
2014	1	1,518	1,518	0.2%	$90.00	$136,620	$136,620	0.5%
2015	0	0	1,518	0.0%	-	$0	$136,620	0.0%
2016	1	1,893	3,411	0.2%	$48.49	$91,792	$228,412	0.3%
2017	0	0	3,411	0.0%	-	$0	$228,412	0.0%
2018	0	0	3,411	0.0%	-	$0	$228,412	0.0%
2019	5	46,896	50,307	5.1%	$45.10	$2,114,841	$2,343,253	7.3%
2020	6	158,033	208,340	17.3%	$31.74	$5,015,583	$7,358,836	17.4%
2021	1	2,511	210,851	0.3%	$70.00	$175,770	$7,534,606	0.6%
2022	0	0	210,851	0.0%	-	$0	$7,534,606	0.0%
2023	0	0	210,851	0.0%	-	$0	$7,534,606	0.0%
2024	4	67,387	278,238	7.4%	$43.81	$2,952,449	$10,487,055	10.3%
2025+	10	604,828	883,066	66.3%	$28.29	$17,109,503	$27,596,558	59.4%
Totals / Weighted Av	**28**	**883,066**	**n/a**	**96.8%**	**$31.25**	**$27,596,558**	**n/a**	**96%**

Market Overview

Bronx Terminal Market is located in the Bronxchester neighborhood of Bronx, NY. There has recently been significant development in the Bronxchester area, as the City of New York is focused on revitalizing the area. The City of New York's Yankee Stadium Area Redevelopment Project includes the new Yankee Stadium, completed in 2009, an esplanade, a skate park, tennis courts, public ball fields as well as 8,000 new trees. The property is located in the southwestern quadrant of this redevelopment project. The Redevelopment Project, together with recent residential development, have had, and should continue to have, a positive impact on the Bronxchester neighborhood.

The property is comprised of anchor space, junior anchor space and five types of in-line retail space. Morningstar reviewed the appraiser's assumptions against recent leasing and current rental rates and determined an average market rental rate of $40.84 per square feet. This compares to the average rental rate of the leases of $32.39 per square feet, as of April 1, 2014, not including vacant space. Morningstar underwrote an average rent of $32.70 per square feet, which includes vacant space at market rent. On an effective gross income basis, Morningstar is approximately $2.3 million (5.1%) lower than the appraiser.

The appraiser identified four properties as primary competition, three properties as secondary competition and three properties as proposed competition. The primary competition are larger anchored retail properties located within 10 miles of the property and range in occupancy from 95% to 98%. The secondary competition are anchored community/neighborhood centers located within 5.5 miles of the property and range in occupancy from 99% to 100%. The proposed competition are projects either under construction or proposed that will be anchored regional centers. The proposed properties are located within 10 miles of the property and are pre-leased from 75% to 90%. The average occupancy rate of the primary, secondary and proposed competition is 92%. The property is currently 99.3% leased and 96.8% occupied, taking into account the dark Michaels space. Morningstar underwrote the current occupancy of the property, which assumes that the Michaels space is vacant. The chart below describes the primary competition to the property.

Primary Competition	Distance to Subject	Occupancy Rate	Description
Bay Plaza Power Center	9.7 miles	96%	Built in 1988 and totaling approximately 1,200,000 sq ft of space, this property contains eight buildings ranging from one to three stories. Anchors include Kmart, Marshalls, P.C. Richard & Son, Pathmark, Raymour & Flanigan Furniture, and a Toys 'R' Us. The property is adjacent to a J.C. Penney, which is on a long term ground lease.
East River Plaza	2.4 miles	95%	Built in 2004 and totaling approximately 235,000 sq ft, this property contains 16 stores and a two story parking facility with 809 spaces. The parking is free. Anchors include Target Store, Macy's Furniture Store, and Marshalls. Other tenants include Applebee's Neighborhood Grill & Bar, Starbucks Coffee, and Payless Shoes.
River Plaza	4.2 miles	98%	Built in 1964 and expanded in 1991 this property contains approximately 487,000 sq ft of retail and 50,000 sq ft of office space. Anchors include Big Kmart, Toys R Us, Conway, Old Navy and Marshalls. Other tenants include Modell's, Casual Male Big and Tall, and Radio Shack.
Bruckner Plaza	6.35 miles	96%	Built in 2010 and totaling approximately 525,000 sq ft, this property contains a five level power center and an attached garage with 1,248 space. Anchors include Target, Costco, Burlington Coat Factory, and Marshalls.

Sponsorship/Management

The borrower is BTM Development Partners, LLC, a single purpose New York limited liability company. The sponsor and the nonrecourse carve-out guarantor for the loan is The Related Companies, L.P., or Related. Over the last 40 years, Related has developed or acquired over $22.0 billion of real estate. Related has seven offices worldwide and employs over 2,500 people. Related reportedly owns and operates a portfolio valued at over $15 billion, consisting 6,000 luxury rental units, approximately 35,000 affordable housing units and over 9 million square feet of commercial, retail and mixed-use properties located throughout the United States.

Morningstar Analysis

	Morningstar Underwriting	Year End 2011	Year End 2012	Year End 12/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$29,833,595	$25,534,402	$26,224,542	$26,651,657	$31,870,450
Less: Vacancy Loss (GPR)	(1,360,840)	0	0	0	(918,038)
Less: Collection Loss	0	0	12,562	(277,129)	(2,217,876)
Base Rent/Net Effective Rent	**$28,472,756**	**$25,534,402**	**$26,237,104**	**$26,374,528**	**$28,734,536**
Expense Reimbursement	$9,972,735	$7,560,692	$8,921,104	$9,882,405	$10,637,817
Percentage Rent	40,000	325,248	513	17,662	40,000
Parking Income	3,792,600	3,628,027	3,847,862	3,848,511	3,792,600
Other Income	417,402	428,473	775,924	593,928	417,402
Overflow Parking Income	0	398,270	344,899	200,762	0
Effective Gross Income	**$42,695,493**	**$37,875,112**	**$40,127,406**	**$40,917,796**	**$43,622,355**
Expenses					
Real Estate Taxes	$1,420,981	$622,819	$944,693	$1,319,824	$1,420,981
Property Insurance	437,383	225,605	269,581	384,071	437,383
Utilities	971,999	932,045	500,494	759,753	971,999
Management Fees	1,280,865	1,391,658	1,766,878	1,649,834	1,000,000
Common Area Maintenance	7,259,225	6,349,605	7,406,915	6,707,143	7,259,225
Miscellaneous	749,503	998,747	599,663	740,003	696,696
Parking Expense	729,584	682,588	610,826	691,906	729,584
Ground Rent	711,228	583,307	426,816	436,468	552,617
Total Operating Expenses	**$13,560,768**	**$11,786,374**	**$12,525,866**	**$12,689,002**	**$13,068,486**
Net Operating Income	**$29,134,724**	**$26,088,738**	**$27,601,540**	**$28,228,794**	**$30,553,869**
Capital Items					
Leasing Commissions	$597,429	$0	$0	$0	$480,577
Tenant Improvements	157,088	0	0	0	227,324
Capital Expenditure / Reserve	273,700	0	0	0	273,700
Total Capital Items	**$1,028,217**	**$0**	**$0**	**$0**	**$981,601**
Net Cash Flow	**$28,106,507**	**$26,088,738**	**$27,601,540**	**$28,228,794**	**$29,572,268**

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 Square Foot	$32.70
Vacancy (%)	4.6%

As of April 1, 2014, the property's rent per square foot was $32.70, based on current leases plus vacant tenants underwritten at market rent. Scheduled rent increases were applied through April 1, 2015, which is consistent with the issuer's methodology. In addition, Morningstar underwrote the reduced rent for Toys R Us / Babies R Us, which begins on May 1, 2015. Morningstar's concluded market rents were based on the appraiser's estimate for the various space types, which were higher than the in place rents. As a result, in-place rents were adjusted upward $0.31 per square foot, toward estimated market levels.

Morningstar's concluded vacancy rate of 4.6% of Gross Potential Rent was based on the actual vacancy at the property, assuming that the Michaels dark space is vacant. This vacancy statistic was more conservative than the market vacancy rate of 3.0% concluded by the appraiser.

Expense Reimbursements were underwritten based on the Issuer's recovery ratio of 85.0%, reduced by the amount of CAM attributed to Toys R Us / Babies R Us. The Issuer's recovery ratio is slightly higher than the 2013 recovery ratio of 80.7%, however this is due to the recent leasing of Chuck E Cheese and CUNY (Hostos), totalling 4.2% of NRA. Important to note is that the ground rent is not included in the recovery ratio, as this expense is not passed through to the tenants. Overall, Morningstar underwrote a recovery ratio of 77.6%.

Parking Income and Other Income were underwritten based on the Issuer's estimate, which is based on the borrower's budget and is less than the historical other income collected at the property.

Percentage Rent was underwritten based on the Issuer's estimate for Burlington Coat Factory.

Expenses

Expenses are underwritten to the Issuer's assumptions, which were generally higher than or consistent with the historical figures, with the exception of manangement fees and ground rent. Management fees were underwritten at 3% of EGI. The contractual management fee is 3%, of which all but 2% is subordinate to the loan. As discussed earlier, ground rent was underwritten to the 10 year average of this expense over the term of the loan.

Capital Items

A reserve for future capital expenditures is underwritten at $0.30/square feet, an increase over the engineer's recommended reserves of $0.09/square feet. Tenant improvements for retail space is underwritten to between $5 and $10 per square foot for new leases and between $5 and $2.50 per square foot for renewing leases. Leasing commissions are underwritten to 4% for new tenants and 2% for renewals. Based on the credit quality and long term leases of Target and Home Depot, tenant improvements and leasing commissions were not underwritten for these tenants. A renewal rate of 65% is assumed.

Valuation Drivers

As of fourth quarter of 2013, Morningstar's base capitalization rate for the New York City retail market was 7.6%. This capitalization rate was adjusted for the location, tenancy and property sub type for a total capitalization rate of 7.1%. Morningstar capitalization rates are updated regularly and are compiled from a review of relevant market data, including numerous investor surveys and comparable sales data. Morningstar's overall rate was 185 basis points higher than the appraiser's concluded capitalization rate of 5.25% and approximately 150 basis points above the average capitalization rate of the eight comparable sales identified by the appraiser.

State Farm Portfolio

Analyst: Mike Magerman 267-960-6022
Analytical Manager: Chandan Banerjee 646-560-4512

Property Summary		
Property Type	Office/Single Tenant NNN	
Location	Various	
Year Built	Various	
Year Renovated	Various	
Net Rentable Sq. Ft. (Total)	3,397,783	
Net Rentable Sq. Ft. (Collateral)	3,397,783	
Occupancy (Tape)	100.00%	(as of 1/31/14)
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$100,000,000	($113 /sq. ft.)
Loan Amount (Cut-Off Balance)	$100,000,000	($113 /sq. ft.)
Loan Term (months to ARD)	120	
I/O Period (months)	120	
Amortization Term (months)	0	
Loan Seasoning (months)	1	
Interest Rate	4.62660%	

Morningstar Analysis		
Current DSCR	1.91 x	
Amortizing DSCR	1.91 x	
Beginning LTV	90.61%	(whole loan)
Ending LTV	90.61%	(whole loan)
Capitalization Rate	8.00%	
Morningstar UW Occupancy	97.00%	
Net Operating Income	$34,149,310	
Net Cash Flow	$33,861,068	
Value	$423,263,351	($125 /sq. ft.)
Debt Yield	8.83%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan	$100,000,000	4.6266%	1.91 x	1.91 x	23.63%	90.61%
Mezzanine Loan	86,000,000	9.0000%	0.67 x	0.67 x	110.92%	91.25%
Pari-Passu Note	283,500,000	4.6266%	1.91 x	1.91 x	23.63%	90.61%
Total	**$469,500,000**	**5.4277%**	**0.67 x**	**0.67 x**	**110.92%**	**91.25%**

Morningstar Summary

Morningstar Perspective

The $383.5 million State Farm Portfolio loan is secured by 14 mission critical operation centers in 11 states, 100% occupied by State Farm Insurance. All of the properties house claims and administrative offices, and some also include executive, financial, underwriting, public affairs and human resources departments, among others. The properties were built between 1979 and 2003, and most have been part of State Farm's real estate holdings since their construction date. State Farm has reportedly spent $165 million on the portfolio's properties over the years after their construction, showing a continuing commitment to the properties. The 14 buildings contain a total net leasable area of 3.40 million square feet, ranging from roughly 105,000 to 402,000 square feet.

Given that there is a financially sound tenant with a long history, with more than 92% of the lease payments in-place through November 2028, with no termination rights, the tenant's proven commitment to these properties, and that the properties perform a vital role in the tenant's business, we believe that the portfolio will support the loan payments throughout the term. State Farm has been in business since 1922, is the U.S. market share leader in the automobile and homeowners insurance lines, and has A.M. Best's highest financial strength rating.

All of the leases are 100% absolute triple net, all commenced in November 2013, and have a variety of rent payments ranging from $8.00 to $12.00 per square foot. All except two of the properties have lease terms expiring on November 30, 2028, which is more than four years beyond the loan's Anticipated Repayment Date (ARD). The only exceptions are two of the three properties in Greeley, Colorado, which have expirations on November 30, 2018 and November 30, 2023. The contract rents are considerably less than the current market rents in every case, though the triple net leases, size of the buildings and amount of space leased has some bearing on that difference. The length of most of the leases and the critical nature of the functions performed at the properties provide some assurance that cash flow will be sustainable throughout the loan term.

The properties are cross-collateralized and cross-defaulted. Of the whole first mortgage loan total, $100 million is securitized in the COMM 2014-UBS3 transaction. There is also an $86 million mezzanine loan with a one-year term, and two one-year extension options. Property releases are permitted under the loan documents, though only to the extent of 25% of the original portfolio loan amount. The release price is 110% of the allocated balance for all except one of the properties; for the Greeley North property, the release may be at par if the release takes place before the expiration of that lease on November 30, 2018.

The financing provided proceeds for the acquisition of the portfolio by JDM Partners for $540 million. The total of the appraised values of the properties is $540.1 million. The loan has a 15-year term, although there is an ARD at the end of the tenth year. The first ten years prior to the ARD the loan provides interest-only payments. There is some refinance risk at the ARD at the end of year ten, as there is no amortization to that point, the loan will still be highly levered, and several of the properties are in shallow office markets.

Leverage is high with a Morningstar loan-to-value of 90.6% based on a value of $423.26 million, a capitalization rate of 8.0% and a total first mortgage loan amount of $383.5 million. Morningstar's value equates to $125 per square foot. The total value of the portfolio as determined by the appraisals is $540.1 million; the Morningstar value is lower by 21.6%.

The Bears Say

- The loan is full term interest-only, so there will be no benefit of amortization for the first ten years through the Anticipated Repayment Date (ARD). Given the high Morningstar loan-to-value of 90.6%, this could present greater than normal refinance risk at the ARD.
- There is a high concentration risk from a single tenant.
- Some of the office properties are located in tertiary markets with little or no office market. This could make re-tenanting the buildings difficult if State Farm ever vacates.
- Some of the office properties are relatively old, with construction dates before 1990.
- The mezzanine loan must be paid off within three years, and the borrower is relying on raising equity from investors to meet this obligation. However, with more than $80 million in equity in the properties, it is highly likely that the sponsor would make every effort to make the payments as required. Also, at the extended maturity of the mezzanine loan, most of the properties will still have 11.7 years remaining on their leases.

The Bulls Say

- The tenant State Farm Insurance is a highly-rated and well-respected major insurance company with extensive operations in many locations. State Farm has more than 65,000 employees and 17,800 agents.
- There is good geographic diversity among the portfolio's locations, and the properties are in areas with good demographics with respect to income and education level.

- State Farm has reportedly spent $165 million on the portfolio's properties over the years after their construction, including $36 million in the last three years, showing a continuing commitment to the properties. Each of the properties is a mission critical operation center that supports multiple business lines.
- State Farm does not have termination rights, and 12 of the 14 leases extend to November 2028, or more than four years beyond the ARD at the end of year ten, and considerable amortization occurs after the ARD. The other two properties represent less than eight percent of the total rent.

Property Description

The properties were constructed between 1979 and 2003, as build-to-suit operation centers for State Farm. Each of the properties is a two-story or three-story suburban office property. State Farm has spent a total of $164.5 million ($48 per square foot) on the portfolio in capital improvements after their construction dates. All but four of the properties have had extensive renovations, mostly since 2008. The properties that were not renovated had at least $1.7 million and as much as $4.7 million spent on each, though those were all built between 2001 and 2003. In each case, there were no immediate repairs recommended by the property condition assessment and there were no recognized environmental conditions reported in the Phase I environmental assessment, with only two exceptions. The north building at Lincoln, Nebraska has had a recommendation for an operations and maintenance plan for suspect asbestos containing materials, and the central building at Greeley, Colorado has had a recommendation for regrading near a retaining wall at an estimated cost of $2,250.

The Charlottesville, Virginia property is a one-story suburban office building on a commercial corridor 2.5 miles east of the Charlottesville Central Business District (CBD). The 362,155-square foot property was built in 1989, expanded in 1995, and renovated in 2011. The property is on a 55.1-acre parcel and provides 1,217 surface parking spaces. The University of Virginia is nearby.

City	Nearest Metro Area	State	Year Built	Square Feet	COMM 2014-UBS3 Allocated Balance	Whole Loan Allocated Balance	Appraised Value
Charlottesville	Charlottesville	VA	1979/1985/1991	362,155	$13,497,500	$51,762,914	$72,900,000
Murfreesboro	Nashville	TN	1989/1995	402,177	11,868,173	45,514,442	64,100,000
Malta	Albany	NY	1990	336,382	10,646,177	40,828,087	57,500,000
Homewood	Birmingham	AL	1992	312,989	9,720,422	37,277,819	52,500,000
Tulsa	Tulsa	OK	1989	287,580	8,609,517	33,017,497	46,500,000
Columbia	Columbia	MO	1992	335,049	8,572,487	32,875,486	46,300,000
Jacksonville	Jacksonville	FL	1976	302,440	8,516,941	32,662,470	46,000,000
Lincoln (North)	Lincoln	NE	1988	224,175	6,258,100	23,999,815	33,800,000
Greeley (Central)	Denver	CO	2003	194,203	5,647,102	21,656,638	30,500,000
Columbus	Columbus	OH	2001	148,782	4,832,438	18,532,401	26,100,000
Greeley (South)	Denver	CO	2003	112,874	3,092,020	11,857,897	16,700,000
Lincoln (South)	Lincoln	NE	2000	128,971	3,591,928	13,775,042	19,400,000
Portage	Kalamazoo	MI	1989	105,639	2,629,143	10,082,762	14,200,000
Greeley (North)	Denver	CO	2003	144,367	2,518,052	9,656,730	13,600,000
				3,397,783	**$100,000,000**	**$383,500,000**	**$540,100,000**

The Murfreesboro, Tennessee property is a one-story suburban office building 27 miles southeast of the Nashville CBD. The 402,177-square foot property was built in 1979, expanded in 1985 and 1991, and renovated in 2008. The property is on a 55.4-acre parcel and provides 1,633 surface parking spaces. Middle Tennessee State University is nearby, as is Saint Thomas – Rutherford Hospital.

The Ballston Spa, New York property is actually in Malta, New York, a two-story suburban office building 27 miles north of downtown Albany. The 336,382-square foot property was built in 1991 and renovated from 2008 through 2013. The property is on a 122.5-acre parcel and provides 1,230 surface parking spaces. The local area has a large presence of semiconductor research and development, and GlobalFoundries is in process of construction of a very large semiconductor plant to be completed in Malta by the end of 2014, and is expected to employ 1,000.

The Birmingham, Alabama property is actually in Homewood, Alabama, a two-story suburban office building five miles southeast of the Birmingham CBD. The 312,989-square foot property was built in 1992 and renovated in 2010. The property is on a 44.9-acre parcel and provides 1,365 surface parking spaces. The University of Alabama Birmingham is nearby, as are several hospitals.

The Tulsa, Oklahoma property is a two-story suburban office building 10 miles southeast of the Tulsa CBD. The 287,580-square foot property was built in 1989 and renovated in 2010. The property is on a 40.8-acre parcel and provides 958 surface parking spaces. The local area along U.S. Route 64 is a busy commercial corridor with office and retail development.

The Columbia, Missouri property is a two-story suburban office building 3.5 miles south of the Columbia CBD. The 335,049-square foot property was built in 1992 and renovated most recently in 2013. The property is on a 78.2-acre parcel and provides 1,261 surface parking spaces. The property is located along a busy commercial corridor with office and retail development. The University of Missouri is about four miles north of the property.

The Jacksonville, Florida property is a one-story suburban office building 12 miles southeast of the Jacksonville CBD. The 302,440-square foot property was built in 1976 and renovated in 2000. The property is on a 35 acre parcel and provides 1,123 surface parking spaces. The property is located along a busy commercial corridor just off I-95, and is part of Perimeter Center office park.

The Lincoln, Nebraska properties are two buildings with a total of 353,146 square feet, one two-story and one one-story suburban office building. The properties are five miles east of the Lincoln CBD. The larger 224,175-square foot north building was built in 1988 and renovated in 1999. The north building sits on 31.3 acres and provides 972 parking spaces. The 128,971-square foot south building was built in 2000 and renovated in 2007. The south building parcel is on 22.7 acres and provides 677 parking spaces. The major local economic drivers are Saint Elizabeth Regional Medical Center and Southeast Community College. The University of Nebraska is five miles west of the properties.

City	State	Year Built	Year Renovated	Capital Expenditures Since Built
Charlottesville	VA	1979/1985/1991	2008	$34,068,867
Murfreesboro	TN	1989/1995	2011	19,706,537
Malta	NY	1990	2008 - 2013	19,783,003
Homewood	AL	1992	2010	13,892,176
Tulsa	OK	1989	2010	9,756,761
Columbia	MO	1992	2000 - 2013	8,415,823
Jacksonville	FL	1976	2000	22,492,409
Lincoln (North)	NE	1988	1999	12,829,505
Greeley (Central)	CO	2003	----	2,882,867
Columbus	OH	2001	----	4,672,582
Greeley (South)	CO	2003	----	1,675,570
Lincoln (South)	NE	2000	2007	5,530,184
Portage	MI	1989	1998	6,609,248
Greeley (North)	CO	2003	----	2,141,563
				$164,457,095

The Greeley, Colorado properties are three buildings with a total of 451,444 square feet, one four-story and two three-story suburban office buildings. The properties are 50 miles north of the Denver CBD, and 15 miles southeast of Fort Collins. The 194,203-square foot central building was built in 2003. The central building sits on 11.3 acres and provides 798 parking spaces. The 112,874-square foot south building was also built in 2003. The south building parcel is on 10.2 acres and provides 455 parking spaces. The 144,367-square foot north building was built in 2001. The north building parcel is on 14.1 acres and provides 582 parking spaces. A large amount of land use in Greeley is agricultural, though the properties are not far from U.S. Route 34, which passes through Greeley and serves as a commercial corridor.

The New Albany, Ohio property is a four-story suburban office building 15 miles northeast of the Columbus CBD. The 148,782-square foot property was built in 2001. The property is on an 18.9-acre parcel and provides 992 surface parking spaces. The property is located close to commercial corridors in the local area, and other major insurance company offices are nearby including Aetna and Nationwide.

The Kalamazoo, Michigan property is actually in Portage, a one-story suburban office building five miles south of the Kalamazoo CBD. Kalamazoo itself is 140 miles west of Detroit and 145 miles east of Chicago. The 105,639-square foot property was built in 1989 and renovated in 1998. The property is on a 9.8-acre parcel and provides 607 surface parking spaces. The property is located nearly adjacent to the Kalamazoo / Battle Creek International Airport, which is served by Delta Airlines and American Airlines.

Morningstar visited four of the properties on April 28, 2014, although interior access was permitted only at the Murfreesboro, Tennessee property. From the exterior views, all of the properties appeared to be fairly typical suburban office buildings, surrounded by ample parking and well landscaped.

The Murfreesboro, Tennessee property provided a tour to Morningstar on April 28. The property was observed to be in very good condition. There are highly finished executive offices, administrative offices and highly secured video conferencing areas. There is a disaster command area with several large screen television monitors and walls lined with maps, which are used when needed following large scale disasters that require a heavy volume of claims processing. About 1,550 employees are housed at this location. There are numerous break rooms and café areas, training rooms and conference rooms, and a large cafeteria. The importance of the property to State Farm's operations is clear given the scope of the activities and the quality of the facilities.

The Charlottesville, Virginia property is in a heavily developed commercial area not far from a main road, in an attractive setting. The parking lots were fairly full at mid-afternoon.

The Ballston Spa, New York property is just off I-87 and in a campus-like setting, though little other commercial development is nearby. The parking lots were fairly full in late afternoon.

The Greeley, Colorado properties are in a remote location eight miles west of the town of Greeley. The parking lots were fairly full in the afternoon. There is very little development aside from the State Farm properties in the immediate area, a Pepsi bottling plant and another office building. There is only a small office market in Weld County, and it is eight miles to the west of the properties' location near I-25, in the opposite direction from Greeley. In the event that State Farm does not renew its leases, which expire in 2018, 2023 and 2028, finding a replacement tenant could be very difficult as the potential users for such a property would likely be limited.

Tenant Overview

State Farm Insurance was founded in 1922 and its headquarters is in Bloomington, Illinois. State Farm is ranked 44th on the Fortune 500 with 2013 revenues of $65.3 billion. With more than 65,000 employees and 17,800 agents, State Farm has a financial strength rating of A++ from A.M. Best, the highest rating awarded by the insurance industry rating agency. State Farm is the largest automobile insurer in the U.S., representing the company's most important business line. The company also has a major presence in life, fire and casualty insurance. State Farm's industry-leading market share is 18% in automobile insurance and 22% in homeowners insurance. Despite a loss of $2.0 billion in net underwriting, investment income helped to produce net income of $1.84 billion for 2013, up 20% from 2012. Total admitted assets grew to $129.3 billion as of year-end 2013 from $114.9 billion at year-end 2012.

Lease Expiration and Rollover

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year							
	MTM	**2014**	**2015**	**2016**	**2017**	**2018**	**After 2018**
Murfreesboro	0	0	0	0	0	0	402,177
Charlottesville	0	0	0	0	0	0	362,155
Ballston Spa	0	0	0	0	0	0	336,382
Columbia	0	0	0	0	0	0	335,049
Birmingham	0	0	0	0	0	0	312,989
Jacksonville	0	0	0	0	0	0	302,440
Tulsa	0	0	0	0	0	0	287,580
Lincoln North	0	0	0	0	0	0	224,175
Greeley Central	0	0	0	0	0	0	194,203
New Albany	0	0	0	0	0	0	148,782
Greeley North	0	0	0	0	0	144,367	0
Lincoln South	0	0	0	0	0	0	128,971
Greeley South	0	0	0	0	0	0	112,874
Kalamazoo	0	0	0	0	0	0	105,639
Total	**0**	**0**	**0**	**0**	**0**	**144,367**	**3,253,416**
% Roll	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**4.2%**	**95.8%**

Market Overview

The 14 properties are in 11 distinct markets in 11 different states. Only the Columbus, Ohio property is in a major metropolitan area; most of the properties are in secondary and tertiary cities, or somewhat distant from a major city, as the Greeley properties are roughly 55 miles north of Denver. The Columbia, Missouri property is in a small city in central Missouri and is not close to either St. Louis or Kansas City. The Murfreesboro, Tennessee property is 35 miles southeast of Nashville. The Portage, Michigan property is near Kalamazoo, which is 140 miles west of Detroit and 145 miles east of Chicago.

City	State	Square Feet	Lease Commencement	Lease Expiration	Rent Per Square Foot	Market Rent Per Square Foot (Gross)	Market Vacancy	Market Data Source
Charlottesville	VA	362,155	11/8/2013	11/30/2028	$12.00	$18.84	18.5%	Reis
Murfreesboro	TN	402,177	11/8/2013	11/30/2028	9.50	--------	--------	--------
Malta	NY	336,382	11/8/2013	11/30/2028	10.25	17.13	14.6%	Reis
Homewood	AL	312,989	11/8/2013	11/30/2028	10.00	19.30	15.1%	Reis
Tulsa	OK	287,580	11/8/2013	11/30/2028	9.75	13.59	19.7%	Reis
Columbia	MO	335,049	11/8/2013	11/30/2028	8.25	12.42	2.7%	CoStar
Jacksonville	FL	302,440	11/8/2013	11/30/2028	9.00	17.93	20.5%	Reis
Lincoln (North)	NE	224,175	11/8/2013	11/30/2028	9.00	15.23	15.6%	Reis
Greeley (Central)	CO	194,203	11/8/2013	11/30/2028	9.25	16.97	6.8%	CoStar
Columbus	OH	148,782	11/8/2013	11/30/2028	10.50	17.82	29.3%	Reis
Greeley (South)	**CO**	112,874	11/8/2013	**11/30/2023**	9.25	16.97	6.8%	CoStar
Lincoln (South)	NE	128,971	11/8/2013	11/30/2028	9.00	15.23	15.6%	Reis
Portage	MI	105,639	11/8/2013	11/30/2028	8.00	10.80	10.8%	CoStar
Greeley (North)	**CO**	144,367	11/8/2013	**11/30/2018**	9.25	16.97	6.8%	CoStar
		3,397,783			**$9.65**			

None of the ten markets for which data was provided by Reis or CoStar had an average overall market (or submarket) rent of more than $20.00 per square foot; most were between $15.00 and $19.30. The Kalamazoo (Portage), Michigan market was the lowest outlier at $10.80 per square foot, and the Columbia, Missouri market was also low at $12.42 per square foot. Vacancy in most markets was between 10% and 20%, with a few high and low outliers. The Weld County, Colorado submarket that contains the Greeley properties was reported by CoStar to have vacancy of 6.8% as of the fourth quarter of 2013. The Southeast Columbia, Missouri submarket had a fourth quarter 2013 vacancy of just 2.7%. At the other extreme, the Columbus, Ohio property is in the Westerville submarket, which had a fourth quarter 2013 vacancy of 29.3% according to Reis. The Jacksonville, Florida property is in the Southside submarket, which had a fourth quarter 2013 vacancy of 20.5%.

The rent comparables cited in the appraisals generally supported the in-place rents as being representative of each market. The appraisal analysis made adjustments to account for the difference between standard gross rents and the State Farm properties' triple net rents.

Sponsorship/Management

The borrower is JDM II SF National, LLC, a single-purpose Delaware limited liability company, with a bankruptcy-remote structure with two independent directors.

The sponsor is JDM Partners Opportunity Fund II, LLC, the recent purchaser of the portfolio. JDM Partners is an experienced developer of business parks in Arizona, and developed Douglas Ranch/Trillium Community, the largest master planned community in the Phoenix metro area. The sponsor has substantial total assets and net worth, and is reported to have very strong credit. Prior to the acquisition of this portfolio, the sponsor owned two State Farm properties in Arizona.

State Farm continues to manage the properties following the sale to JDM Partners Opportunity Fund II, LLC.

The non-recourse carve-out guarantor is JDM Partners Opportunity Fund II, LLC.

ARD Feature

For the first two years following the ARD, the interest rate shall reset to the greater of (1) the 5-year bid-side U.S. Treasury bond yield as of the ARD plus 350 basis points, or (2) the interest rate prior to the ARD plus 300 basis points. For the third, fourth and fifth years following the ARD, the interest rate shall reset to the greater of (1) the 5-year bid-side U.S. Treasury bond yield as of the day immediately preceding such third year plus 450 basis points, or (2) the interest rate prior to the ARD plus 400 basis points. During the post-ARD period, remaining cash flow is to be swept and applied to repayment of outstanding principal balance, then to accrued interest due to interest in excess of the initial interest rate. The borrower is permitted to prepay the loan without penalty after the ARD.

For purposes of underwriting and credit support, Morningstar assumes that the loan will be paid off at the end of year ten.

Morningstar Analysis

	Morningstar Underwriting	TTM 12/31/14	Issuer Underwriting
Income			
Gross Potential Rent	$32,795,862	$32,795,862	$36,748,057
Less: Vacancy Loss (GPR)	(983,876)	0	(160,187)
Less: Concessions	0	0	0
Plus: NPV of Rent Steps	2,337,324	0	0
Less: Vac Adj for Concess/Coll Loss	0	0	0
Base Rent/Net Effective Rent	**$34,149,310**	**$32,795,862**	**$36,587,870**
Expense Reimbursement	$1,056,164	$0	$0
Percentage Rent	0	0	0
Less: Vacancy Other Incomes	0	n/a	n/a
Effective Gross Income	**$35,205,475**	**$32,795,862**	**$36,587,870**
Expenses			
Real Estate Taxes	$0	$0	$0
Property Insurance	0	0	0
Utilities	0	0	0
Repairs and Maintenance	0	0	0
Contract services	0	0	0
Management Fees	1,056,164	0	0
Payroll & Benefits	0	0	0
Common Area Maintenance	0	0	0
Advertising & Marketing	0	0	0
Professional Fees	0	0	0
General and Administrative	0	0	0
Non-Reimbursable Expenses	0	0	0
Ground Rent	0	0	0
Total Operating Expenses	**$1,056,164**	**$0**	**$0**
Net Operating Income	**$34,149,310**	**$32,795,862**	**$36,587,870**
Capital Items			
Leasing Commissions	$77,333	$0	$93,703
Tenant Improvements	167,207	0	156,171
Capital Expenditure / Reserve	43,703	0	36,014
Extraordinary Capital Expenditures	0		
- Credit For TI Reserve	0		
- Credit For LC Reserve	0		
- Credit For TI/LC Reserve	0		
- Credit For Cap Ex Reserve	0		
Total Capital Items	**$288,242**	**$0**	**$285,887**
Credit for Upfront DSCR Escrow	$0	$0	$0
Net Cash Flow	**$33,861,068**	**$32,795,862**	**$36,301,983**

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 Sq. Ft. Per Year	$9.65
Vacancy (%)	3.0%

The average in-place annual rent of $9.65 per square foot was also the underwritten rent. Additional rent credit was given for the annual 2% rent increases (over the loan term) to the extent of the present value of the increases during the first ten years of the loan term, discounted at 7.5%. Because of the highly-rated tenant occupying the entire portfolio, and the length of most of the lease terms, vacancy was underwritten at 3%.

Expenses

For this portfolio of triple net leases, all operating expenses are obligations of the tenant. Morningstar underwrote a management fee of 3% of effective gross income which was credited as fully recovered.

Capital Items

A reserve for future capital expenditures is underwritten at $0.20 per square foot for the two Greeley, Colorado properties with lease expirations during the first 10 years of the loan term. The property condition assessment recommended reserves of $0.14 per square foot for both properties. No reserve was underwritten for the other 12 properties. Tenant improvements are underwritten at $10 per square foot for a new lease and $5 per square foot for a renewal for the two Greeley, Colorado properties with lease expirations during the first 10 years of the loan term. No tenant improvements were underwritten for the other 12 properties. Leasing commissions are underwritten at 5% for a new lease and 2.5% for a renewal for the two Greeley, Colorado properties with lease expirations during the first 10 years of the loan term. No leasing commissions were underwritten for the other 12 properties. A renewal probability of 70% is assumed.

Valuation Drivers

The base capitalization rates for the various metro areas and regions in which the portfolio properties are located were compiled and a weighted average was calculated based on allocated balances. The resulting weighted average rate of 8.23% was lowered to 8.0% based on the credit of State Farm Insurance and the long-term leases in place for more than 92% of the total rent. Morningstar's portfolio's capitalization rate is 8.0%.

Equitable Plaza

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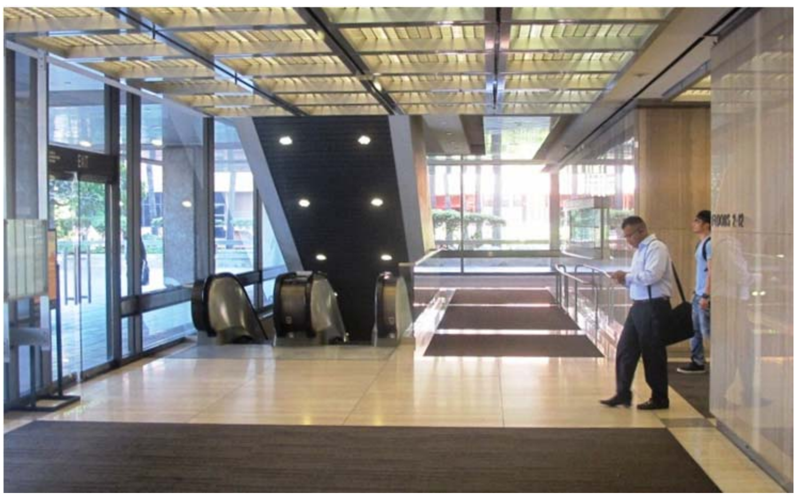
Analytical Manager: Chandan Banerjee 646-560-4512



Property Summary		
Property Type	Office/Multi-Tenant	
Location	Los Angeles, CA 90010	
Year Built	1969	
Year Renovated	1993	
Net Rentable Sq. Ft. (Total)	688,292	
Net Rentable Sq. Ft. (Collateral)	688,292	
Occupancy (Tape)	85.76%	(as of 4/28/14)
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$95,000,000	($138 /sq. ft.)
Loan Amount (Cut-Off Balance)	$95,000,000	($138 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	60	
Amortization Term (months)	360	
Loan Seasoning (months)	0	
Interest Rate	4.61000%	

Morningstar Analysis		
Current DSCR	1.69 x	
Amortizing DSCR	1.27 x	
Beginning LTV	97.95%	
Ending LTV	89.81%	
Capitalization Rate	7.60%	
Morningstar UW Occupancy	85.76%	
Net Operating Income	$8,562,206	
Net Cash Flow	$7,419,005	
Value	$96,984,293	($141 /sq. ft.)
Debt Yield	7.81%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan	$95,000,000	4.610%	1.69 x	1.27 x	97.95%	89.81%
Total	**$95,000,000**	**4.610%**	**1.69 x**	**1.27 x**	**97.95%**	**89.81%**

Morningstar Summary

Morningstar Perspective

The subject transaction is a ten-year, $95.0 million ($138.02 per square foot) first mortgage loan, secured by a 32-story, 688,292 square foot, Class A office property, located at 3425 Wilshire Boulevard, Los Angeles, California. The loan structure includes a fixed note rate of 4.6100% and 60-months of interest-only payments, followed by amortization on a 30-year schedule. The loan proceeds were utilized to facilitate the refinance of existing debt on the property, fund up-front reserve accounts, pay closing costs and provide a $36.66 million return of equity to the borrower, Equitable Plaza, LLC, who has owned the asset since the late 1990's. The improvements are situated on a 2.48 acre parcel of land and were constructed in 1969, with the most recent project renovation occurring in 1993. The building is currently 85.8% occupied, by approximately 175 tenants, as of the April 28, 2014 rent roll and has averaged 93.0% occupancy since 2004. The subject asset includes 688,292 square feet of Net Rentable Area (NRA) and office tenants at the property account for 655,366 square feet of NRA, while retail uses occupy 15,669 square feet and storage area comprises 17,257 square feet of the loan collateral. The subject asset is conveniently located in the Mid-Wilshire submarket (as per Reis) of the Los Angeles metropolitan area, in close proximity to an abundance of office, retail, entertainment and educational uses and is conveniently situated within walking distance of public transportation.

Morningstar's underwritten net cash flow is (-5.0%) below the arranger's projections and (-1.2%) lower than trailing twelve-month historical results, as of December 31, 2013. However, Morningstar believes that our underwritten cash flow for the property is sustainable in the near-term. While the property's net operating income has been trending downward since 2010, it appears as though the subject property has weathered the storm. Although the State of California recently downsized by 36,281 square feet and some $725,650 in base rental revenue, the property has been the beneficiary of strong leasing momentum since the fourth quarter of 2013. Since that time, approximately 126,588 square feet of office space has been signed, for a total of $2.79 million in base rental revenue, at an average rental rate of $21.35 per square foot. Near-term rollover remains a concern, with 80.9% of the tenant space scheduled to expire in the first five years of the loan term. This includes the property's largest tenant, the County of Los Angeles (72,142 square feet / 10.5% of the NRA / 10.4% of base rent), which is set to expire in January 2015. Per the sponsor, the County of Los Angeles has been in occupancy at the subject since 2000 is in advanced discussions to expand their leasing footprint at the property. The risk of these pending expirations is also offset by a $2.01 million leasing reserve, which was funded at closing of the subject loan. The remainder of the tenant roster is diverse and comprised of a number of smaller local tenants, which are drawn to the area for both cultural considerations and the property's proximity to complimentary office, retail and commercial uses. The loan collateral's granular rent roll, comprised of approximately 175 tenants, allows the property to withstand near-term rollover, with limited impact on overall project cash flow. The subject is 85.8% occupied, as of April 28, 2014 and is in-line with the current Mid-Wilshire mean submarket vacancy of 15.3%, as published by Reis. Historically, the property has outperformed the submarket and has recorded an average occupancy of 93.0% since 2004. Current in-place rents at the property, as of the April 28, 2014 rent roll, were $20.89 per square foot, which are approximately 9.6% below the appraiser's concluded market rental rate of $23.12 per square foot and represent potential upside in property cash flow. The appraiser concluded a $150.50 million ($218.66 per square foot) as-is value for property, as of March 12, 2014, based on a capitalization rate of 5.50%. Morningstar's derived value was (-35.6%) lower than the appraiser, at $96.98 million ($140.91 per square foot), largely as a result of our concluded capitalization rate of 7.60%. Based on Morningstar's resulting value, the subject loan exhibits a high going-in loan to value ratio of 97.95% and a similarly elevated ending loan to value of 89.81%. However, Morningstar's overall view of the subject property is positive, in light of the property's diverse tenant mix, below market rental rates, nearby amenities, accessibility to public transportation and desirable Wilshire Boulevard location.

Morningstar toured the subject asset on April 29, 2014, accompanied by the property manager. The improvements are situated in a densely populated commercial corridor along Wilshire Boulevard, interspersed among neighboring office, retail and residential uses. The project was found to be well-maintained and consistent with comparable office inventory in the immediate area. No deferred maintenance or life safety issues were identified throughout the course of the inspection. Per the leasing agent, recent office leases have been executed at $21.00 per square foot, with a term ranging from three to ten-years. Tenant renewals are currently offered $2.50 in tenant improvement allowances, while tenant improvements for new lessees have been in the $20.00 per square foot range. Morningstar assigned the subject an overall property quality score of "3", which equates to average condition for a project of similar age, use, condition and location.

The Bears Say

- High Leverage: Based on Morningstar's metrics, the subject loan exhibits an elevated beginning loan to value of 97.95% and a commensurately high ending loan to value of 89.81%, which may impact the sponsor's ability to refinance the existing debt on the property.
- Low Debt Yield: The subject loan's debt yield, which serves as an additional benchmark to determine maximum loan leverage, is comparatively low, at 7.81%. Therefore, the transaction's debt yield is also indicative of high leverage, in relation to the ability of underwritten loan cash flow to support the amount of debt on the property.
- Interest Only Period: The loan structure includes 60-months of interest-only payments, which contributes to the high loan to value at maturity.

- Return of Equity: Per the issuer, the sponsor purchased the loan collateral in the late 1990's, for reported consideration of $32.0 million. The subject loan provides a cash out return of $36.7 million to the sponsor, effectively eliminating the borrower's equity investment in the property.
- Tenant Rollover: Approximately 81% of the leased spaces is scheduled to roll over the loan term, including the two largest tenants; the County of Los Angeles (72,142 square feet / 10.5% of NRA) and the State of California (31,927 square feet / 4.6% of NRA). While the sponsor has indicated that County of Los Angeles is in advanced discussions to renew their lease, the State of California recently downsized their leasing footprint at the property by roughly 53%. Failure to retain the two largest tenants at the property would have a detrimental impact on the near-term stability of property cash flows.
- Soft Market Indicators: Per Reis data, the subject's Mid-Wilshire / Miracle Mile / Park Mile submarket is at its highest vacancy rate (15.3%) since 2008 and rental rates have been relatively stagnant over this period, with total rent growth of merely 3.4%.

The Bulls Say

- Strong Historical Occupancy: The subject asset has averaged approximately 93.0% occupancy since 2004 and has significantly outperformed the overall submarket occupancy rate over this timeframe.
- Diversified Rent Roll: The project is home to approximately 175 tenants and no single lessee represents more than 10.5% of the leased space / 10.4% of the in-place base rents. The existing tenant base is comprised of numerous local industries, including the government, financial, entertainment and legal sectors.
- Recent Leasing Momentum: Since January of 2013, the sponsor has leased or renewed approximately 219,204 square feet of office space (31.9% of the NRA) at the subject property, at an average rental rate of $21.29 per square foot. New leasing is projected to contribute to net effective rent that is underwritten at 10.6% higher than trailing twelve-month historicals, as of December 31, 2013.
- Below Market Rents: Per the appraiser's market rent assumptions of $23.12 per square foot, in-place rents at the subject of $20.89 per square foot are roughly 9.6% below market and represent an opportunity for the owner to capture upside in property cash flows.
- Positive Market Outlook: Reis projects that the submarket's office vacancy rate will stabilize 410 basis points by 2018, to 11.2%. Additionally, Reis forecasts average rental rate growth of 4.9% per annum, over the same period.
- Loan Structure: The loan transaction is structured with a hard lockbox and springing cash management and includes an up-front tenant improvement / leasing commission reserve of $2.01 million.
- Project Amenities: The property is the tallest building in the submarket and boasts unobstructed, 360 degree views from the asset's upper floors. Additionally, the subject offers tenants on-site retail conveniences, including a newsstand and restaurant and a 1,368 space, subterranean parking garage, with elevatored access to the property.
- Submarket Strength: The subject's Wilshire Boulevard setting is ideal for office use, with strong proximity to complimentary retail, dining and entertainment venues, educational uses, hospitality properties and several public transportation stations.
- Infill Location: Per the appraiser, submarket growth is physically restricted by the lack of undeveloped sites, due to the urban nature of the subject's immediate area.

Property Description

The subject collateral is a 32-story, Class A, multi-tenant office project, situated on a 2.48 acre parcel of land in a densely developed commercial area of the City of Los Angeles, Los Angeles County, California. The improvements were completed in 1969 and renovated in 1993 and are located on the north side of Wilshire Boulevard, between Alexandria and Mariposa Avenues. The subject is located in closest proximity to major Interstates 10, 110 and US Highway 101, and Interstate 5 is accessible via Interstate 110 east of the property. Per Reis, the subject is part of the Mid-Wilshire / Miracle Mile / Park Mile submarket, which is comprised of 129 office projects that total 15.2 million square feet of space. The project's tenant roster is largely comprised of regional and local tenants and the asset has similar tenant appeal and amenities for comparable properties in the marketplace. As of April 28, 2014, the asset was 85.8% occupied and the project has averaged 93.0% occupancy over the last ten years. The subject includes 15,669 square feet of retail space, including a newsstand and restaurant and also offers tenants 17,257 square feet of dedicated storage space. Additionally, the property is situated near a number of retail and dining uses and the asset is conveniently located adjacent to a Metropolitan Transportation Authority bus stop and roughly 0.6 miles from the Wilshire / Western Station rail stop. The asset's positioning with respect to public transportation is considered a key competitive advantage in the Los Angeles market, as mass transit infrastructure has a tendency to be fractured and difficult to navigate. On-site parking is provided via a five-level, underground parking garage, which offers 1,368 spaces, for a parking ratio of 1.99 spaces per 1,000 square feet of space.

Due to the subject's age, a Phase I Environmental Site Assessment completed by AEI Consultants and dated March 17, 2014 recommends the implementation of an Asbestos Operations and Maintenance program at the property. No additional recognized environmental conditions were identified.

A Property Condition Report, also prepared by AEI Consultants and dated March 17, 2014, indicates that the asset is in solid overall condition, with minimal immediate repair items identified, at a total estimated cost of $8,000. An up-front reserve of $500,000 will be required by the lender at closing, related to the upgrade of the property's elevators and lobbies. A site inspection completed by Morningstar confirmed that these elevator related capital expenditures will be required in the near-term.

Tenant Overview

Morningstar Tenant Overview Table (Top 10)

Tenant	Net Rentable Square Feet	% of Square Feet	Base Rent Amount	Base Rent $ Square Foot	% of Rent	Lease Expiration
COUNTY OF LOS ANGELES	72,142	10.5%	$1,277,970	$17.71	10.4%	Jan-15
STATE OF CALIFORNIA	31,927	4.6%	$811,592	$25.42	6.6%	Nov-17
WILSHIRE BUSINESS CENTER	23,820	3.5%	$529,947	$22.25	4.3%	Feb-18
COMMONWEALTH BUSINESS BANK	22,498	3.3%	$503,739	$22.39	4.1%	Nov-24
CALIFORNIA FAIR PLAN	22,425	3.3%	$376,740	$16.80	3.1%	Nov-15
AXA EQUITABLE LIFE INSURANCE	17,394	2.5%	$376,232	$21.63	3.1%	Jan-18
JONATHAN ANAV	15,180	2.2%	$332,301	$21.89	2.7%	Aug-15
TELEVISION KOREA 24, INC, dba TVK 24	11,347	1.6%	$217,038	$19.13	1.8%	Feb-15
JENNY S KIM (EXEC SUITE)	10,554	1.5%	$221,634	$21.00	1.8%	Jun-19
CITY INSURANCE SERVICES	10,140	1.5%	$199,472	$19.67	1.6%	May-17
Top 10 Subtotal	**237,427**	**34.5%**	**4,846,665**	**$20.41**	**39.4%**	

A brief summary of the top five tenants in occupancy is as follows:

County of Los Angeles: (72,142 square feet; 10.5% of NRA; 10.4% of GPR). The County of Los Angeles operates a branch of the Department of Public Social Services (DPSS) Bureau of Administrative Services out of the property, under a fifteen year lease, which is set to expire in January 2015. DPSS is a California state agency that is tasked with administering programs and services to alleviate hardship and promote health, personal responsibility and economic independence to low-income residents of Los Angeles County. The tenant has been in occupancy at the property since 2000 and exercised a five-year renewal option in 2010. Although Los Angeles County has no extension options remaining under their existing lease, per the sponsor, the tenant is in active discussions to expand their footprint at the property, to include an additional floor of space and enter into a new, long-term lease.

The State of California: (31,927 square feet; 4.6% of NRA; 6.6% of GPR). The State of California is the second largest tenant at the subject and operates the Disability Determination Service Division (DDSD) at the property. The DDSD determines the medical eligibility of disabled California residents seeking Supplemental Security Income (SSI) and State Supplemental Payment (SSP) benefits. Both the SSI and SSP programs are operated under the Social Security Administration (SSA) and benefits are distributed in the form of cash assistance. The State of California has been a tenant at the property since 1998 and recently extended their lease two years, through 2017, while contracting their leasing footprint at the subject from 68,208 square feet, to 31,927 square feet.

Wilshire Business Center: (23,820 square feet; 3.5% of NRA; 4.3% of GPR). Wilshire Business Center is a borrower affiliated, executive suite provider, which offers both private and shared office space, at rates ranging from $250 to $2,000 per month. The Wilshire Business Center provides business professionals with fully serviced office suites, equipped with 24/7 access and security, with full support services, including furnished conference rooms, professional reception service, voice mail, high speed internet access, kitchen and lounge facilities and daily cleaning service. The Wilshire Business Center also offers a Virtual Plan that provides traveling individuals with a set number of office and conference room hours, along with customary office amenities. Per the sponsor, the Wilshire Business center is currently operating at approximately 90% occupancy.

Commonwealth Business Bank: (22,498 square feet; 3.3% of NRA; 4.1% of GPR). Founded in 2005 and headquartered at the subject property, Commonwealth Business Bank is a publicly traded (OTC BB: CWBB), full service, community bank, which provides an array of commercial banking products and services to both businesses and individuals. The Bank offers checking, money market, and savings accounts, as well as time deposit, business and SBA loans and cash management services, among various other financial products and reported $570.2 million in total assets, as of December 31, 2013. Commonwealth Business Bank executed a twelve-year lease in 2012, which is set to expire in November 2024 and recently backfilled space that was vacated by Center Bank.

California Fair Plan: (22,425 square feet; 3.3% of NRA, 3.1% of GPR). California Fair Plan is an association in Los Angeles, which was founded in 1968 and is comprised of all insurers authorized to provide property coverage in the State of California. The group provides basic insurance to all California property owners; however, the association's policies are generally geared toward homeowners who live in areas with a high risk of natural disasters. The FAIR insurance plans are most often offered as a last resort to the property owners who cannot find adequate coverage on the private market and thereby provide a basic level of insurance to California residents. California Fair Plan executed a five-year lease at the property in 2010, which is set to expire in December 2015.

Lease Expiration and Rollover

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year							
	MTM	**2014**	**2015**	**2016**	**2017**	**2018**	**After 2018**
Office	0	65,268	133,558	67,981	62,610	65,955	63,107
County of Los Angeles	0	0	72,142	0	0	0	0
State of California	0	0	0	0	31,927	0	0
Storage	0	8,625	1,432	1,333	0	0	1,991
Retail	0	0	3,464	0	10,913	0	0
Total	**0**	**73,893**	**210,596**	**69,314**	**105,449**	**65,955**	**65,098**
% Roll	**0.0%**	**10.7%**	**30.6%**	**10.1%**	**15.3%**	**9.6%**	**9.5%**

Approximately 65,268 square feet (9.5% of the NRA) of the asset's office space is scheduled to roll in 2014, which is occupied by thirty-five tenants, at an average unit size of 1,865 square feet and an average rental rate of $20.96 per square foot. These smaller tenants are generally signed to lease terms of one to three years, which is typical for the subject property and local market. The loan sponsor has indicated that the majority of these tenants are scheduled to renew or are in advanced discussions to extend their leases. 2015 represents the largest scheduled tenant rollover during the loan term, with 29.9% of the subject's office space set to expire. This includes the lease expiration of the largest tenant in occupancy at the subject; the County of Los Angeles (10.5% of the NRA / 10.4% of in-place rent.) The remaining 133,558 square feet of office space that is set to expire in 2015 is occupied by forty-three tenants, with an average suite size of 3,106 square feet and average, in-place rents of $21.57 per square foot.

Market Overview

Per Reis, the subject asset is located in the Mid-Wilshire / Miracle Mile / Park Mile submarket of the Los Angeles metropolitan area. The subject neighborhood is located in Central Los Angeles, approximately three miles west of Downtown Los Angeles, four miles southeast of Hollywood, twelve miles from Santa Monica Beach and roughly sixteen miles south of Los Angeles International Airport. As of the fourth quarter of 2013, the Mid-Wilshire submarket consisted of 129 office buildings, which totaled 15,241,000 square feet of space. Average asking rents in the submarket for this period were $29.27 per square foot and lease terms averaged 5.1 years, with 1.9 months of free rent. Class A properties in the submarket account for 5,874,000 sf, with asking rents of $37.40 per square foot and an overall vacancy rate of 17.0%. Class B/C office properties in the submarket, which include the subject property, comprise 9,367,000 square feet and reflected an average asking rent of $24.19 per square foot, with a 14.3% availability rate. Costar reported a year-end 2013 vacancy rate for the Mid-Wilshire office submarket of 13.1%, with asking rents of $27.36 per square foot. When compared to the subject's in-place rental rates of $20.89 per square foot, it appears as though they may be some upside in property cash flow, which is bolstered by the appraiser's market rental rate for office space of $23.12 per square foot. Office leases signed at the property in 2014 have reflected an average rent of $21.35 per square foot, with lease terms between two and five years. The Mid-Wilshire submarket's year-end office vacancy rate was 15.3%, which approximates the asset's current availability rate of 14.2%. The appraiser's concluded market vacancy rate was markedly lower, at 6.0%. Through year-end 2014, 95,000 square feet of office space had been constructed, with an additional 274,568 square feet under construction and an additional 254,000 square feet planned. However, the minimal amount of new supply identified is not anticipated to have a material impact on either vacancy rates or asking rent growth and absorption levels are anticipated to be positive. Per Reis, by 2018, the submarket's vacancy rate is projected to stabilize 410 basis points, to 11.2% and asking rent growth is estimated to average 4.9% per annum, over this period.

The appraiser notes that while there is considerable retail development in the area, the predominant use in the subject neighborhood is office, with a significant number of buildings to the east and west of the subject, along Wilshire Boulevard and additional office inventory approximately two miles east of the subject, in the downtown Los Angeles area. The appraiser identified five recent leases from comparable office buildings situated in the 3000 block of Wilshire Boulevard, all located within 0.5 miles of the subject. Adjustments were made largely for quality considerations and the adjusted range of comparable office rents at neighboring properties was $22.44 per square foot to $24.12 per square foot, with an average of $23.40 per square foot, which the appraiser used as the market rental rate.

Sponsorship/Management

The borrower is Equitable Plaza, LLC, a single-purpose, bankruptcy remote, California limited liability company, with two independent directors. The sponsor and recourse carveout guarantor for the transaction is David Y. Lee. Throughout the term of the subject loan, the guarantor is required to maintain a minimum net worth of $90.0 million and minimum liquidity of $5.0 million. Mr. Lee is the President of Jamison Services, Inc.; a Los Angeles based real estate investment company, which specializes in the acquisition, operation, construction, leasing and ownership of office, medical, and retail properties. Including the subject asset, Jamison Services, Inc. owns and operates over 120 office buildings, comprised of approximately 22 million square feet, concentrated largely in and around Southern California. Additionally, Jamison Services' portfolio includes ten retail buildings, four golf courses, one hotel and one residential building.

Morningstar Analysis

	Morningstar Underwriting	Year End 2011	Year End 2012	TTM 12/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$14,581,621	$12,604,456	$11,882,708	$11,312,099	$14,905,289
Less: Vacancy Loss (GPR)	(2,075,987)	0	0	0	(2,374,471)
Less: Concessions	0	0	0	0	0
Less: Collection Loss	0	(176,758)	0	(5,881)	0
Base Rent/Net Effective Rent	**$12,505,634**	**$12,427,698**	**$11,882,708**	**$11,306,218**	**$12,530,818**
Expense Reimbursement	$82,743	$0	$0	$0	$175,000
Tenant Charges	232,136	182,819	142,756	124,212	232,603
Late Charges	0	34,935	44,597	26,484	0
Parking	964,652	1,062,093	951,133	936,555	964,652
Other Income	26,106	12,818	10,860	26,106	26,106
Less: Vacancy Other Incomes	0	0	0	0	0
Effective Gross Income	**$13,811,270**	**$13,720,363**	**$13,032,054**	**$12,419,575**	**$13,929,179**
Expenses					
Real Estate Taxes	$610,471	$609,760	$627,303	$598,501	$610,471
Property Insurance	82,856	78,876	74,392	80,443	82,856
Utilities	1,900,508	1,773,690	1,766,427	1,845,153	1,900,508
Repairs and Maintenance	772,264	764,262	714,566	749,771	682,922
Contract services	217,915	191,424	202,137	207,760	213,993
Management Fees	552,451	400,614	382,022	366,671	557,167
Payroll & Benefits	0	0	0	0	0
Common Area Maintenance	683,628	683,478	714,444	663,031	772,264
Advertising & Marketing	0	0	0	0	0
Professional Fees	0	0	0	0	0
General and Administrative	428,971	490,316	448,444	395,680	407,550
Non-Reimbursable Expenses	0	0	0	0	0
Total Operating Expenses	**$5,249,064**	**$4,992,420**	**$4,929,735**	**$4,907,010**	**$5,227,731**
Net Operating Income	**$8,562,206**	**$8,727,943**	**$8,102,319**	**$7,512,565**	**$8,701,448**
Capital Items					
Leasing Commissions	$541,862	$0	$0	$0	$387,555
Tenant Improvements	630,095	0	0	0	517,937
Capital Expenditure / Reserve	172,073	0	0	0	137,658
- Credit For TI Reserve	(200,829)	0	0	0	(150,000)
Total Capital Items	**$1,143,200**	**$0**	**$0**	**$0**	**$893,151**
Net Cash Flow	**$7,419,005**	**$8,727,943**	**$8,102,319**	**$7,512,565**	**$7,808,297**

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 Square Foot	$21.19
Vacancy (%)	14.2%

Gross Potential Rent: Morningstar's underwritten rental rate of $21.19 per square foot was largely based on in-place rents at the property, as of the April 28, 2014 rent roll provided by the arranger, with vacant spaces marked-to-market. Contractual rent increases occurring within the next twelve-months were factored into our analysis, which was consistent with the issuer's methodology. Per Reis, the mean office rental rate for the subject's Mid-Wilshire submarket was $29.27 per square foot, with class A office rents reported at $37.40 per square foot and B/C properties reflecting a $24.19 average rent per square foot, as of the fourth quarter of 2013, which suggests that the current, in-place rents at the subject are decidedly below market.

Vacancy Loss: Underwritten to 14.2% vacancy, which is based on the actual physical occupancy of the property of 85.8%, as of the April 28, 2014 rent roll. Per Reis, the mean vacancy rate for the subject's Mid-Wilshire submarket was 15.3% for all office property classes; including 17.0% for Class A buildings and 14.3% availability for class B/C projects, as of the fourth quarter 2013.

Expense Reimbursements: Per the issuer, leases are structured on a modified gross basis, with tenants responsible for their pro-rata share of expenses over a base-stop year. The property has no historical expense recoveries and the appraisal noted that reimbursements were not being collected. Operating expenses at the property since 2008 have been relatively flat, with a slight downward trend since 2011; therefore, there have been no reimbursements due from existing tenants. Morningstar's underwritten expenses are 7.0% higher than the trailing twelve-month operating expenses at December 31, 2013. Morningstar's underwritten expense reimbursements were calculated based on new or renewal leases signed in 2013 and 2014, based on the tenant's pro-rata share over the base year. The issuer's estimated reimbursements were approximately $92,257 higher and included in-place tenants who had previously not been charged for tenant recoveries.

Parking: Projected based on the arranger's estimate of trailing twelve-month historical parking income, plus 3.0%. The property's parking revenue has averaged approximately $982,500 since 2010; therefore the underwritten estimate of $964,652 appears to be reasonable.

On an effective gross income basis, Morningstar's underwriting is -0.8% lower than the issuer's projections and 11.2% higher than trailing twelve-month results, as of December 31, 2013, due largely to new leasing and associated tenant reimbursements.

Expenses

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

Real Estate Taxes: Based on the property's California location, Morningstar underwrote property taxes to the trailing 12-month expense at December 31, 2013, plus 2.0% inflation, which was identical to the arranger's projection. Per Proposition 13, absent a property sale, annual tax increases are limited to 2.0% increases per year. The issuer's notes indicate that the trailing twelve-month figure represents the actual real estate tax liability for 2013 / 2014.

Utilities: Underwritten to the trailing twelve-month expense at December 31, 2013, plus 3.0% inflation, which is in-line with the issuer's projection. Utilities expense has averaged approximately $1.76 million since 2010.

Management Fee: Underwritten based on the contractual management fee of 4.0% of effective gross income, which is consistent with the arranger's underwriting, but higher than the historical average of 3.0% of EGI. The property is managed by an affiliate of the borrower.

Common Area Maintenance: Based on a weighted average of the last three year of operations, with greatest reliance placed on the trailing twelve-month historical expense at December 31, 2013. Morningstar's underwritten expense is consistent with the issuer's projection and approximately 3.1% higher than trailing 12-month maintenance costs.

General and Administrative: Estimated based on the weighted average expense since 2011, which is roughly 5.0% above the arranger's projection. General and administrative costs have been trending downward over the last three years of operations.

Capital Items

A reserve for future capital expenditures is underwritten at $0.25 per square foot, which is higher than the engineer's recommended inflated reserves of $0.06 and also above the arranger’s underwritten estimate of $0.20 per square foot, but consistent with Morningstar underwriting standards for similar vintage office properties.

Based largely on recent leasing, Morningstar has underwritten tenant improvements of $10.00 per square foot for new leases and $5.00 per square foot for renewals. Leasing commissions were estimated at 4.0% new 2.0% renew and a 65% renewal probability was used for all tenant types. Storage space was excluded from the leasing cost calculation. Up-front credit was given for the tenant improvement / leasing commission reserve of $2.01 million, which resulted in a $200,829 offsetting adjustment against our underwritten reserve amount. Morningstar’s overall capital expenditures were roughly $250,000 higher than the arranger, with underwritten tenant improvements accounting for the largest portion of this variance.

Valuation Drivers

Morningstar’s base capitalization rate for the Los Angeles office market was 7.10%, as of the fourth quarter of 2013. Morningstar’s overall rates are compiled from comparable sales data and relevant market information and are updated regularly. Following a 50 basis point, upward adjustment for the subject’s near-term rollover, the resulting overall rate used in our analysis was 7.60%. This value was 210 basis points higher than the appraiser’s concluded direct capitalization rate of 5.50%. Per Reis, the mean rolling 12-month capitalization rate for the office sales in the Los Angeles metro was 6.20%, as of the fourth quarter of 2013.

Southfield Town Center

Analyst: Howard Peterson 267-960-6024
Analytical Manager: Chandan Banerjee 646-560-4512

Property Summary		
Property Type	Office/Multi-Tenant	
Location	Southfield, MI 48075	
Year Built	1975-1989	
Year Renovated	NAP	
Net Rentable Sq. Ft. (Total)	2,152,344	
Net Rentable Sq. Ft. (Collateral)	2,152,344	
Occupancy (Tape)	67.20%	(as of 2/28/14)
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$80,000,000	($66 /sq. ft.)
Loan Amount (Cut-Off Balance)	$80,000,000	($66 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	1	
Interest Rate	4.75000%	

Morningstar Analysis		
Current DSCR	2.37 x	(Whole Loan)
Amortizing DSCR	1.80 x	(Whole Loan)
Beginning LTV	80.62%	(Whole Loan)
Ending LTV	70.98%	(Whole Loan)
Capitalization Rate	9.00%	
Morningstar UW Occupancy	68.64%	
Net Operating Income	$17,276,982	
Net Cash Flow	$15,977,610	
Value	$176,129,000	($82 /sq. ft.)
Debt Yield	11.25%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan (Note A-1)	$80,000,000	4.75% (A)	2.37 x	1.80 x	80.62%	70.98%
Pari Passu (Note A-2)	62,000,000	4.75% (A)	2.37 x	1.80 x	80.62%	70.98%
Total	**$142,000,000**		**2.37 x**	**1.80 x**	**80.62%**	**70.98%**

(A): 4.75% is pre-ARD period

Morningstar Summary

Morningstar Perspective

The Southfield Town Center is a $142.0 million, 10-year loan with a 30-year amortization, following an initial three-year interest only period. The financing is comprised of two pari passu notes, an $80.0 million trust note (Note A-1 the subject of this securitization (COMM 2014-UBS3) and a $62.0 million note (Note A-2) which is anticipated to be securitized in a subsequent securitization.

The loan was to facilitate the acquisition of five multi-tenanted office buildings totaling 2.15 million square feet. The properties are located in Southfield, Michigan, a suburb 15 miles northwest of downtown Detroit. The purchase price was $177.5 million with the borrower providing roughly $70.0 million in equity for closing costs, capital expenditure reserve and tenant improvement/leasing cost, or tenant improvement/leasing commission ("TI/LC") reserve. The total cost basis was $209.0 million. The "as is" appraised value is $181.0 million ($84.09 per square foot), indicating a 78.45% loan to appraised value. The appraiser also provided an "as stabilized" value of $250.5 million.

The subject property consists of four Class A, multi-tenant office buildings and one two-story Class B office building. There is a separately owned Westin Southfield Detroit Hotel building located between the 1000 and 2000 Town Center buildings and is accessed via a connecting atrium with complimentary retail. The subject four office towers (and the Westin) are connected by an enclosed pedestrian concourse, which is lined with retail amenities, support businesses and food services. The centerpiece of the retail concourse is a two-story, sky-lit, glass-enclosed atrium that incorporates landscaped areas and pedestrian walkways. The retail atrium connects the 2000 and 3000 Town Center buildings and provides a focal point for the complex.

While the entire Southfield Town Center complex is the second largest multi-tenant office complex within the state of Michigan, only behind the Renaissance Center in downtown Detroit, the main concern with this transaction is the property's high vacancy levels. The subject has historically operated in the 67.2% to 77.1% occupancy range since 2009. While vacancy is high, it has essentially mirrored that of the submarket's high vacancy in the 29% range. The positive side of this transaction is the high level of investment grade tenants; 24 tenants totaling 402,000 square feet and representing 18% of the total net rentable area.

Lease rollover appears to be fairly evenly spaced over the loan term, with the exception of 2016 with 15% of the total net rentable space rolling. About one-third of this rollover during 2016 is with Fifth Third Bank. This tenant moved into the property in 2001, expanded in 2005 and extended their lease by ten years in 2006. This location is a regional headquarters fo the bank and displays signage on the crown of the building. Fifth Third Bank is in discussions to extend the majority of its space through 2024.

Morningstar attempted several times to make contact with property owners/management for a comprehensive site visit, however a response was never returned. On April 30, 2014 Morningstar performed a cursory site review of the exterior and public areas. Morningstar was not able to gain access to interior office space and had to rely upon third-party reports, including the appraisal and property condition assessment, for comfort with aspects we were not made available in a typical site visit.

Overall, the property appears to be well maintained and in satisfactory condition. Property is conveniently located with respect to employment centers as well as roadways and complimentary commercial and residential land uses. Overall, the property should continue to enjoy good market acceptance based primarily on its location, age/condition, and quality of construction.

Based on our evaluation, Morningstar assigned a property quality score of 3 ("Average") to the property. 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 the property, Morningstar then factors the score into the assignment of our capitalization rate.

The Bears Say

- The Southfield market according to Reis, continues to be a weak office market as evidenced by the relatively high submarket vacancies in the mid- to high-20% range. There are also no significant growth drivers for users of office space, so any meaningful recovery in the market will be limited over the near term.
- Loan provides for an initial 3-year interest only period, followed by a 30-year amortization schedule. Loan term is 10-years. The lack of principal reduction during this initial period will have about a $9.6 million higher effect on the ending balance at loan maturity.
- According to a leading economic research firm, the City of Detroit's economy is struggling through a post-bankruptcy filing slump with an unemployment rate that has ticked up to nearly 11%. The report indicates that persistent population declines, high crime rates and widespread blight mean that Detroit will struggle to maintain viability for years to come. However, Southfield is only a suburb of Detroit, and not a party to the

bankruptcy filing. Current Reis ranks North Southfield second in terms of total office inventory out of 13 submarkets, only behind Detroit, with market asking rents ranking the submarket in fifth place and in ninth place in vacancy.

The Bulls Say

- The property is well positioned within Southfield, with good local and regional access. Downtown Detroit is only 15 miles southeast of the complex.
- According to the appraisal, the property is well maintained and continues to have good appeal within the market. The appraisal indicated that the property has good amenities, including the Westin Southfield Detroit Hotel located between two of the buildings (1000 Town Center and 2000 Town Center).
- The property has a high number of credit tenants. There are currently 24 investment grade credit tenants totaling almost 402,000 square feet of space at the property. This represents a total of 18% of the subject's space.
- The office developments, residential uses, restaurants and hotel developments within the immediate local area are generally of good quality construction and in good overall condition. The subject property is in keeping with the neighborhood land uses.
- According to Reis, office using employment for the Detroit-Warren-Livonia, MI metropolitan area is estimated up nearly 1.6% on average over the next five years forecasted. This is in contrast with the slight 0.1% decline in population over the same period.
- A property condition assessment ("PCA") did not identify any immediate repairs and only short term (usually within one to two years) repairs of $89,000 for some exterior curtain wall window repairs to 3000 Town Center building. The engineer added that the property had been well maintained during recent years and was in good overall condition.
- Sponsor is well experienced with ownership in 41 real estate assets with a collective market value of $2.0 billion.
- Leasing agent at the property is in negotiation with 30 potential tenants representing 998,000 square feet of potential leases. This represents significant potential upside and would have a positive impact on the subject's occupancy and the property's cash flow. However, none of these had been executed and therefore no credit was given to any of these potential tenants.

Property Description

The subject collateral consists of five buildings in Southfield, Michigan. All of the properties are clustered together along with a 12-story Westin Southfield Detroit Hotel and a 33-story luxury residential high rise, neither of which is a part of the subject collateral. The cluster of skyscrapers is sometimes referred to as the "Golden Triangle". Amenities within the complex include retail, the Skyline Club, a conference center/atrium and the hotel facilities. Retail uses include a full service café, deli, several sundry shops; banking facilities, barber shop, and drop-off dry cleaner.

Four of the collateral office high rise buildings and the Westin hotel are interconnected by an enclosed pedestrian concourse which allows tenants and their guests to travel within the complex without being exposed to the outside elements.

Building Name	# Floors	Square Footage	Property Type	Yr Built
1000 Town Center	28	596,816	Office	1989
2000 Town Center	28	559,915	Office	1986
3000 Town Center	32	585,424	Office	1975
4000 Town Center	20	385,417	Office	1979
4400 Town Center	2	24,772	Office	1979
Totals		**2,152,344**		

The **1000 Town Center** building is 28-story, multi-tenanted, Class A office building. The building was completed in 1989 and is the most recent addition to the Southfield Town Center complex. The structure was developed by The Prudential. Floor plates range from 14,377 square feet to 22,257 rentable square feet. The third floor contains 41,147 square feet. The tower has column-free square floor plates that can be designed with up to 12 corner offices. The building was 83.2% occupied as of February 28, 2014.

Fifth Third Bank moved into 1000 Town Center in 2001, expanded in 2005, and extended their lease by ten years in 2006. The tenant is currently in discussions to extend the majority of its space through 2024. This location is a regional headquarters for the bank and displays signage on the crown of the building. Microsoft moved into 1000 Town Center in 1990 and has utilized this office as a regional headquarters ever since. Since 1990, Microsoft has expanded five times and extended their lease term three times. The third floor (16,927 square feet) houses one of only twelve Microsoft Technology Centers located across the country. Brooks & Kushman moved into 1000 Town Center in 2003 and is in the process of extending their lease through 2023 and expanding from 40,589 square feet to 45,359 square feet.

The **2000 Town Center** building was completed in 1986. The 28-story tower features a distinctive waterfall design. The exterior panels are bronze with gold accent stripes framing the bronze tinted and gold reflective glass. Floor plates range from approximately 11,602 square feet to 21,272 rentable square feet. The unique trapezoidal low-rise floors break at the 18th floor where the waterfall design allows for due westerly views. The high rise floors are column-free and provide flexibility in space planning. The building was 74.9% occupied as of February 28, 2014.

The largest tenant at this building, AlixPartners moved into 2000 Town Center in 2000 and has since extended their lease through 2018.

The **3000 Town Center** building was built in 1975 and the first office to be constructed at Southfield Town Center. The 32-story tower is the city of Southfield's tallest building. The X-bracing of the gold reflective glass exterior provides a unique appearance and is one of the most readily identifiable office properties in the Detroit area. The subject tower features moderately-sized, efficient, column-free floor plates which range in size from 8,278 rentable square feet to 17,334 rentable square feet. The building was 41.5% occupied as of February 28, 2014.

The **4000 Town Center** building was completed in 1979, concurrently with the 4400 Town Center building. The 20-story building is the northernmost property in the complex. The building is defined by decorative gold striping and gold reflective glass, as well as its curve shape. The building lobby features travertine marble walls with granite floors. The 4000 Tower was designed by Neuhaus-Taylor of Houston; the structure was developed by The Prudential. Large efficient floor plates feature four interior columns per floor. The building was 74.6% occupied as of February 28, 2014.

Global Hue moved in to 4000 Town Center in 2005 and has expanded twice.

The **4400 Town Center** building is a two-story office building, formerly utilized by medical office tenants. The building also features bronze and gold reflective glass. The building was converted from a multi-tenanted medical building to general office space in 2005. The building was recently vacated by the University of Phoenix. The property is now completely vacant.

The subject's historical occupancies have mirrored market vacancies of around 29% over the past several years. Occupancy has ranged from a current low of 67.4% to a high of 77.1% in 2009.

Historical Occupancy Summary (Consolidated)

Year	Occupancy
12/31/2009	77.1%
12/31/2010	73.2%
12/31/2011	68.4%
12/31/2012	70.0%
2/28/2014	67.2%

The following is a summary of the subject's occupancy levels, along with the three largest tenants for each.

Building Name	Occupied Sq Ft	Occupancy	Vacancy	Largest Major Tenant(s)	Second Largest Major Tenant(s)	Third Largest Major Tenant(s)
1000 Town Center	496,568	83.2%	16.8%	Fifth Third Bank	Microsoft	BrooksKushman
2000 Town Center	419,273	74.9%	25.1%	Alix Partners	Seyburn, Kahn, Ginn	CB Richard Ellis
3000 Town Center	249,379	41.5%	57.5%	AON	Health Alliance Plan	Accenture
4000 Town Center	287,519	74.6%	25.4%	Global Hue	Stout Risius Ross	Collings, Einhorn, Farrell
4400 Town Center	0	0.0%	100.0%	-	-	-
Totals/Averages	**1,452,739**	**67.2%**	**32.8%**			

The concourse is lined with 94,000 square feet of retail amenities, support businesses and food services. The retail concourse also includes a two-story, sky lit, and glass-enclosed atrium with pedestrian plaza areas. The atrium area is available for large conferences and weddings. The Skyline Club is a prestigious dining club on the 28th Floor of 2000 Town Center. The Skyline Club opened in 1987 and is the only executive dining club in the area. The club includes three private dining rooms, a formal dining room and lounge area. The property also included two conference centers for use by tenants. The large conference room (2,713 square feet) is located in 4000 Town Center and seats approximately 75 people. The smaller conference room (1,193 square feet) is located on the retail level of 3000 Town Center and seats approximately 30 people.

Parking for the property's tenants and their guests is provided in three parking decks situated to the east of the office buildings and connected via an above-ground, climate-controlled walkway. The parking garage and numerous surface lots can accommodate 6,253 automobiles, of which 5,774 are located within the decks. The combined parking ratio for the complex is 3.0 spaces per 1,000 rentable square feet of office space.

Southfield Town Center's location at the intersection of Evergreen Road and John C. Lodge Freeway (U.S. 10) allows its tenants and their guest's easy access to downtown Detroit, the Detroit Metro Airport and Southeast Michigan's most affluent residential neighborhoods.

Tenant Overview

Morningstar Tenant Overview Table (Top 10)

Tenant	Net Rentable Square Feet	% of Square Feet	Base Rent Amount	Base Rent $ Square Foot	% of Rent	Lease Expiration
Fifth Third Bank	105,041	4.9%	$2,232,121	$21.25	9.8%	Aug-16
AlixPartners	66,286	3.1%	$1,168,622	$17.63	5.2%	Dec-18
Microsoft	57,364	2.7%	$715,598	$12.47	3.2%	Nov-17 (1)
Brooks & Kushman	45,359	2.1%	$630,490	$13.90	2.8%	Dec-23
Global Hue	41,051	1.9%	$1,024,412	$24.95	4.5%	May-16
Stout Risius Ross	37,530	1.7%	$675,540	$18.00	3.0%	Feb-18
AON	34,409	1.6%	$506,157	$14.71	2.2%	Mar-21
Maritz, Inc.	30,910	1.4%	$525,470	$17.00	2.3%	Jul-16
Seyburn, Kahn, Ginn,	29,807	1.4%	$417,298	$14.00	1.8%	Mar-19
Collins, Einhorn, Farrell	25,200	1.2%	$352,800	$14.00	1.6%	Nov-21
Top 10 Subtotal	**472,957**	**22.0%**	**8,248,509**	**$17.44**	**36.4%**	

(1) Expiration Nov-17 includes 40,437 square feet and expiration Jul-18 includes 16,927 square feet.

The rent roll is well-diversified with the five largest tenants representing only 14.6% of the net rentable area ("NRA") and 25.3% of the underwritten annual base rent. The five largest tenants are as follows: Fifth Third BankPermanent General Companies (13.3% of the NRA, expiring on 11/30/17), Brasfield & Gorrie (5.7% of the NRA, expiring on 10/31/13), National Distribution & Contracting (4.9% of the NRA, expiring on 4/30/21), C.R. Gibson, Inc. (3.9% of the NRA, expiring on 2/29/16) and AdvanceMed Corporation (3.1% of the NRA, expiring on 12/31/13). Expanding that overview to the ten largest tenants, represents 21.9% of the NRA and 36.1% of the underwritten annual base rent.

Fifth Third Bank – Fifth Third Bank occupies 105,041 square feet, or 4.9% of NRA, with 1,344 square feet on the ground floor and 103,697 square feet on five floors of building STC 1000. This represents 9.8% of the annual base rent with leases expiring in August 2016. Fifth Third Bank is a U.S. regional banking franchise, operating under an Ohio charter. As of March 31, 2014, the Company had $130 billion in assets and operated 17 affiliates with 1,311 full-service Banking Centers, including 104 Bank Mart® locations, most open seven days a week, inside select grocery stores and 2,614 ATMs in Ohio, Kentucky, Indiana, Michigan, Illinois, Florida, Tennessee, West Virginia, Pennsylvania, Missouri, Georgia and North Carolina. Fifth Third operates four main businesses: Commercial Banking, Branch Banking, Consumer Lending, and Investment Advisors. Fifth Third also has a 26% interest in Vantiv Holding, LLC. Fifth Third is among the largest money managers in the Midwest and, as of March 31, 2014, had $281 billion in assets under care, of which it managed $26 billion for individuals, corporations and not-for-profit organizations. Fifth Third Bancorp was founded in 1862 and is headquartered in Cincinnati, Ohio. Fifth Third Bancorp stock is traded on the NASDAQ GS under the ticker symbol "FITB" and Morningstar, Inc. assigns a rating of A- (Morningstar, Inc. corporate ratings are not NRSRO ratings).

AlixPartners – AlixPartners occupies 66,286 square feet, or 3.1% of NRA and 5.2% of the annual base rent with leases expiring in December 2018. AlixPartners is a consulting firm best known for its work in the turnaround space. The firm was founded by Jay Alix in 1981 in order to handle the turnaround of Electrical Specialties Co., and has since moved into a more traditional consulting space, grown to a staff of over 1,000, and added office locations throughout North America, Europe and Asia. AlixPartners' work includes enterprise improvement consulting, financial advisory services, information management services and bankruptcy assignments including GM's Saab division, Kodak, Barney's New York and JC Penney.

Microsoft – Microsoft occupies 57,364 square feet, or 2.7% of NRA and 3.2% of the annual base rent with leases totaling 40,437 square feet expiring in November 2017 and 16,927 square feet expiring in July 2018. Microsoft Corporation is a multinational software corporation headquartered in Redmond, Washington that develops, manufactures, licenses, and supports a wide range of products and services related to computing. The company was founded by Bill Gates and Paul Allen on April 4, 1975. Microsoft is the world's largest software maker by revenues and one of the world's most valuable companies. The company markets and distributes its products through original equipment manufacturers, distributors, and resellers, as well as online. Microsoft Corporation stock is traded on the NASDAQ GS under the ticker symbol "MSFT" and Morningstar, Inc. assigns a rating of AAA (Morningstar, Inc. corporate ratings are not NRSRO ratings).

Brooks & Kushman - Brooks & Kushman occupies 45,359 square feet, or 2.1% of NRA and 2.8% of annual base rent with leases expiring in December 2023. Brooks Kushman specializes in providing counsel on intellectual property and technology-related matters. Brooks Kushman was established in 1983 and its practice focuses on patent prosecution and litigation along with a range of trademark and copyright services from registration through enforcement. The firm has over 90 intellectual property professionals that are specialized in various disciplines.

Global Hue – Global Hue occupies 41,051 square feet, or 1.9% of NRA and 4.5% of annual base rent with leases expiring in May 2016. Global Hue is a privately owned advertising agency with offices in New York City and Southfield, Michigan. The agency provides companies with an integrated approach to marketing to ethnic-specific audiences. The agency offers full-service marketing, advertising, media planning and buying, digital, events and promotions, and public relations for blue-chip clients including Verizon Wireless, Wal-Mart, Chrysler, U.S. Navy and Jeep.

Lease Expiration and Rollover

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year							
	MTM	**2014**	**2015**	**2016**	**2017**	**2018**	**After 2018**
1000 Office	0	34,624	47,573	158,146	87,602	53,994	111,646
2000 Office	0	26,835	50,944	61,232	85,106	103,007	69,842
3000 Office	0	48,731	35,078	18,266	29,926	42,084	56,640
4000 Office	0	3,376	35,735	84,638	65,399	70,175	25,200
4400 Office	0	0	0	0	0	0	0
Retail	0	3,483	15,325	1,344	0	0	8,129
Non-Revenue	0	1,312	0	0	0	0	6,452
Total	**0**	**118,361**	**184,655**	**323,626**	**268,033**	**269,260**	**277,909**
% Roll	**0.0%**	**5.5%**	**8.6%**	**15.0%**	**12.5%**	**12.5%**	**12.9%**

Lease rollover appears to be fairly evenly spaced over the loan term, with the exception of 2016. During 2016, Fifth Third Bank expires, representing 105,041 square feet, or 32.4% of the total 323,626 square feet rolling that year.

Market Overview

Southfield is a suburb about 15 miles northwest of downtown Detroit, located in Oakland County in the Detroit-Warren-Livonia, MI metropolitan area. Southfield is a major commercial and business center for the metropolitan and is second in total office square footage inventory, only behind the Detroit central business district. Several internationally-recognized corporations have major offices and headquarters in Southfield, including the North American headquarters of Huf Hülsbeck and Fürst, Denso, Peterson Spring, Federal-Mogul, Lear, R.L. Polk & Co., International Automotive Components, Stefanni, Inc., Guardian Alarm, and Online Trading Academy. Currently, there are more than 100 Fortune 500 companies that have offices in Southfield, including Sumitomo Corporation.

The property is located within the Reis North Southfield submarket under the Detroit market. According to Reis, the mean office submarket rent was $19.02 per square foot with a vacancy of 29.0% as of the fourth quarter of 2013. Class A properties in the submarket have market rents averaging $22.51 per square foot and have a vacancy of 27.4%. According to Costar, the subject is located in the Southfield submarket. The quoted market rents were $16.56 per square foot with market vacancy of 23.9% and for Class A properties, the quoted market rents were $19.99 per square foot with market vacancy of 24.3%.

The appraiser estimated market office space ranging from $12.00 to $14.50 per square foot depending on each property with market vacancy estimated at 10.0%. This equated to an average of $12.82 per square foot, on a net basis. On a gross basis, average rents were $22.50 per square foot. The appraiser provided eight comparable local properties with average asking rents of $17.15 per square foot and average vacancy of 27.2%.

Morningstar also looked at recent leasing over the past several months, back to January 2013. There were 48 new or renewal leases that occurred which represented a sizable sample of current leasing. Morningstar elected to underwrite the different buildings based on 50% of the in-place rents and 50% of the recent leasing for that building. This indicated that market rent overall would be closer to $15.28 per square foot on average and therefore a mark to market would be necessary. Morningstar's approach is to move closer to market rather than underwrite to market in this particular instance. Therefore, Morningstar's actual underwritten rents were $15.71 per square foot with an economic vacancy of 31.4%.

Sponsorship/Management

The borrowing entity consists of five newly formed special purpose, bankruptcy-remote, U.S. entities as tenants in common ("TIC"). The sponsor of the borrower and the nonrecourse carve-out guarantor is Michael Silberberg. The sponsor has net worth of $152.1 million including liquid investments of approximately $25.0 million. Michael Silberberg also has a total interest of $81.8 million in 41 real estate assets with a collective market value of $2.0 billion. Each TIC borrower also has a respective guarantor limited to the bankruptcy of that borrowe, and transfers and particition by such borrower.

The property is managed by Transwestern Property Management. Transwestern provides management services, accounting and risk management for a range of properties. As of year-end 2013, Transwestern manages 895 projects totaling 221 million sq. ft. of which approximately 57.0% is office. The contractual management fee is 3.0%, capped at $1.0 million.

Morningstar Analysis

	Morningstar Underwriting	Year End 2011	Year End 2012	TTM 12/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$33,803,793	$24,531,044	$24,445,862	$23,425,565	$34,168,534
Less: Vacancy Loss (GPR)	(10,600,346)	0	0	0	(16,059,103)
Less: Concessions	0	0	0	0	0
Less: Collection Loss	(9,992)	(3,635)	(2,357)	(9,701)	0
Less: Vac Adj for Concess/Coll Loss	3,133	0	0	0	0
Base Rent/Net Effective Rent	**$23,196,588**	**$24,527,409**	**$24,443,505**	**$23,415,864**	**$18,109,431**
Expense Reimbursement	$16,040,963	$10,497,661	$10,323,910	$10,445,147	$16,040,963
Percentage Rent	0	0	0	0	0
Total Other Income	2,266,645	3,216,404	3,014,245	3,240,532	2,266,645
Less: Vacancy Other Incomes	(5,493,834)	n/a	n/a	n/a	n/a
Effective Gross Income	**$36,010,363**	**$38,241,473**	**$37,781,659**	**$37,101,544**	**$36,417,039**
Expenses					
Real Estate Taxes	$4,205,724	$5,002,723	$3,371,284	$3,924,471	$4,205,724
Property Insurance	482,431	522,400	457,487	468,380	471,211
Utilities	4,608,697	4,669,972	5,137,092	6,772,421	4,608,697
Repairs and Maintenance	3,659,764	1,436,850	1,373,051	1,337,524	3,659,764
Contract services	2,174,809	2,218,805	2,234,958	2,207,732	2,174,809
Management Fees	1,080,311	1,054,448	1,021,145	976,136	1,000,000
Payroll & Benefits	969,863	2,739,052	2,687,000	2,889,672	969,863
Common Area Maintenance	0	0	0	0	0
Advertising & Marketing	431,050	0	0	0	431,050
Professional Fees	0	0	0	0	0
General and Administrative	1,120,732	803,164	1,035,346	1,178,387	1,120,732
Non-Reimbursable Expenses	0	0	0	0	0
Ground Rent	0	0	0	0	0
Total Operating Expenses	**$18,733,380**	**$18,447,414**	**$17,317,363**	**$19,754,723**	**$18,641,850**
Net Operating Income	**$17,276,982**	**$19,794,059**	**$20,464,296**	**$17,346,820**	**$17,775,190**
Capital Items					
Leasing Commissions	$681,641	$0	$0	$0	$612,156
Tenant Improvements	1,318,122	0	0	0	1,481,435
Capital Expenditure / Reserve	560,365	0	0	0	538,086
Extraordinary Capital Expenditures	0				(1,260,000)
- Credit For TI/LC Reserve	(1,260,000)				
- Credit For Cap Ex Reserve	0				
Total Capital Items	**$1,300,128**	**$0**	**$0**	**$0**	**$1,371,677**
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0
Net Cash Flow	**$15,976,854**	**$19,794,059**	**$20,464,296**	**$17,346,820**	**$16,403,513**

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	$15.71
Vacancy (%)	31.4%

As of the February 28, 2014 rent roll, average in-place office rents were $15.88 per square foot and vacancy was 32.8%. This includes rent steps that will occur over the next 12-months. Morningstar also gave credit for those same rent steps in the total amount of $788,117.

Morningstar looked at the Reis's market and submarket rents and vacancy, the appraiser's rent comparables and appraiser's market rent and vacancy conclusions and elected to underwrite market based on a blend of recent leasing with in-place rents based on significant leasing activity since January 2013. This indicated that market rent overall would be closer to $15.28 per square foot on average and therefore a mark to market would be necessary. Morningstar's approach is to move closer to market rather than underwrite to market in this particular instance. Therefore, Morningstar's actual underwritten rents were $15.71 per square foot with an economic vacancy of 31.4%.

Expense reimbursements were underwritten to the actual rent roll and grossed up for vacancy. Morningstar underwrote to a recovery ratio of 85.1%, fairly consistent with the issuer's 86.0%.

Expenses

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

Real Estate Taxes were underwritten based on the actual 2013/2014 real estate tax bills.

Insurance was underwritten to the actual 2013/2014 insurance costs.

Management Fees were underwritten to a minimum of 3.0% of Effective Gross Income ("EGI"). The actual management fee is based on 3.0% of EGI, capped at $1.0 million.

Overall, expenses were 52.0% of EGI, slightly higher than the issuer's 51.2%, but lower than the TTM ending 12/31/13 at 53.2% and the appraiser's expenses at 55.1%.

Capital Items

A reserve for future capital expenditures is underwritten at $0.26 per square foot based on the engineer's recommended reserves. It should be noted that there is a separate $9.4 million capEx reserve dedicated to projects including elevator upgrades, installation of new chillers, rnovation of the 3000 Town Center lobby, renovation of the parking decks and garage entries. Morningstar did not give credit for this reserve. Tenant improvements were generally underwritten to $15.00 per square foot for new leases and $5.00 per square foot for renewals. Leasing commissions are underwritten at 4% for new tenants and 2% for renewals. A renewal rate of 65% is assumed.

The borrower also provided an upfront reserve in the amount of $12.6 million for future tenant improvement and leasing costs. Based on the 10-year term, Morningstar has given an annual credit in the amount of $1.26 million to cash flow.

Valuation Drivers

Morningstar's retail capitalization rate for the Detroit area was 8.2%. Adjustments were made to the capitalization rate for its suburban area bringing the capitalization rate to 8.5%. This estimate is more conservative than the appraiser's capitalization rate of 7.95% but not as high as the appraiser's sales comparables which averaged 9.0%. Morningstar's methodology is to consider each of the approaches and utilize the greatest number as a more conservative estimate of the capitalization rate. Therefore, Morningstar utilized a 9.0% capitalization rate in its analysis.

Sixty LES

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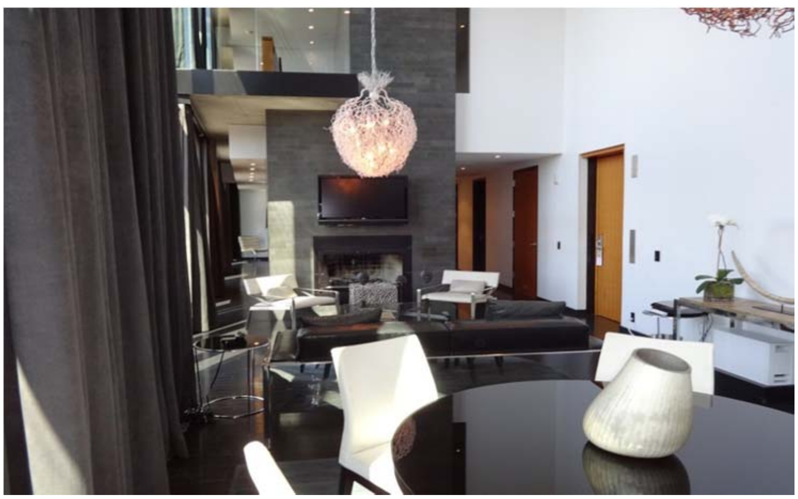

Property Summary		
Property Type	Hotel/Full-Service	
Location	New York, NY 10002	
Year Built	2008	
Year /Renovated	2014	
Number of Rooms (Total)	141	
Number of Rooms (Collateral)	141	
Occupancy (Actual)	83.26%	TTM 12/31/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$62,250,000	($441,489/room)
Loan Amount (Cut-Off Balance)	$62,250,000	($441,489/room)
Loan Term (months)	60	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	1	
Interest Rate	5.32000%	

Morningstar Analysis		
Current DSCR	1.71 x	
Amortizing DSCR	1.36 x	
Beginning LTV	88.05%	
Ending LTV	81.21%	
Capitalization Rate	8.00%	
Morningstar UW Occupancy	83.6%	
Net Operating Income	$6,267,000	
Net Cash Flow	$5,656,031	
Value	$70,700,389	($501,421/room)
Debt Yield	9.09%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table						
Loan	**Current Balance**	**Interest Rate Rate**	**DSCR Current**	**DSCR Amortizing**	**BLTV**	**ELTV**
Subject Loan	$62,250,000	5.320%	1.71 x	1.36 x	88.0%	81.2%
Total	**$62,250,000**	**5.320%**	**1.71 x**	**1.36 x**	**88.0%**	**81.2%**

Morningstar Summary

Morningstar Perspective

The property opened in July 2008, and is a 141-room full-service independent boutique hotel in Manhattan's Lower East Side neighborhood. Formerly known as Thompson LES, the hotel was rebranded with the Sixty name at the beginning of 2014. The hotel has 84 standard rooms, 43 studio suites and 14 larger suites. According to the appraisal, segmentation is 49% business, 36% leisure and 15% group, based on 2013 results.

Given that the property has demonstrated a solid track record in just a little more than five years, and that a thriving high-end hotel market has emerged in the Lower East Side area since 2000, we believe that the property will support the loan payments throughout the term. The property has established itself as an important destination for guests in the entertainment, fashion, art and advertising industries. Although there is new competition about to open nearby over the next few months, we believe that the hotel's performance will be able to support a new financing when the loan reaches maturity in 2019.

Operating performance has been solid, and average daily rate (ADR) has increased steadily since 2011, from $315.65 to $338.01 by 2013, a gain of 7.1% in two years. At the same time, occupancy dropped from 85.4% in 2011 to 83.3% in 2013, though revenue per available room night (RevPAR) grew by 4.4% because of the growth in room rate. The competitive set of hotel properties in and close to the Lower East Side, whether as determined by the appraisal or by Smith Travel Research, has established average daily rates above $300 for the last three years, with occupancy consistently between 81% and 85%.

Leverage is moderately high with a Morningstar loan-to-value of 88.1% based on a value of $70.70 million, a capitalization rate of 8.0% and a first mortgage loan amount of $62.25 million. Morningstar's value equates to $501,421 per room which is not unusual for a Manhattan hotel that commands room rates in excess of $300 per night. The value of the hotel as determined by the appraisal is $94.1 million; the Morningstar value is lower by 25%.

The Bears Say

- The loan has a five-year term, with the first three years interest-only, so there is very little amortization.
- The local market in the Lower East Side does not have the drawing power of Midtown Manhattan, though there is less competition.
- Two new hotels are expected to open in the immediate vicinity within the next 12 months.
- In the Lower East Side, some unattractive blocks are interspersed with more upscale, gentrified areas. In terms of perception among Manhattan neighborhoods, the Lower East Side lacks the cachet of nearby SoHo.
- The high-end hotel market in the Lower East Side, and this hotel in particular are relatively new and have only experienced one downturn thus far.
- The property has no on-site parking, though it does have an agreement with a nearby parking garage.

The Bulls Say

- Local hotels in the property's market have been able to command average daily rates in excess of $300 while maintaining better than 80% occupancy at least since 2011.
- There are only a few other hotels that provide competition at this price point in this market area.
- Gentrification of the neighborhood has added many new boutiques and restaurants, as well as art galleries.
- The property has made substantial gains in market segments such as fashion, entertainment, production, advertising, social and leisure.
- Food and beverage options improved in early 2013 as the property's ownership expanded its partnership with the Blue Ribbon restaurant brand. Blue Ribbon is a renowned brand with 15 restaurants including ten in Manhattan and two in Brooklyn, two in Las Vegas and one in London. Revenue from food and beverage operations is derived from a 10-year lease to Blue Ribbon.
- The presence of a pool is an amenity found in relatively few Manhattan hotels, and is a key recreational and social venue during the summer months.

Property Description

The property is a 141-key independent boutique hotel on Allen Street just south of East Houston Street. The building is a 20-story tower on a rectangular parcel covering 0.19 of an acre. The location is within walking distance of Little Italy, Chinatown, the East Village, SoHo and Tribeca. The local neighborhood is a mix of older residential and commercial development interspersed with newer properties.

The room mix consists of 41 Queen Superior rooms, 26 King Superior rooms, 17 Double Deluxe rooms, 43 Studio Suites, four One-Bedroom Queen Suites, four One-Bedroom King Suites, three King Suites Terrace, two Sixty Suites and one Sixty Loft. Most of the regular hotel rooms are about 450 square feet, which is fairly generous by Manhattan standards. The hotel's restaurants are Blue Ribbon Sushi Izikaya, Blue Ribbon Beer Garden and Blue Ribbon 2nd floor bar. Other amenities include a swimming pool and deck, an outdoor terrace, a gym and a media room. A large public space on the seventh floor is currently undergoing a transformation to a bar after several years as a music venue that frequently caused guest complaints due to excessive noise.

Morningstar visited the property on May 1, 2014. The manager reported the hotel to be booked almost to capacity, as only four rooms were available to show. It was reported that April's occupancy was 92.5%. The hotel's public spaces are attractively decorated and appear bright and create a pleasant atmosphere. There is an outdoor pool and deck on the third floor, and a spa on the second floor. Only one suite was available for inspection, the largest suite with a second level bedroom and bathroom. The second floor lobby was undergoing a renovation and had no furniture at the time of the inspection. Generally, the property shows very well. The manager confirmed that the greatest sources of commercial demand for the hotel come from the entertainment, fashion and art industries, and that the hotel relies relatively little on traditional corporate business. The manager also mentioned that the hotel cut its reliance on internet-sourced room nights in half, to 22% in 2013 from 45% in 2012. It was noted that two hotels are under construction in the immediate vicinity of the property. The Ludlow Hotel is scheduled to have a soft opening in June 2014, and the Indigo Hotel is expected to open by early 2015. These new hotels are expected to be somewhat competitive with the property. We believe we have accounted for the impact of the new competition by underwriting occupancy that is two full percentage points lower than the average reported in 2011 and 2012, and an average room rate that is lower than both 2013 and the 12 months ended January 31, 2014. The existing competition was said to come primarily from the Hotel On Rivington and The Standard East Village, and a small number of hotels in nearby SoHo.

The hotel manager noted that early 2014 occupancy was slightly lower than the same period a year earlier due to the name change that took effect as of January 1, 2014. The hotel's code in systems used by travel agents also changed, which caused some missed opportunities for reservations. The effect of that code change appears to have ended as April's occupancy rebounded strongly to 92.5%.

Demand Drivers

The Lower East Side has been undergoing a gentrification process over the last several years, which spilled over from the East Village in the early 2000s. The local area now features upscale boutiques and some of New York City's trendiest new restaurants. Also, several galleries around the neighborhood have contributed to the development of a vibrant arts scene. The property benefits to some degree from Manhattan's broader appeal and vast assortment of businesses and attractions, as the local area is easily accessible by public transportation from Midtown and from Lower Manhattan, as well as the outer boroughs. The hotel manager indicated that the Lower East Side is at a disadvantage to SoHo in terms of reputation and cachet with hotel guests, so the property must continue to develop its advantage with the entertainment and fashion industries.

Commercial business accounted for 49% of room nights in 2013. The Lower East Side is not especially well located for most corporate visits, though this has not prevented the hotel from benefitting from Manhattan's huge concentrations of businesses to the north in Midtown and to the south in Lower Manhattan. The hotel's commercial performance is driven primarily by the fashion, entertainment and advertising industries. The appraisal expects this share of the hotel's business to increase slightly over the next five years.

Meeting and group business accounted for 15% of room nights in 2013. Group room nights increased by 45.6% to 4,710 from the first 11 months of 2012 to the same period in 2013, while average daily rate for groups grew 11.3% to $373.93. According to the appraisal, the hotel's meeting and group segment performance easily outpaces its peer group, with an occupancy penetration rate of 116% in 2013. The contribution of this segment is expected to decline very slightly over the next five years. The hotel manager noted that there are no large group accounts. Just four accounts exceeded 200 room nights for the first 10 months of 2013, with no single account representing more than 6% of the total.

The leisure segment accounted for 36% of 2013 room nights. For leisure travelers who prefer a different experience from the usual tourist draws in Midtown and are still willing to pay relatively high room rates to get better amenities, the Lower East Side presents an attractive alternative. The appraisal projects a very slight decline in the segment's contribution over the next five years.

Market Overview

Based upon information provided in the appraisal, the following table represents a summary of historical occupancy and average room rate for the competitive set with which the hotel competes. The identified competitive set comprises 1,246 rooms including the property and the following hotels:
1) Hotel On Rivington, 2) The Standard East Village, 3) Ace Hotel Group New York, 4) Mondrian Hotel SoHo, and 5) Dream Hotel Downtown. This competitive set is relatively new, with four of the five being newer than the subject property, none opening prior to 2004 and two of the five opening in 2011.

The identified competitive set has shown clear improvement in average daily rate from 2010 to 2013, increasing 15% over that period. Occupancy was fairly stable at about 81% to 84% from 2010 to 2012, before improving to 84.8% for 2013. The property's RevPAR penetration has been between 103% and 110% each year since 2010, and was 103% in 2013. The property outperformed the competitive set in terms of average daily rate in 2013, $338.01 to $323.66, an advantage of 4.4%. In terms of occupancy, the property underperformed slightly at 83.3% in 2013 compared to 84.8% for the competitive set.

Evaluation of Market Trends					
	Occupancy Rate	Average Rate	Rooms RevPAR	Occupancy Penetration	RevPAR Penetration
2011	81.2%	$300.38	$243.91	105.2%	110.5%
2012	82.2%	$310.86	$255.53	104.4%	106.4%
2013	84.8%	$323.66	$274.46	98.2%	102.6%
Source: Appraisal, issuer					

Another competitive set provided by Smith Travel Research has fairly similar historical results with respect to average room rate and occupancy, though it has a different composition, with all four hotels having opening dates from 1999 to 2004, and only one hotel (Hotel on Rivington) in common with the appraisal's set. The most recent operating history for the Smith Travel competitive set shows the average daily rate at $339 for the 12 months ended January 31, 2014, just one dollar less than the property's average rate for the same period. There was only a minor difference in vacancy between the competitive set and the subject property, at 82.0% and 81.8%, respectively.

Sponsorship/Management

The sponsor is the Pomeranc Group, which was founded in 1952 and remains under control of the same family. Thompson Hotels was created by the sponsor in 2001 with the opening of 60 Thompson in SoHo. The Thompson brand was joined with Joie de Vivre in 2011. A reorganization caused the hotel to be rebranded as Sixty LES as of January 1, 2014.

Morningstar Analysis

	Morningstar Underwriting	Year End 2012	TTM 12/31/13	Issuer Underwriting
Occupancy Percent	83.6%	85.8%	83.3%	83.3%
Average Room Rate	$335.48	$317.00	$338.00	$338.00
Rooms RevPAR	$280.39	$271.94	$281.43	$281.43
Departmental Revenue				
Room	$14,430,193	$13,995,373	$14,483,802	$14,483,802
Food & Beverage	635,072	327,701	633,991	633,991
Telephone Revenue	141,821	186,090	141,821	141,821
Other Revenue	67,129	78,136	58,005	58,005
Insert Description	0	0	0	0
Rentals and Other Income	0	0	0	0
Total Departmental Revenue	**$15,274,215**	**$14,587,300**	**$15,317,619**	**$15,317,619**
Departmental Expenses				
Room	$3,314,527	$3,169,719	$3,350,729	$3,350,729
Food & Beverage	137,790	121,168	137,651	137,651
Telephone Revenue	27,433	22,881	30,812	30,812
Other Revenue	0	0	0	0
Insert Description	0	0	0	0
Rentals and Other Income	0	0	0	0
Total Departmental Expenses	**$3,479,750**	**$3,313,768**	**$3,519,192**	**$3,519,192**
Departmental Profit	**$11,794,465**	**$11,273,532**	**$11,798,427**	**$11,798,427**
Undistributed Expenses				
General & Administrative	$1,408,861	$1,443,973	$1,366,976	$1,366,976
Franchise Fees	259,662	0	0	260,400
Advertising & Marketing	663,833	519,468	663,833	663,833
Repairs & Maintenance	699,921	690,037	679,535	679,535
Utilities	455,859	464,256	445,271	445,271
Management Fees	610,969	437,619	459,529	459,529
Fixed Charges				
Real Estate Taxes	$1,345,350	$1,178,623	$1,203,296	$1,203,296
Insurance	80,968	88,981	78,610	78,610
Ground Rent	0	0	0	0
Other Expense	2,042	12,437	2,042	2,042
Total Operating Expenses	**$9,007,216**	**$8,149,162**	**$8,418,284**	**$8,678,684**
Net Operating Income	**$6,267,000**	**$6,438,138**	**$6,899,335**	**$6,638,935**
Capital Expenditures				
Reserve for Replacement of FF&E	$610,969	$0	$0	$459,529
Extraordinary Other	0	0	0	0
- Credit For Cap Ex Reserve	0	n/a	n/a	n/a
Total Capital Expenditures	610,969	0	0	459,529
Credit for Upfront DSCR Escrow	$0	$0	$0	$0
Net Cash Flow	**$5,656,031**	**$6,438,138**	**$6,899,335**	**$6,179,406**

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

Average Room Rate	$335.48
Occupancy (%)	83.6%
Rooms RevPAR	$280.39

Morningstar assumed that the property's occupancy will stabilize at a level lower than that reported in 2011 and 2012, but slightly higher than 2013. For average room rate, Morningstar assumed a level somewhat lower than that reported in calendar year 2013, and lower than that reported for the 12 months ended January 31, 2014. Our estimate of occupancy and average room rate is designed to represent a normalized level in constant, uninflated dollars, and takes into account the anticipated impact of new supply.

Management Fees

Morningstar has underwritten management fees at 4.0% of total revenues, which is the contractual base management fee. An incentive fee was not underwritten because the required profit level has not been achieved.

Franchise Fees

A franchise fee of 1.7% was underwritten although the property is operated as an independent boutique hotel; the same was done by the issuer. This was to bring the total of marketing, management and franchise fees more in line with the industry standard.

Reserve for Replacement

A reserve for future capital expenditures is underwritten at 4% of gross revenue which is Morningstar's standard for full service hotels. In addition to the structural repairs recommended by a property condition assessment, the capital reserve for replacement must provide for sufficient funds to conduct periodic replacement of soft goods and case goods in the hotel rooms and in the public spaces. As a result, the Morningstar reserve for replacement is well above that recommended by the engineer in the property condition assessment. The engineer's recommendation amounts to $775 per room per year based on 141 rooms, or just 0.7% of Morningstar's gross revenue.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Property taxes are based on the appraisal's estimate for 2013/2014, which is 11.8% higher than the amount reported for 2013.

Valuation Drivers

The Morningstar base capitalization rate for New York City hotels is 8.2%. A deduction of 20 basis points was made for the property's location and limited local competition. Some consideration was given to the high average room rates established by the property and its competitors in the local area. The resulting capitalization rate is 8.0%.

1100 Superior Avenue

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Analytical Manager: Chandan Banerjee 646-560-4512

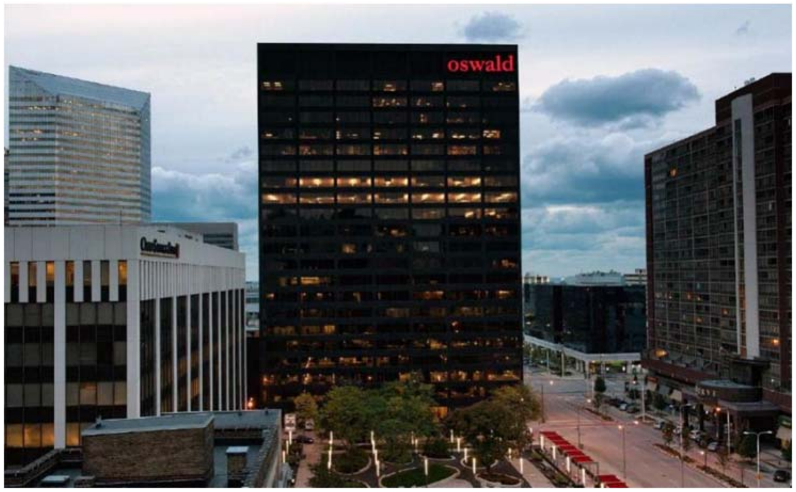


Photo credit: picture in upper left corner from Issuer ASR

Property Summary		
Property Type	Office/Multi-Tenant	
Location	Cleveland, OH 44114	
Year Built	1972	
Year Renovated	2007-2013	
Net Rentable Sq. Ft. (Total)	576,766	
Net Rentable Sq. Ft. (Collateral)	576,766	
Occupancy (Tape)	89.64%	(as of 3/26/14)
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$52,500,000	($91 /sq. ft.)
Loan Amount (Cut-Off Balance)	$52,500,000	($91 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	1	
Interest Rate	4.66000%	

Morningstar Analysis		
Current DSCR	1.79 x	
Amortizing DSCR	1.35 x	
Beginning LTV	98.80%	
Ending LTV	84.75%	
Capitalization Rate	8.25%	
Morningstar UW Occupancy	88.41%	
Net Operating Income	$5,215,288	
Net Cash Flow	$4,383,768	
Value	$53,136,586	($92 /sq. ft.)
Debt Yield	8.35%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan	$52,500,000	4.660%	1.79 x	1.35 x	98.80%	84.75%
Total	**$52,500,000**	**4.660%**	**1.79 x**	**1.35 x**	**98.80%**	**84.75%**

Morningstar Summary

Morningstar Perspective

The $52.5 million1100 Superior Avenue loan is secured by a 22-story, 576,766 square foot Class A office building and adjacent seven-story parking structure located in the central business district, or CBD, of Cleveland, Ohio. Constructed in 1972 and renovated between 2007 and 2013, the property was awarded the LEED-EB Silver Certification in 2010 and remains the only building in the CBD with that distinction. According to the March 2014 rent roll, the property was 89.6% occupied, including three new tenants who recently signed long term leases and together occupy 24.5% of the subject's net rentable area.

The loan proceeds are being used to refinance the existing debt of $36.3 million, pay closing costs of $0.7 million and return $13.1 million of equity to the borrowers who purchased the property in 2007 for $53.75 million. Since acquisition, the borrower has reportedly invested more than $1.1 million in capital improvements and $11.5 million in tenant improvement and leasing commissions. Property amenities include a conference center, fitness center, restaurant, and convenience store. It is wired for both fiber optics and cable TV. Tenant services include 24-hour security and on-site property management.

Cleveland is located on the south shore of Lake Erie and is the second largest city in Ohio, after the state capital of Columbus. While Cleveland has historically had a strong manufacturing base, in recent years the economy has become more diversified. Today the employment base includes not only manufacturing, but also financial services, biomedical, and healthcare. The largest private employer in Cleveland is now the Cleveland Clinic, which is regarded as one of the nation's leading hospitals. Other major employers include KeyBank, PNC Financial Services and Ernst & Young. With the focus and commitment to revitalization of the Downtown submarket, Cleveland's leadership has encouraged new investment which has resulted in the ongoing diversification of the employment base and a fall in unemployment from its high of nearly 14% in 1983 to a reported rate of 9.4% as of March 2014.

As Cleveland's economy has been revitalized over the past twenty years, CBD has seen considerable investment with new development and redevelopment, including construction of the $600 million Ernst & Young Tower/Aloft and the Cleveland Medical Mart and Convention Center, which is reported to be the world's only facility targeted specifically to the medical and healthcare industries. Other developments have included the KeyBank Tower, the Rock 'N Roll Hall of Fame, and even a new gambling casino. Residential development is also returning to the Downtown area, particularly to the subject's adjacent neighborhoods of Playhouse Square, Warehouse and Lakefront. As younger professionals continue to enter the local workforce, their preference for walkable, mixed-use environments has resulted in strong residential demand within the Downtown submarket, resulting in a current 96% multifamily occupancy rate. It is reported that over $4 billion in residential and commercial developments are planned for the area over the next several years.

1100 Superior Avenue is located in Cleveland's largest office submarket of Downtown Cleveland, which reported the highest vacancy rate in the Cleveland market as of 4Q 2013 at 16.8%, according to CoStar. Despite the soft market conditions, per the subject's March 2014 rent roll, the office portion of 1100 Superior Avenue was 90.3% leased (if lower level storage is included, the property was 89.6% leased). Although a major tenant vacated 60,000 square feet at the property in 2012, ownership was able to secure a replacement tenant in August 2013 who executed a long term lease at the property for more than 72,000 square feet. Including that tenant, The James B. Oswald Company, the borrower has been successful at attracting four new tenants on long term leases over the past two years, accounting for 28.1% of the property's net rentable area. In total the building has 37 tenants with the five largest tenants leasing just over 42% of the building's total net rentable area. While diversification of tenants does serve to minimize rollover risk, some tenant leases do include termination options, albeit with high termination payments required.
At $16.51 per square foot, the subject's weighted average in-place rent lags the Downtown submarket's average Class A rent of $20.49 per square foot, according to Reis, and is slightly higher than the class B average rent of $15.42 per square foot. A recent appraisal found Class A market rents in the Downtown submarket to be higher than the subject's rents as well, and also noted a recent history of high concessions by the borrower. As the average rents at 1100 Superior Avenue are at the very low end of the market range for Class A properties, it appears that ownership has seen recent success in leasing the property at its current level at the expense of optimizing contract rents. Representing the potential for future rent increases at the property, Reis reported a trend for rental increases in base rents across all classes of office property and, it is noteworthy that the ongoing residential conversion of older Class B/C office buildings in the Downtown submarket will also have the effect of increasing Class B rents as that inventory is reduced. The below market average rent at 1100 Superior Avenue therefore represents upside potential for the property by attracting potential Class B tenants to a recognizable Class A office building, although Morningstar has not underwritten any such upside in its analysis.

Morningstar has underwritten rents in line with the appraiser's market assessments which resulted in an average underwritten rent of $15.94, fifty-seven cents below the in-place rent of $16.51. Rent credit was not given to building amenities such as the fitness center, management office and the conference room. Although the in-place vacancy at the property is well below the submarket average, Morningstar has underwritten vacancy in line with the historical occupancy at the property, recognizing increasing year-on-year vacancy rates, according to Reis. The resulting Morningstar underwritten net cash flow, or NCF, was $4.4 million, which is 12.7% lower than the issuer's NCF but higher than the property's most recent reported trailing twelve month period ended February 28, 2014 due to the high leasing activity over that period. Based on a capitalization rate of 8.25%, Morningstar's estimated value of $53.1 million is 24.1% lower than the appraised value of $70 million. Morningstar's beginning loan to value, or LTV, is 98.8% and, even with amortization beginning after an initial two-year interest-only period, ending LTV of 84.7% is high and poses the potential for refinance risk at maturity. Term default is minimized by a solid debt service coverage of 1.79X based on Morningstar's conservative underwriting.

Morningstar's credit analysis of 1100 Superior Avenue concludes that the high ending LTV suggests increased refinance risk at maturity, based upon a conservatively estimated cash flow. However, it is also noted that the subject benefits from a strong location and unique qualities, including LEED-EB Silver Certification, attached parking, and an on-site fitness facility. A recent high volume of leasing activity supports the statement that the property remains an attractive office property within its Downtown submarket. However, with recent construction of several new office towers within the Downtown area setting a new standard for Class A office, the subject has had to achieve it's 90.3% occupancy rate at rental rate at the lower end of the range of Class A rents. Over the longer term, market rents are expected to increase across all classes of office property, according to Reis The Class B/C office inventory is also shrinking as young professionals who prefer to also reside in area near their work has resulted in the conversion of older Class B/C office properties to residential use. In conclusion, Morningstar has underwritten the cash flows for 1100 Superior Avenue at a rate that should be sustainable and hopefully increase over the term of the loan. While the loan is expected to perform as underwritten over the term, there is potential refinance risk at maturity, although it is lessened by the prospect of an increase in office rents in the Downtown Cleveland submarket as demand increases among office and residential uses alike.

The Bears Say

- High office market vacancy: Vacancy rates in the double digits in the Cleveland area have posed major concern and although rates in the subject's submarket have been decreasing, they are still considered high.
- Underperforming rental rates: The appraiser's market assessment found below-market rents at the subject as the borrower has focused on reducing vacancy.
- Concession offerings: The borrower currently offers free rent or abated rent or other rent concessions to multiple tenants; however, the borrower will be required to escrow at closing an amount equal to the total remaining free rent concession amount. The offering of above market concessions can potentially exhibit a sign of the weakness of the location for desired CBD building.
- Refinance risk: Morningstar's beginning loan to value, or BLTV, is high at 98.8% and although terms call for amortization of loan principal over a 30-year schedule, ending loan to value, or ELTV, at 84.7% makes refinance in full at maturity strongly dependent on favorable market factors.
- Cashout risk: The loan allows for a return of $13.1 million of borrower equity.
- Sponsor history: Borrower's sponsor has reported that eight different properties under his ownership have either been foreclosed upon or resulted in a deed-in-lieu of foreclosure since 1986. It was also reported that all of the foreclosures were either resolved amicably and were uncontested.

The Bulls Say

- New long-term leases: New leasing and tenant expansions have resulted in an increased in property occupancy from 82.2% in 2011 to 90.3% currently (office space only). Most recently three new tenants committed to long-term leases comprising 24.5% of the building's net rentable area.
- Residential developments in CBD area: Many class B/C office properties in the Downtown Cleveland submarket are being converted into apartments which reflects an alternative use for older properties while also reducing the available office inventory. In the long term, this can reduce the submarket's high vacancy rate and cause upward pressure on rents.
- Strong absorption of supply: The downtown submarket is experiencing strong absorption in recent quarters with several companies relocating from suburban locations, especially given the growing popularity of the Downtown as a residential area by younger professionals.

Property Description

1100 Superior Avenue consists of a 22-story, 576,766 square feet, Class A, multi-tenant office building and an adjacent seven-story, 420-space parking garage located on Superior Avenue in Cleveland, Ohio. The buildings were constructed in 1972 on 1.1 acres, with the office tower constructed of aluminum and glass curtain walls over steel frame. The parking structure is constructed of pre-cast concrete. The office tower features open floor plans, which can accommodate a wide variety of tenants, and includes 19,158 square feet of lower level storage space. The office was renovated by previous owners between 2003 and 2006, and more recently the current ownership has invested over $1.1 million in building improvements including upgrades to the roof, boilers, and HVAC systems which resulted in improved energy efficiency and significant cost savings to the owner as well as the tenant. The borrower has also added a conference center and fitness center since acquisition in 2007, the later reported to be a rarely found tenant amenity in the subject's Downtown submarket. Other building amenities include a convenience store and a café/restaurant. Tenant services include 24-hour security and on-site building management.

A recent third-party property condition report indicated that there were no significant immediate repairs or deficiencies to be addressed at the property. Morningstar conducted a site visit at the property on April 30, 2014 and confirmed that the property is maintained in good condition with no obvious deferred maintenance. The property was recently renamed to the Oswald Building after The James B Oswald Company entered into a new long-term lease at the property and secured naming rights. Morningstar did learn that due to the age of the building and because KeyBank Tower and 200 Public Square are considered to be the truly Class A buildings in the market, this property is considered class A-. It was also found that limited parking availability in the subject's called for most tenants to have reserved parking spots in the garage. Additionally, the new fitness center is not completely open to use as tenants are allotted a certain number of passes based on the total square footage that they occupy.

1100 Superior Avenue benefits from several convenient transportation options, as Superior Avenue affords easy access to Interstate 90 to the east of the property and Interstates 71 and 77 are also readily accessible nearby. The three interstates allow for a direct drive from the CBD to the rest of the Cleveland metro area. Additional transportation options are available nearby in the Tower City Center, which has Downtown's only terminal for the Cleveland light rail system The transit terminal also offers loop bus connections which serve the entire CBD, and access to Amtrak's national rail service. Cleveland's light rail lines connect the Downtown submarket to the Cleveland Hopkins International Airport, which is located 12 miles from the subject via Interstate 71.

The subject property offers many attractive features to prospective tenants, including an energy efficient building, easily accessible location, uncommon submarket tenant amenities such as an adjacent parking structure and on-site fitness facility. Neighborhood land uses and growing residential demand are supportive of the subject's use as a multi-tenant office property. It is felt that 1100 Superior Avenue is well positioned to command reasonable rental rates in the downtown submarket of Cleveland and to capture tenants seeking quality Class A office space at a lower market price point.

Tenant Overview

1100 Superior Avenue is currently 89.6% occupied by a mix of regional, national and international tenants. The five largest tenants lease just over 42% of the building's net rentable area, although with 37 tenants overall, the building has a diverse tenant mix and the rollover risk is minimized.

Morningstar Tenant Overview Table (Top 10)

Tenant	Net Rentable Square Feet	% of Square Feet	Base Rent Amount	Base Rent $ Square Foot	% of Rent	Lease Expiration
The James B. Oswald Company	72,573	12.6%	$1,137,168	$15.67	12.4%	Jul-25
Javitch, Block & Rathbone LLP	55,354	9.6%	$891,200	$16.10	9.7%	Oct-17
Littler Menderson, PC	44,667	7.7%	$804,006	$18.00	8.7%	Apr-21
Brandmuscle, Inc.	41,627	7.2%	$624,405	$15.00	6.8%	Aug-23
First American Title Insurance Company	28,652	5.0%	$684,308	$23.88	7.4%	Nov-17
W.B. Doner & Company	27,088	4.7%	$480,812	$17.75	5.2%	Dec-15
OM Partners LLC	27,087	4.7%	$379,218	$14.00	4.1%	May-14
Osborn Engineering Company	27,033	4.7%	$331,154	$12.25	3.6%	May-23
Meaden & Moore Ltd.	22,212	3.9%	$398,039	$17.92	4.3%	Apr-17
Hartland & Co.	20,554	3.6%	$375,111	$18.25	4.1%	Oct-24
Top 10 Subtotal	**366,847**	**63.6%**	**6,105,421**	**$16.64**	**66.4%**	**Oct-20**

The James B. Oswald Company, or Oswald, is one of the property's newest tenants with a lease commencement of August 2013. The largest tenant in the building, Oswald was also granted naming rights to the property. Oswald is a Cleveland-based and employee-owned insurance brokerage firm, founded in 1893. It is one of the nation's largest independent insurance brokerage firms and is a member of Assurex Global, the world's largest association of privately held insurance brokers. Products and services offered by Oswald include risk management, professional liability, employee benefits and life insurance, property and casualty, and surety and workers compensation. They have additional office locations in Michigan and Florida.

Oswald leases 72,573 square feet at the property over several suites, including 1,500 square feet of storage space. Their 12-year lease term includes two, five-year renewal options at a rate of 95.0% of fair market rent. Oswald also has a one-time right to terminate the lease effective as of February 28, 2021, with twelve months' notice and payment of a $3.0 million termination fee, representing nearly three years of base rent payments. The loan is structured with a full cash flow sweep should Oswald give notice of its intent to exercise its termination option. The cash flow sweep plus the termination fee would be expected to total approximately $4.6 million and would be used for future tenant improvements and leasing commissions as replacement tenants are found.

Javitch, Block & Rathbone LLP is a law firm focused on creditor representation with a specialization in collections and insurance subrogation. Their lease includes one, five-year renewal option, exercisable at then-current market rates. They do not have a termination option.

Littler Menderson, PC is the largest U.S.-based law firm devoted exclusively to representation of management in labor and employment law. The firm was started in 1942 by Robert Littler. They have two, five-year renewal options with their lease, to be exercised at a fair market rate. They do not have any termination or co-tenancy options.

BrandMuscle was founded in 2000 to help companies sell their products or services through a distributed network of local stakeholders, field market professional or channel partners (franchisees, agents, dealers, and distributors. Their purpose is to enable companies to achieve enterprise-wide marketing performance and accelerated revenue growth. They are headquartered in Cleveland and have a regional office in Los Angeles. BrandMuscle has two, five-year renewal options at 95% of market rent, and a one-time right to terminate their lease as of May 31, 2020 with nine months' notice and a termination fee of $1.4 million. They also have rights to reduce their leased area by 15% as of August 31, 2016 upon six months' notice and payment of a $346,375 fee or, if the 2016 option is not exercised, by 15% as of August 31, 2019 upon six months of notice and payment of a $222,140 reduction fee.

First American Title Insurance Company, or First American, is a national provider of various title services, along with valuation products, home warranty products, property and casualty insurance, and banking, trust and investment advisory services. Their lease includes 1,619 square feet of storage space. First American has two five-year renewal options for their office space, but none for their storage space. First American downsized their space in November 2012.

Lease Expiration and Rollover

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year							
	MTM	**2014**	**2015**	**2016**	**2017**	**2018**	**After 2018**
The James B. Oswald Company	0	0	0	0	0	0	71,073
Javitch, Block & Rathbone LLP	0	0	0	0	55,354	0	0
Littler Mendelson, PC	0	0	0	0	0	0	44,667
Floors 13-21	0	1,900	14,210	3,160	7,723	32,226	12,398
Brandmuscles, Inc.	0	0	0	0	0	0	41,627
First American Title Insurance Company	0	0	0	0	27,033	0	0
Floors 1-12	0	28,387	33,163	4,075	45,585	4,581	77,971
Storage	0	100	181	0	1,619	0	1,500
Building Amenities	0	0	370	9	0	0	0
Total	**0**	**30,387**	**47,924**	**7,244**	**137,314**	**36,807**	**249,236**
% Roll	**0.0%**	**5.3%**	**8.3%**	**1.3%**	**23.8%**	**6.4%**	**43.2%**

Market Overview

A recent appraisal of the property cited CoStar data, which reported a vacancy rate for Cleveland's market-wide office inventory of 142,832,167 square feet of 12.2% and average asking rent of $16.89 per square foot as of 4Q 2013. Class A office comprised only 17.3% with 24,694,627 square feet in 143 projects while Class B and C properties made up the majority of the office inventory. The market-wide Class A vacancy rate was 11.8%, and the average quoted rental rate was $21.72 per square foot. A total of 1.6 million square feet of new office construction was completed in the Cleveland market in 2013, and 414,430 square feet of new office space is currently under construction. The subject's Downtown Cleveland submarket contains the highest concentration of office space within the greater Cleveland market, with existing inventory of 38,518,851 square feet as of year-end 2013. The Downtown submarket vacancy rate was the highest in the Cleveland market at 16.8%, and rental rates of $18.30 were slightly lower than the highest rates found in two other smaller submarkets. Within the Downtown submarket, Class A office space represented 27.3% of the inventory with 10.5 million square feet and a reported vacancy rate of 15.1%. Downtown Class A quoted rents of $21.85 were slightly higher than the Cleveland Class A average of $21.72 per square foot.

Within the Downtown submarket, the 1100 Superior Avenue property is located on the eastern edge of Cleveland's Financial District, which serves as the corporate and regional home for a number of firms in the financial, legal, communications and publishing industries including PNC Financial Services and Key Bank. Most office buildings in the Financial District are either historic building or were constructed between the 1950's and the early 1990's. The neighborhood also includes supporting commercial uses, including the Tower City Center Mall and the Cleveland Ritz-Carlton and Renaissance Hotels. A popular park, Perk Plaza, is located adjacent to the property to the south. The park recently underwent nearly $3 million in renovations by the City of Cleveland. To the subject's east is a former Embassy Suites hotel, which is in the process of being converted into residential units as the Downtown submarket has become a very popular residential area with a current occupancy rate of over 96% in the multifamily segment. Because of continued strong residential demand within the Downtown submarket, the immediate area surrounding the property has seen many apartment conversions from older Class C office properties and warehouses, as well as the current multifamily conversion of the adjacent former Embassy Suites. Other notable developments in the vicinity of the subject are Progressive Field (home of the Cleveland Indians), Quicken Loans Arena (home to the Cleveland Cavaliers) and the Cleveland Browns Stadium. The Rock and Roll Hall of Fame is located north of the subject along Lake Erie.

The appraisal listed five properties that would be considered directly competitive with the subject property within Downtown Cleveland. Occupancy rates among the competitors ranged from 65% to 90% and includes some Class B properties. Quoted base rental rates at the competitors ranged from $14.00 to $27.00 per square foot. The subject's current 89.6% occupancy and average in-place rent of $16.37 is more in-line with the Class B competition rates and suggests that the current 89.6% occupancy level has been achieved by remaining in the lower and more affordable rental range among the competitive set.

According to 4Q 2013 Reis data, the health of the general purpose, multi-tenant office market in Cleveland is negatively impacted by the extremely high vacancy rates. The vacancy rate in the Downtown submarket is on the rise while rent rates have stabilized over the past three years. At year-end 2013, Class A rents averaged $20.49 per square foot and the reported vacancy rate was 22.1%. Class B/C rents reported an even higher vacancy rate of 31.9%, even though the rents were only $15.42 per square foot. The Reis statistics support the thought that the borrower is remaining competitive with rental rates on the low end of the Class A range in order to attract tenants and improve occupancy at the subject. A review of leases signed at the property in 2013 show rates ranging from $13.10 for a lower floor tenant to $16.70 for a tenant on a higher floor. Lease terms did include rent steps and ranged between 5 to 12 years.

Sponsorship/Management

The property is owned by a subsidiary of American Landmark Properties, Ltd. which provides on-site management for 1100 Superior. American Landmark Properties, Ltd. is a real estate investment company based in Skokie, Illinois, which was founded in 1986 and has owned and managed over 12.0 million square feet of class A office space as well as industrial and multifamily property types.

Morningstar Analysis

	Morningstar Underwriting	Year End 2011	Year End 2012	TTM 02/28/14	Issuer Underwriting
Income					
Gross Potential Rent	$9,192,955	$7,482,601	$7,625,963	$7,623,372	$9,316,634
Less: Vacancy Loss (GPR)	(1,065,114)	0	0	0	(771,401)
Less: Vac Adj for Concess/Coll Loss	0	(51,044)	(289,349)	(1,154,273)	0
Base Rent/Net Effective Rent	**$8,127,841**	**$7,431,557**	**$7,336,614**	**$6,469,099**	**$8,545,233**
Expense Reimbursement	$466,671	$490,754	$524,857	$537,180	$464,649
Parking Income	1,092,000	897,291	849,461	1,010,861	1,092,000
Other Non-Rental Income	64,200	76,329	79,485	62,285	64,200
Effective Gross Income	**$9,750,712**	**$8,895,931**	**$8,790,417**	**$8,079,425**	**$10,166,082**
Expenses					
Real Estate Taxes	$1,171,706	$1,330,149	$507,881	$847,931	$1,171,706
Property Insurance	72,569	136,665	106,410	79,884	72,569
Utilities	847,556	1,095,032	1,035,999	989,443	847,556
Repairs and Maintenance	669,557	588,247	576,560	649,099	669,557
Management Fees	390,028	359,361	313,738	314,821	406,643
Common Area Maintenance	680,934	773,102	844,512	923,437	680,934
General and Administrative	396,114	317,998	303,531	359,851	359,851
Other	306,959	288,869	290,079	237,464	306,959
Total Operating Expenses	**$4,535,424**	**$4,889,423**	**$3,978,710**	**$4,401,930**	**$4,515,776**
Net Operating Income	**$5,215,288**	**$4,006,508**	**$4,811,707**	**$3,677,495**	**$5,650,307**
Capital Items					
Leasing Commissions	$374,906	$0	$0	$0	$185,944
Tenant Improvements	312,422	0	0	0	296,413
Capital Expenditure / Reserve	144,192	0	0	0	144,192
Total Capital Items	**$831,520**	**$0**	**$0**	**$0**	**$626,548**
Net Cash Flow	**$4,383,768**	**$4,006,508**	**$4,811,707**	**$3,677,495**	**$5,023,759**

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	$15.94
Vacancy (%)	11.6%

The in-place vacancy rate of 10.4% is in line with the underwritten 11.6% which reflects the higher market vacancies observed in the submarket and the metro area. Morningstar's underwritten rents are in line with the appraiser's market assessments which are $17.00, $16.00 and $5.00 for Floors 13-21, Floors 1-12 and Storage, respectively. Rent credit is generally not given to building amenities such as the fitness center, management office and the conference room. The underwritten rent of $15.94 is fifty-seven cents below the in-place rent of $16.51. Parking income accounts for 11.2% of the total revenue. Prior to 2013, the adjacent parking lot was operated by a third-party manager. The Sponsor took over the management in 2013 and has increased occupancy and reduced overhead expenses such as taxes.

Expenses

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

- Real Estate Taxes: Underwritten to the actual 2014 tax bill.
- Property Insurance: Underwritten based on the current insurance premium.
- Utilities: Based on 86.0% of the trailing-twelve month figure, or $141,887 lower, to account for the cost savings resulting from the conversion of heating system to natural gas which was completed in November 2013. Reportedly, the natural gas system is expected to result in a savings of approximately $150,000 per year due to the reduction in electrical and steam usage.
- Repairs and Maintenance: Underwritten to the 2014 budget, which is higher than the historical expense.
- Management Fee: Underwritten to the contractual 4.0% of effective gross income, or EGI. The on-site property management is provided by ALP.
- The Common Area Maintenance, or CAM: Underwritten to 7.0% of EGI or 15.0% of total operating expenses which is lower than historical CAM cost due to a new cleaning contract which will save $120,000 per year.

Capital Items

A reserve for future capital expenditures is underwritten to a Morningstar minimum of $0.25 per square foot, and is 39% more than the engineer's recommended replacement reserves. Tenant improvements for commercial space is underwritten to 50% of the Morningstar concluded base rent for new tenants and 25% for renewals. Leasing commissions are underwritten to 6% for new tenants and 3% for renewals. A renewal rate of 65% is assumed. No tenant improvement or leasing commissions are underwritten for storage tenant or building amenity spaces.

Valuation Drivers

Morningstar's base capitalization rate for the Cleveland, OH office market was 8.40%, as of the fourth quarter of 2013. Morningstar's overall rates are compiled from comparable sales data and relevant market information and are updated regularly. Following a 15 basis points deduction for the class A- nature of the property, the concluded overall rate used in our analysis was 8.25%. Based on the concluded net cash flow of $4,383,768, the value derived from the direct capitalization method is $53,136,586 which is 24.1% below the appraised value of $70,000,000.

Solo Cup

Analyst: Ricky Cipko 267-960-6013
Analytical Manager: Chandan Banerjee 267-960-4512

Property Summary		
Property Type	Industrial/Single Tenant NNN	
Location	University Park, IL 60484	
Year Built	2003; 2005	
Year Renovated	NAP	
Net Rentable Sq. Ft. (Total)	1,552,475	
Net Rentable Sq. Ft. (Collateral)	1,552,475	
Occupancy (Tape)	100.00%	(as of 6/6/14)
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$47,250,000	($30 /sq. ft.)
Loan Amount (Cut-Off Balance)	$47,250,000	($30 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	120	
Amortization Term (months)	0	
Loan Seasoning (months)	4	
Interest Rate	5.06770%	

Morningstar Analysis		
Current DSCR	1.99 x	
Amortizing DSCR	1.99 x	
Beginning LTV	83.37%	
Ending LTV	94.11%	
Capitalization Rate	8.40%	
Morningstar UW Occupancy	95.00%	
Net Operating Income	$5,141,647	
Net Cash Flow	$4,760,821	
Value	$56,676,435	($37 /sq. ft.)
Debt Yield	10.08%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan	$47,250,000	5.068%	1.99 x	1.99 x	81.38%	91.59%
Total	**$47,250,000**	**5.068%**	**1.99 x**	**1.99 x**	**81.38%**	**91.59%**

Morningstar Summary

Morningstar Perspective

The $47.3 million ($30.43 per square foot) Solo Cup loan is secured by a first mortgage interest in a Class A, 1,552,475 square foot single-story warehouse distribution facility in University Park, IL. The property is 100% leased by Solo Cup Operating Company ("Solo Cup") under two separate triple net leases, both of which expire in August 2023 (six months prior to the February 2024 loan maturity). The loan is structured with springing TI/LC reserves ($0.50 per sf), replacement reserves ($0.15 per square foot), and operating expense reserves triggered by various events of default, including tenant lease termination. The springing TI/LC even will occur if the tenant has not exercised its renewal option on or prior to the date 12 months prior to the lease expiration.

The property, which was constructed in 2003 and expanded in 2005, is considered a state-of-the-art facility with 32' clear heights, 120 dock-high truck doors with levelers, three drive in doors, cross docking and parking for 108 vehicles and 149 trailers. Given the facility layout, the property is easily devisable for future uses and can be used to accommodate multiple tenants. The property was built with expansion and reconfiguration in mind; there are punch outs in place along both of the main walls to add as many bay doors as each side can hold. Loan proceeds were utilized to finance the acquisition of the property with a purchase price of $80.7 million, which includes $37.9 million in borrower equity.

Morningstar's principal concerns are the single-tenant nature of the property and lease expiration shortly before loan maturity. However, the property is considered a mission-critical facility as 50% of Solo Cup's manufacturing volume takes place at the manufacturing plant located in Chicago. Solo Cup, a private company headquartered in Lake Forest, Illinois, focuses on the manufacturing of single-use food and beverage products. Dart Container Company, which controls about half the global market in foams cups, acquired Solo Cup Company in May 2012. Despite the acquisition, the Solo Cup property is expected remain a vital asset in Dart Container Company's operations as the nearest Dart facility is a manufacturing plant located approximately 60 miles northwest in Aurora, IL. Per an April 2014 property inspection, Morningstar learned that since the acquisition, Dart has recently consolidated four smaller facilities and relocated the operations to the University Park location. Further mitigating our concern is the property's strong distribution location, which has excellent regional access via I-80, I-55, and I-57, each of which are high volume, major transportation routes in the respective submarket.

Morningstar's underwritten net cash flow (NCF) of $4.8 million omits contractual rent steps scheduled to occur in March 2018 and September 2018. We note that this level is 2.4% below the issuer's underwritten net cash flow. Morningstar's concluded term value of the property is $58.1 million ($37 per square foot) while Morningstar's concluded balloon value, which takes in to account the potential for re-leasing costs associated with a vacant property at maturity, is $51.6 million ($33 per square foot). The appraiser concluded a value of $87.7 million ($56 per square foot) and 'go dark' value of $50.8 million ($33 per square foot). Morningstar's NCF provides an amortizing debt service coverage ratio of 1.99 with a term and balloon LTV of 81.40% and 91.59% respectively. Given the asset's strong location in a healthy distribution market, the tenant's long term lease, and the viability of Dart Container Company, we are comfortable with the property's cash flow sustainability over the life of the loan.

The Bears Say

- The property's sole tenant has an August 2023 lease expiration, six months prior to final loan maturity. The lease contains two 5-year renewal options at 110% of the prior lease rate.
- Following the May 2012 acquisition, the integration of Solo Cup Company and Dart Container Company could create long-term company initiatives or operational duplication that may have adverse impact on future performance for the subject loan and property. The nearest existing Dart facility is located approximately 60 miles northeast of the subject in North Aurora, IL.
- The loan is interest-only for the full ten year loan term.

The Bulls Say

- Given the high ceiling heights and one-story layout, the property is considered a modern facility that is relatively easy to divide for future use.
- Located within the major Chicago transportation hub, the property offers excellent regional access given its proximity to I-80, I-55, and I-57 and is strategically located for Solo Cup.
- The Solo Cup property is highly utilized as total inventory is turned over 14 times per annum. In addition, 50% of Solo Cup's manufacturing volume takes place at the manufacturing plant located in Chicago.
- Strong sponsorship: The loan is sponsored by W.P. Carey & Co., which reported total revenues of $367.4 million and net income of $75.6 million in 2012.

- The Borrower contributed $37.9 million (44.5% of acquisition cost) at closing, resulting in a 53.9% LTV according to the appraisal value.

Property Description

The warehouse building contains 1,552,475 square feet of super-flat floor space and is located 35 miles south of Chicago. The building was originally constructed in 2003 and contained 907,920 square feet, but it was expanded by 644,555 square feet in 2005. The entire facility consists of one story with 32' clear heights and sits on a 90+ acre site. As would be expected for the tenant's product, automation is generally limited at this facility, as all pallets are moved manually by forklift. We note however that the facility is fitted out with RF technology and all inventory is tracked with RFID. The building contains approximately 6,200 feet of basic office space, which includes conference rooms and kitchen/break rooms.

A large draw for this location is the proximity to Highway 57, which feeds into Highway 80. Highway access to the property is very good and will be further improved when a ramp is constructed connecting route 57 directly to the main road that runs along the warehouses. Upon our property inspection, we observed construction underway; however we are unaware of the scheduled completion date. The subject property is generally surrounded by industrial use property and vacant land. Overall condition of the property was deemed to be 'very good' by the April 2014 Morningstar inspection and the January 2014 appraisal report.

Tenant Overview

The subject property is 100% leased by Solo Cup Operating Company ("Solo Cup"), which was acquired by Dart Container Company in May 2012 in a deal valued at $1 billion. Dart Container Corporation of Mason, Michigan is the world's largest manufacturer of foam cups and containers and maintains about half of the global market in foam cups. Dart Container is privately held by the Dart family. The deal cemented Dart's position in the industry as a dominant producer of one-time use plastic, styrofoam, and paper consumer products. Post-acquisition, the company now has approximately 15,000 employees and more than 45 production, distribution centers, and office locations spread across eight countries. Dart continues to offer products under the Solo brand name, including its popular red cups. Dart has a unique operational strategy in that the company operates autonomously in the industry. The company produces its own equipment, raw materials, and finished products and distributes/delivers the products globally.

Morningstar Tenant Overview Table (Top 10)

Tenant	Net Rentable Square Feet	% of Square Feet	Base Rent Amount	Base Rent $ Square Foot	% of Rent	Lease Expiration
Solo Cup Operating Compan	1,552,475	100.0%	$5,645,576	$3.64	100.0%	Sep-23
Top 10 Subtotal	**1,552,475**	**100.0%**	**5,645,576**	**$3.64**	**100.0%**	**Sep-23**

Lease Expiration and Rollover

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year

	MTM	2014	2015	2016	2017	2018	After 2018
Original Warehouse	0	0	0	0	0	0	907,920
Expansion Warehouse	0	0	0	0	0	0	644,555
Total	**0**	**0**	**0**	**0**	**0**	**0**	**1,552,475**
% Roll	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**100.0%**

Market Overview

The subject is located in the village of University Park, Will County, Illinois and sits at the southeast corner of South Central Avenue and West Dralle Road, approximately one half mile east of Interstate 57. According to CoStar's 4Q 2013 industrial market report, the subject warehouse is located in the Far South Cook Industrial submarket, which had a submarket vacancy rate of 11.5%. In addition, the average rental rate was $3.47 per square foot. This compares to the actual in place vacancy and rent of 0.0% and $3.40 per square foot for the Solo Cup warehouse. We note that January 2014 appraisal report concluded a vacancy and rental rate of 10.0% and $3.55 per square foot. As testament to the submarket's strength and viability, Clorox constructed a 1.4 million, built-to-suit warehouse property in University Park, which was completed in August 2011. Clorox signed a 10-year lease at the newly constructed facility. Upon Morningstar's property visit, several warehouses were observed in the immediate area, some of which were advertising available space in the 200,000 square foot range. Given the quality of improvements observed in the local market and the recent Clorox construction, it was evident upon our inspection that there continues to be strong interest in the area for industrial and warehouse space.

Sponsorship/Management

The borrowing entity is sponsored by W.P. Carey Inc. Founded in 1973, the company provides long-term sale-leaseback and build-to-suit financing on a global scale. As of Q3 2013, W.P. Carey's diversified holdings consisted of 421 properties totaling 39.4 million square feet and was 99.0% occupied with a weighted average commercial lease term of 8.7 years. With more than $4.00 billion in equity market capitalization, W.P. Carey is the world's second-largest public net lease REIT.

Per its 2012 annual report, W. P. Carey Inc. reported total revenues of $374.0 million and net income of $62.1 million. As of the third quarter 2013, year-to-date, W.P. Carey reported total revenues of $367.4 million and net income of $75.6 million, which is an increase of 81.3% and 62.6% as compared to 2012 YTD for the same period.

The carve-out guarantor is Corporate Property Associates 18 Global Incorporated (CPA 18), a publicly registered non-traded real estate investment trust ("REIT") which formed in 2012. The REIT raised approximately $65.6 million in equity through October 2013 with W.P. Carey's fundraising goal at $1 billion. The company's core investment strategy is to acquire, own, and manage a portfolio of income generating commercial properties. The property is self-managed by the tenant.

Morningstar Analysis

	Morningstar Underwriting	Budget 12/31/13	Issuer Underwriting
Income			
Gross Potential Rent	$5,548,643	$5,645,576	$5,645,576
Less: Vacancy Loss (GPR)	(277,432)	(408,207)	(408,207)
Less: Concessions	0	0	0
Less: Collection Loss	0	0	0
Less: Vac Adj for Concess/Coll Loss	0	0	0
Base Rent/Net Effective Rent	**$5,271,211**	**$5,237,369**	**$5,237,369**
Expense Reimbursement	$627,834	$620,797	$620,797
Percentage Rent	0	0	0
Real Estate Tax Recovery	1,954,708	1,897,775	1,897,775
Other	0	0	0
Other	0	0	0
Other	0	0	0
Less: Vacancy Other Incomes	(129,564)	n/a	n/a
Effective Gross Income	**$7,724,189**	**$7,755,941**	**$7,755,941**
Expenses			
Real Estate Taxes	$1,954,708	$1,897,775	$1,897,775
Property Insurance	239,857	232,871	232,871
Utilities	0	0	0
Repairs and Maintenance	0	0	0
Contract services	0	0	0
Management Fees	231,726	232,678	232,678
Payroll & Benefits	0	0	0
Common Area Maintenance	156,251	155,248	155,248
Advertising & Marketing	0	0	0
Professional Fees	0	0	0
General and Administrative	0	0	0
Non-Reimbursable Expenses	0	0	0
Other	0	0	0
Other	0	0	0
Other	0	0	0
Ground Rent	0	0	0
Total Operating Expenses	**$2,582,542**	**$2,518,572**	**$2,518,572**
Net Operating Income	**$5,141,647**	**$5,237,369**	**$5,237,369**
Capital Items			
Leasing Commissions	$132,734	$124,847	$124,847
Tenant Improvements	92,845	80,737	80,737
Capital Expenditure / Reserve	155,248	155,248	155,248
Extraordinary Capital Expenditures	0		
- Credit For TI Reserve	0		
- Credit For LC Reserve	0		
- Credit For TI/LC Reserve	0		
- Credit For Cap Ex Reserve	0		
Total Capital Items	**$380,827**	**$360,832**	**$360,832**
Credit for Upfront DSCR Escrow	$0	$0	$0
Net Cash Flow	**$4,760,821**	**$4,876,537**	**$4,876,537**

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	$3.57 per square foot
Vacancy (%)	5.0%

Morningstar underwrote the property's rental rate at $3.57 per square foot, slightly lower than the actual in place rent of $3.64 per square foot given our understanding that the actual submarket rental rate average is $3.47 per square foot. In addition, we are not giving credit to rent steps that scheduled to occur in March 2018 and September 2018, which is typical for Morningstar's underwriting guidelines.

Morningstar conservatively underwrote the property's vacancy level to 5.0% of base rental income while actual vacancy stands at 0.0%. We note that January 2014 appraisal report concluded a vacancy and rental rate of 10.0% and $3.55 per square foot.

Expenses

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

Capital Items

A reserve for future capital expenditures is underwritten at $0.10 per square foot, compared to the engineer's recommended reserves of $0.22 per square foot. The tenant is responsible for both structural and non-structural building maintenance and replacements and we felt that $0.10 per square foot was more appropriate.

Tenant improvements for retail and commercial space is underwritten to 50.0% of the Morningstar concluded base rent for new tenants and 25.0% for renewals. Leasing commissions are underwritten to 4% for new tenants and 2% for renewals. A renewal rate of 75% is assumed.

Valuation Drivers

Morningstar utilized a capitalization rate of 8.2% to the value of the subject property. This is based on Morningstar's Chicago industrial market capitalization rate of 8.4%. This rate was then adjusted downward by 20 basis points due to its NNN lease structure. We note that the direct capitalization rate used in the January 2014 appraisal was 6.25%. In addition, recent sales of comparable industrial assets would suggest an average capitalization rate of 6.4%.

Morningstar's concluded term value of the property is $58.1 million ($37 per square foot) while Morningstar's concluded balloon value, which takes in to account the potential for re-leasing costs associated with a vacant property at maturity, is $51.6 million ($33 per square foot), both significantly lower than the $87.7 million appraised value. We note that the appraiser's 'dark value' was concluded at $50.8 million.

Hilton Charlotte University Place

Analyst: Celeste P. Stinson 646-560-4506
Analytical Manager: Chandan Banerjee 646-560-4512

Property Summary		
Property Type	Hotel/Full-Service	
Location	Charlotte, NC 28262	
Year Built	1987, 1999	
Year /Renovated	2007, 2008, 2013	
Number of Rooms (Total)	393	
Number of Rooms (Collateral)	393	
Occupancy (Actual)	69.31%	TTM 2/28/14
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$45,000,000	($114,504/room)
Loan Amount (Cut-Off Balance)	$44,947,797	($114,371/room)
Loan Term (months)	60	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	1	
Interest Rate	4.62000%	

Morningstar Analysis		
Current DSCR	2.32 x	
Amortizing DSCR	1.74 x	
Beginning LTV	87.51%	
Ending LTV	80.33%	
Capitalization Rate	8.80%	
Morningstar UW Occupancy	69.2%	
Net Operating Income	$5,555,166	
Net Cash Flow	$4,815,467	
Value	$51,360,211	($130,688/room)
Debt Yield	10.71%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate Rate	DSCR Current	DSCR Amortizing	BLTV	ELTV
Subject Loan	$44,947,797	4.620%	1.74 x	1.74 x	87.5%	80.3%
Total	**$44,947,797**	**4.620%**	**1.74 x**	**1.74 x**	**87.5%**	**80.3%**

Morningstar Summary

Morningstar Perspective

The Hilton Charlotte University Place is a full-service hotel, well-located in a vibrant submarket of Charlotte, North Carolina. Constructed in two phases (1987 and 1999), the hotel has 393 guestrooms/suites, and 20,350 square feet of dedicated meeting space, the second largest amount of meeting space in the submarket. Amenities include the 123 seat Lakefront Restaurant and Lounge, a newly opened Starbucks coffee shop, an outdoor pool, fitness center, business center, and an on-site third party car rental agency. Hotel services include room service, complimentary shuttle service, and valet parking. The property borders a man-made lake, allowing for pleasant waterfront views from the hotel's ballrooms and outdoor facilities, making it a popular choice for groups, and especially wedding parties.. The lake is bordered on other sides by a popular retail/dining destination known as the Shoppes at University Place, allowing hotel guests to enjoy more than 80 shops and restaurants, just steps from the property.

Operated as a Hilton since its opening, the current franchise agreement extends through April of 2028, well beyond the loan term. The hotel benefits from strong and experienced owners/sponsors with an on-going history of high capital investments. Since 2007, $11.7 million of capital improvements have been made at the property, with an additional capital investment of $6.9 million planned over the next five years, including the remaining $3.4 million PIP expenditures for the next three years, which were reserved at closing. Morningstar spent an afternoon at the property recently, touring the facilities with the hotel manager and operations engineer. A number of guestrooms were inspected, along with the meeting spaces and common areas. Several floors of guestrooms were in the final stages of completion of a Property Improvement Plan, or PIP. Recently renovated guestrooms are in excellent, modern condition and all remaining guestrooms will be renovated over the next two years, along with the meeting spaces and common areas. All guestroom bathrooms were previously renovated and are in excellent condition. A special note is made of a currently vacant 6,000 square foot commercial space located just outside of the subject's main entrance doors. While ownership is currently using the space for storage, the space affords an excellent opportunity for future additional income, although that has not been included in the underwriting for the purpose of this credit analysis.

Charlotte is a regional business hub within the Southeastern U.S. and is second only to New York City nationally relative to its high concentration of banking and financial service firms. The University Place submarket is located 10 miles northeast of Charlotte's central business district and includes a diverse set of demand drivers, including the University of North Carolina – Charlotte with 26,000 students and 5,000 faculty members. The university has historically driven demand across all major demand segments while commercial/transient demand and group/meeting demand are also driven by a number of regional banking and financial service firm headquarters that are located within 3 miles of the subject, including Wells Fargo, TIAA-CREF, and IBM. Additionally, several major leisure attractions are in the vicinity of the subject, including the Charlotte Motor Speedway, which holds over 380 auto racing sports events annually. Other area draws for leisure visitors include North Carolina's only IKEA store, and the Concord Mills Mall, a Simon mall property with over 200 stores, 24-screen AMC Theater, Sea Life Aquarium, and North Carolina's only Bass Pro Shops.

The subject Hilton has excellent access to several of the major transit arteries serving the Southeast and points beyond. Interstate 85 is located less than one mile from the property, providing direct access to the Charlotte International Airport and further southwest to Atlanta. Six miles west on Interstate 85 Interstate 77 intersects, allowing a direct link to Charlotte's central business district. Additionally, an extension of Charlotte's mass transit system, LYNX, is currently underway, which will provide a direct and easy light-rail option between the central business district and University Place. The terminus of the LYNX extension will be located a few short blocks from the Hilton property and is expected to be completed by 2017. With its ease of access to the greater Charlotte area, the Hilton Charlotte University Place appeals to a broader range of demand drivers, extending well outside of its immediate submarket area.

Historically, the Hilton Charlotte University Place has enjoyed high occupancy levels and average daily rates, outperforming its competitive set on an ongoing basis. With most recent penetration rates well in excess of 100%, the property has established itself as a preferred option among its competitive set, particularly for the groups and meetings demand segment which reflected a 2013 penetration factor in excess of 150%. Consistent high demand levels translate into solid cash flows and the property affords the loan a solid DSCR coverage of 1.74X and debt yield of 10.71%. Although loan-to-value, or LTV, is high at 87.5%, the loan amortizes over its entire five year term to an ending LTV of 80.3%. With its outstanding location relative to multiple and diverse demand drivers, convenient transit access including future light-rail, and strong sponsorship with a historically high level of on-going maintenance, the Hilton Charlotte University Place is expected to fully support the subject financing throughout the loan term and allow for refinance in full at maturity.

The Bears Say

- Cash Out: The borrowers cashed out $16.7 million as part of this transaction. However, the property has a strong operating history, historically outperforming its competitive set with a 2013 RevPar penetration of 125.7%. No new supply is currently anticipated in the market.
- High Loan-to-Value: This transaction represents a highly leveraged loan with the loan balance at cut-off representing 87.5% loan-to-value based on Morningstar's concluded value (69.2% based on the appraised value). This risk is partially mitigated by the 30-year amortization of the loan which commences at closing.
- Refinance Risk; With an ending Morningstar loan-to-value greater than 75% there is potential for maturity risk if market conditions are more restrictive at the time refinance proceeds are sought in 2019. However, appraised ending loan-to-value is 63.5% and, assuming the sponsors continue to operate the property with an on-going high level of maintenance and capital investment, the property should easily maintain or even recognize an appreciation by the time of loan maturity.

The Bulls Say

- Multiple, Diverse Demand Drivers: The subject is very well located with a number of demand drivers in the immediate University Place submarket, including the University of North Carolina-Charlotte, Wells Fargo, TIAA-CREF, IBM. The submarket also has multiple leisure attractions such as the Charlotte Motor Speedway, Simon Properties 200-store Concord Mills Mall (with the state's only Bass Pro Shop), and a free-standing IKEA store which is also the only location within the state. Additionally, with access to Interstate 85 less than one mile from the property and a terminal for the extension of Charlotte's light-rail line directly from Charlotte's central business district to be completed by 2017, the Hilton Charlotte University Place is also convenient to demand drivers outside of the immediate submarket area.
- Market Penetration: The property has consistently outperformed its competitive set for each of the last three years, achieving penetration rates well in excess of 100% in each year, with particular strength in the meeting and group demand segment where 2013 performance recorded a penetration level in excess of 150%.
- Strong Brand Affiliation: Hilton Worldwide is one of the largest hotel companies in the world. Hilton owns, operates, franchises and manages hotels under its 11 owned brands and as of year end 2012 Hilton brands encompassed 3,897 hotels. The Hilton flag also provides the subject with access to Hilton Worldwide's global reservation network.
- Property Condition: Originally constructed in 1987 and expanded in 1999, the subject has benefited from a continued and on-going high level of capital investment. A property site visit and inspection has confirmed that the property is maintained at a very high level and in accordance with Hilton brand standards.
- Additional Commercial Income Potential: The property contains approximately 6,000 square feet of currently vacant ground-level commercial space with exterior access near the hotel's main entrance. The space could be utilized by a variety of commercial users, including retail, restaurant, or spa, and allows the property the potential for additional commercial income. However, this potential future commercial income has not been included for the purpose of this underwriting.

Property Description

The Hilton Charlotte University Place is a full-service, 12-story hotel with 393 rooms, located 10 miles northeast of Charlotte's city center and just a few blocks from the University of North Carolina-Charlotte, or UNC-Charlotte. Bordering a man-made lake, the hotel was constructed in two phases with the common areas, amenities and 242 guestrooms completed in 1987. A second tower was constructed in 1999, adding 151 additional guestrooms. Of the property's 393 guestrooms, 191 are king bedrooms, 197 rooms feature two double beds, and 5 guestrooms are configured as suites. The entire property was extensively renovated in 2007 at a cost of more than $8.0 million ($20,471 per key). An additional $11.7 million ($29,887 per key) has been invested in capital expenditures since 2007. The hotel has been operated under the Hilton flag since its opening and, related to a recently executed new 15-year Franchise Agreement with Hilton, a $3.4 million re-licensing PIP is underway and is expected to be completed by 2016 averaging an additional investment of $8,651 per key.

Amenities at the property include an outdoor pool, fitness center, business center, car rental office, and a Starbucks coffee shop. Meeting space includes 13 dedicated meeting rooms totaling 20,350 square feet, including two ballrooms, University Ballroom and Lakeshore Ballroom, which contain 6,027 and 4,606 square feet, respectively. In addition to the Starbucks, the hotel offers a 123-seat Lakefront Restaurant and Lounge on the lobby level. Additional dining options are available within a short walk from the property at the Shoppes at University Place, which offers more than 80 dining and shopping venues.

The subject is located in the University Area neighborhood of Charlotte and is just a few blocks from UNC-Charlotte with a daily population in excess of 26,000 students and 5,000 faculty members. Adjacent to the main campus is the Charlotte Research Institute, a 100-acre research-oriented campus constructed in 2000. Additionally, the 130-bed Carolinas Medical Center-University, one of the nation's largest publicly owned not-for-profit hospitals, is less than one mile from the hotel. Major employers located in close proximity of the property include Wells Fargo, AXA Equitable, Aon Hewitt, TIAA-CREF, and IBM. Access to Interstate 85 is just east of the property and allows for a quick drive to downtown Charlotte and the Charlotte Douglass International Airport, 15 miles to the west. Also, Charlotte's metro rail system (LYNX) is being extended from downtown Charlotte to the University Area and will have an end-of-the line stop directly across the street from the hotel upon completion of the "Blue Line Extension" in 2017.

The Hilton Charlotte University Place is one of only two full-service hotels serving the University Area neighborhood. The most directly competitive property is considered to be the Embassy Suites Concord Golf Resort, which is located 5 miles north of the subject. The other hotels considered part of the property's competitive set include a full-service Holiday Inn and five other select and limited-service properties. In total, the competitive set within the University Area submarket offers 1,495 rooms with the subject property containing 29% of the total meeting space within the submarket.

Morningstar toured the property with the hotel manager on the afternoon of Friday, April 25, 2014. Common areas were observed, including ballrooms, smaller meeting rooms, the pool deck and outdoor meeting venues, lobby bar, waterfront restaurant and the newly opened Starbucks coffee shop. The pool area and a separate outdoor plaza with a waterfall feature were very convenient to the ballrooms and other meeting spaces and, with locations facing the manmade lake along the property's border, had a more resort-like feel due to the open nature of the space. The manager reported that the location along the lake, which featured several fountains and a wedding arch, made the property a very popular destination for bridal parties. The hotel hosts approximately 100 weddings annually, and with a variety of indoor spaces and flexible outdoor entertaining areas, allows for up to three weddings to occur at the same time.

A number of guestrooms were inspected by Morningstar, both recently renovated and those scheduled for renovation within the next two years. The ballrooms and meeting areas are to be renovated as part of the current PIP and will include new lighting, carpeting and other upgrades consistent with other recently inspected Hilton properties. The guestroom upgrades will make the property even more competitive, while all guest bathrooms are already in good, modern condition due to replacement of the flooring and fixtures in 2007. At the time of the visit the tenth through twelfth floors at the property were not accessible by guests. New carpeting was being installed on the corridors of those floors and the Presidential and Honeymoon Suites on the 12th floor were being renovated as the last phase of the complete renovation of those floors. It was noted that while the other guestrooms on the eleventh and twelfth floors were renovated in 2013, the corridors and suite renovations were delayed due to the late delivery of the materials needed to complete those areas. The tenth floor at the property was in the final stages of guestroom renovations with new furniture being installed. The hotel manager, who has been with the property in excess of five years, indicated that the property's owners were very proactive in maintaining the hotel to a highly competitive standard and that along with a generous renovation budget, were also able to extend the current PIP renovations over several years so as to avoid impacting occupancy by the gradually staged removal of room inventory for renovation purposes during non-peak demand periods.

A final note was made of a vacant space of approximately 6,000 square feet, with exterior access, near the hotel's main entrance. The space represents the future opportunity for a well-located commercial user, benefiting from the high foot traffic in the area due to the Hilton and nearby Shoppes at University Place. The space is presently being used to warehouse inventory for the PIP renovations, but the hotel manager confirmed that the area is under consideration for future commercial use. The potential income to be generated by the conversion of this space into a revenue-generating use would further enhance the credit quality of the subject loan, but has not been included in the current underwriting.

Capital Expenditures

Historically, the property owners have consistently maintained the property at a highly competitive level. The last extensive renovation was completed in 2007 at a cost in excess of $20,000 per room and included replacement of guestroom bathroom fixtures and floors. Since 2007 an additional $11.7 million ($29,887 per guestroom) has been invested. Most recently guestroom renovations on the executive level floors (nine, eleven, and twelve), were completed in 2013 and included a total of 140 rooms. Guestrooms on the tenth floor are currently undergoing remodeling and are to be completed in May 2014, with the remaining guestrooms to be remodeled over the next two years. Guestroom remodeling includes replacement of hard and soft goods, new carpeting and drapes, replacement of all televisions with 37" flat panel screens, and replacement of other room amenities.

The recent guestroom remodeling program commenced following execution of a new 15-year Franchise Agreement with Hilton in April 2013, which included a re-licensing PIP. Upon final completion in 2016, the total PIP expenditure is expected to be $3.4 million. In addition to guestroom remodeling, other renovations are being made to the corridors, restaurant/bar/lounge areas, and the lobby and meeting rooms. The on-going PIP renovations are not expected to impact the hotel's operations since the time-frame allows for a small number of rooms and common areas at the property to be completed at one time or wait for slow periods to complete the necessary work. As shown in the table below, looking forward beyond the current PIP renovations, planned capital expenditures are expected to continue to allow for routine maintenance to maintain brand standards and allow the Hilton Charlotte University Place to retain the enviable position it enjoys within its competitive set with healthy historic penetration levels well in excess of 100%.

Projected Capital Expenditures						
Year	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Renovations	$2,926,037	$952,892	$976,714	$1,006,016	$1,036,196	$6,897,855
$ Per Room	$7,445	$2,425	$2,485	$2,560	$2,637	$17,552

Note: Figures for 2014 through 2016 include other caital items in addition to the remaining $3.4 million PIP expenditures planned for those years.

Demand Drivers

Charlotte, North Carolina is a major business hub in the southeastern U.S., with a diverse employment base including the services, trade, and manufacturing sectors. Charlotte has a strong concentration of banking and finance companies, second only to New York City, with Bank of America's corporate headquarters and Wells Fargo Bank's regional base together employing approximately 35,000 Charlotte area residents. Charlotte also has a significant energy base, with over 240 companies directly related to the energy sector employing an additional 26,000+ individuals.

The Charlotte metropolitan statistical area, or MSA, is headquarters for 10 of the Fortune 500 companies, including Bank of America, Duke Energy, Chiquita Brands International, and Lowe's Company. Other major employers include Wells Fargo, US Airways, TIAA-CREF, Philip Morris U.S.A., Daimler Trucks North America, Carolinas HealthCare System, and UNC-Charlotte. With a relatively low cost of living, moderate labor cost, large work force, and a good variety of educational resources, Charlotte is a very desirable location for new businesses, especially service and entrepreneurial firms. As of the end of 2013, the reported unemployment rate for the Charlotte MSA was 6.6% with the MSA continuing to gain new jobs.

The dominant demand driver for the Charlotte University Place submarket is the University of North Carolina at Charlotte, with a 1,000 acre campus serving more than 26,000 students and 5,000 faculty members just a few short blocks from the subject. Additionally, the 100 acre Charlotte Research Institute was constructed adjacent to the UNC-Charlotte campus in 2000, bringing faculty, students and outside researchers together to work on projects related to intelligent manufacturing, optical communication, software and information technology. The Charlotte Research Institute campus also houses a new 15,300 seat football stadium (with expansion potential to more than 40,000 seats)which attracted more visitors to the University Place area on home game weekends in 2013, the inaugural season of the new UNC-Charlotte football team, the 49ers.

Additional demand for hotels in the University Place submarket is driven by the 130-bed Carolinas Medical Center-University, which is one of the nation's largest publicly owned non-profit hospitals. The medical center is located two miles from the Hilton Charlotte University Place. Other businesses with high employment concentrations in the subject's submarket include TIAA-CREF, IBM, and Wells Fargo.

Several popular tourist destinations are located in the vicinity of University Place, including the Verizon Wireless Amphitheater Charlotte, an outdoor music venue with seating for 19,500 people, and an IKEA store which opened in 2009 and is the only IKEA located in North Carolina. Additional leisure demand is drawn by the Concord Mills Mall, approximately five miles northeast of the subject in Concord, North Carolina. Also in Concord is the Charlotte Motor Speedway, a 2,000 acre complex which features a 1.5-mile track seating 134,000 people and hosting three major NASCAR events each year. The Charlotte Motor Speedway is reported to be one of the busiest sports venues in the country, holding over 380 auto racing sports events annually and making Charlotte a popular destination for motor sports enthusiasts. The Charlotte area is home to multiple offices of NASCAR as well as the NASCAR Hall of Fame and the majority of NASCAR racing teams is based near Charlotte. It is reported that NASCAR is second only to the National Football League among professional sports franchises in terms of television ratings in the United States.

According to a recent appraisal, the subject's segmentation reports show that the majority of demand as measured by room nights is derived from the meeting and group segment where the property's above average amount of meeting space has allowed it to historically capture significantly more than its market share of the demand in this segment. Commercial transient demand represents the second highest demand driver as measured by room nights, but here the subject has a historic penetration rate below its fair share. Leisure demand makes up the smallest demand driver in this submarket, but with the subject's location near so many of the demand drivers and its nationally recognized franchise, the subject outperforms its competitive set with a historic penetration rate in excess of 100%. The 2013 segmentation and penetration analysis is summarized in the table below.

Hilton Charlotte University Place – 2013 Demand Segmentation and Market Penetration				
Demand Segment	**Estimated Rooms Occupied**	**Market Segmentation**	**Market Share**	**Penetration Factor**
Commercial	39,377	40%	20.28%	77.15%
Meeting & Group	41,236	42%	41.05%	156.14%
Leisure	17,720	18%	27.97%	106.38%
Total	98,443	100%	27.48%	104.53%

Market Overview

The identified competitive set includes 1,495 rooms and, in addition to the subject, includes the following hotels: 1) Embassy Suites Charlotte Concord Golf Resort (308 rooms), 2) Holiday Inn Charlotte University Executive Park (174 rooms), 3) Homewood Suites Charlotte North University (112 rooms), 4) Courtyard Charlotte University Research Park (152 rooms), 5) Comfort Suites University Area (120 rooms), 6) Springhill Suites Charlotte University Research Park (136 rooms), and 7) Country Inn & Suites Charlotte University Place (100 rooms). Of the competitors, only the Embassy Suites and the Holiday Inn are full-service hotels like the subject. The remaining five properties comprising the competitive set are select- and limited-service hotels and have lower rate structures. Based upon information provided by Smith Travel Research, the following table presents a summary of historical occupancy and average room rate for the competitive set in which the subject hotel competes.

Evaluation of Market Trends					
	Occupancy Rate	**Average Rate**	**Rooms RevPAR**	**Occupancy Penetration**	**RevPAR Penetration**
TTM 12/31/2011	58.6%	$98.63	$57.82	117.9%	134.7%
TTM 12/31/2012	63.0%	$104.34	$65.73	114.0%	133.0%
TTM 12/31/2013	65.9%	$105.29	$68.36	104.3%	125.7%

Source: Smith Travel Research

Supply within the competitive set has been stable for the past 5 years and as the local and national economy has improved, occupancy rates have risen from a low of 53.9% in 2009 to exceed 65% in 2012 and 2013. ADR has also recovered from a low of $102.79 in 2011 to a healthy $111.15 in 2013. No new hotels are planned or even rumored within the University Place submarket and, with a diversity of demand generators, demand and ADR growth are both expected to continue within the competitive set. Additional demand growth is expected with the continuation of the college football program at UNC-Charlotte following its 2013 inaugural season, as well as additional demand from business and entertainment venues in the Charlotte central business district upon completion of the LYNX Metro Blue Line Extension in 2017 which will make the property convenient to those demand generators. The Hilton Charlotte University Place is expected to continue to outperform its competitors due to its strategic location near the University and other corporate and leisure demand drivers, and its close proximity to the terminus of the LYNX Metro Blue Line Extension, from the Charlotte central business district to the University Place submarket, with an expected completion date of 2017.

Sponsorship/Management

The loan Sponsor is Mr. Kenneth Kochenour who co-founded Philadelphia based GF Management, a 25-year old hospitality ownership and management company specializing in hotels, resorts, golf courses, restaurants, and other entertainment venues. GF Management owns and operates the Hilton Charlotte University Place, and also currently owns or manages a portfolio of more than 120 hospitality assets across the U.S., including brands such as Hilton, Starwood, InterContinental, Marriott, Choice, Wyndham, and Radisson.

Mr. Kochenour also serves as the nonrecourse carve-out guarantor for the loan, and is subject to certain net worth and liquidity covenants during the loan term.

Morningstar Analysis

	Morningstar Underwriting	Year End 2011	Year End 2012	Year End 2013	TTM 02/28/14	Issuer Underwriting
Occupancy Percent	69.2%	69.1%	71.6%	68.6%	69.3%	69.3%
Average Room Rate	$125	$113	$121	$126	$126	$128
Rooms RevPAR	$86	$78	$87	$86	$87	$89
Departmental Revenue						
Room	$12,407,804	$11,166,401	$12,641,154	$12,344,209	$12,516,455	$12,661,327
Food & Beverage	5,432,004	4,751,398	5,131,206	5,127,649	5,458,844	5,458,844
Telecommunications	8,095	7,382	8,402	8,007	8,185	8,185
Other Revenues	316,022	228,202	230,187	360,400	364,131	364,131
Insert Description	0	0	0	0	0	0
Rentals and Other Income	0	0	0	0	0	0
Total Departmental Revenue	**$18,163,924**	**$16,153,383**	**$18,010,949**	**$17,840,265**	**$18,347,615**	**$18,492,487**
Departmental Expenses						
Room	$4,022,407	$3,811,797	$4,172,643	$3,983,139	$4,055,530	$4,055,530
Food & Beverage	2,671,417	2,430,803	2,558,028	2,563,026	2,684,617	2,684,617
Telecommunications	103,790	110,926	99,971	108,324	106,166	106,166
Other Revenues	991,018	998,957	1,135,403	1,175,814	1,141,884	1,141,884
Rentals and Other Income	0	0	0	0	0	0
Total Departmental Expenses	**$7,788,632**	**$7,352,483**	**$7,966,045**	**$7,830,303**	**$7,988,197**	**$7,988,197**
Departmental Profit	**$10,375,293**	**$8,800,900**	**$10,044,904**	**$10,009,962**	**$10,359,418**	**$10,504,290**
Undistributed Expenses						
General & Administrative	$727,331	$655,451	$667,900	$721,233	$734,685	$734,685
Franchise Fees	1,627,021	1,501,968	1,713,303	1,644,353	1,656,452	1,656,452
Advertising & Marketing	271,576	293,252	313,105	270,519	273,102	273,102
Repairs & Maintenance	363,296	332,844	350,889	381,687	345,532	345,532
Utilities	592,546	575,997	631,785	595,621	590,494	590,494
Management Fees	544,918	484,601	540,328	535,208	550,428	554,775
Fixed Charges						
Real Estate Taxes	$448,485	$433,005	$421,117	$433,711	$435,422	$433,429
Insurance	209,334	198,870	200,646	205,294	203,237	183,434
Equipment Lease Payments	35,621	30,827	30,035	35,402	35,621	37,104
Total Operating Expenses	**$12,608,758**	**$11,859,298**	**$12,835,153**	**$12,653,331**	**$12,813,170**	**$12,797,204**
Net Operating Income	**$5,555,166**	**$4,294,085**	**$5,175,796**	**$5,186,934**	**$5,534,445**	**$5,695,284**
Capital Expenditures						
Reserve for Replacement of FF&E	$739,699	$646,135	$720,438	$713,611	$733,905	$739,699
Extraordinary Other	0	0	0	0	0	0
- Credit For Cap Ex Reserve	0	n/a	n/a	n/a	n/a	n/a
Total Capital Expenditures	739,699	646,135	720,438	713,611	733,905	739,699
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0	$0
Net Cash Flow	**$4,815,467**	**$3,647,950**	**$4,455,358**	**$4,473,323**	**$4,800,540**	**$4,955,584**

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

Average Room Rate	$125.00
Occupancy (%)	69.2%
Rooms RevPAR	$86.00

Morningstar underwrote occupancy at 69.2%, which is slightly more conservative than the issuer's underwritten occupancy of 69.3% and most recent February 28, 2014 TTM occupancy of 69.3%. Morningstar's average room rate of $125.01 resulted in a RevPAR of $86.50, which is slightly lower than the subjects $87.50 trailing twelve-month RevPAR for the period ended February 28, 2014.

Expenses

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

Franchise Fees were underwritten to 9.0% of EGI, consistent with February 28, 2014 TTM. Per the current 15-year Franchise Agreement with Hilton dated April 2013, fees include a Royalty Fee of 5% plus a Program Fee of 4% plus a F&B Fee of 3% commencing in July 2021, with all fees based on Gross Room Revenue (GRR). As the commencement of the F&B Fee occurs after the anticipated repayment date of the loan, it was not included in the underwriting.

Management Fees were based on 3% of EGI.

Real Estate Taxes and Property Insurance were based on a 3% inflationary increase over February 28, 2014 TTM.

Capital Items

A reserve for future capital expenditures is underwritten at 4% of gross revenue in line with industry averages for hotels. In additional to the structure repairs recommended by a property condition assessment, the capital reserve for replacement must provide for sufficient funds to conduct periodic replacement of soft goods and case goods in the hotel rooms and in the public spaces. As a result, the reserve for replacement is well above that recommended by the engineer in the property condition assessment.

Valuation Drivers

Morningstar's estimated the value of the subject asset using the direct income capitalization method. Morningstar's base capitalization rate for hospitality properties in Charlotte, North Carolina for the 4th Quarter 2013 was 9.0%, but was subject to a downward adjustment due to the suburban infill location of the property.

Sunrise Hospitality Portfolio

Analyst: Molly Maghran 267-960-6044
Analytical Manager: Chandan Banerjee 646-560-4512

Property Summary		
Property Type	Hotel/Limited-Service	
Location	Various	
Year Built	Various	
Year /Renovated	Various	
Number of Rooms (Total)	400	
Number of Rooms (Collateral)	400	
Occupancy (Actual)	70.31%	TTM 3/31/14
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$34,000,000	($85,000/room)
Loan Amount (Cut-Off Balance)	$33,962,103	($84,905/room)
Loan Term (months)	120	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	1	
Interest Rate	4.79500%	

Morningstar Analysis		
Current DSCR	2.10 x	
Amortizing DSCR	1.59 x	
Beginning LTV	99.53%	
Ending LTV	81.38%	
Capitalization Rate	10.00%	
Morningstar UW Occupancy	69.3%	
Net Operating Income	$3,939,596	
Net Cash Flow	$3,412,201	
Value	$34,122,009	($85,305/room)
Debt Yield	10.05%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate Rate	DSCR Current	DSCR Amortizing	BLTV	ELTV
Subject Loan	$33,962,103	4.795%	1.59 x	1.59 x	99.5%	81.4%
Total	**$33,962,103**	**4.795%**	**1.59 x**	**1.59 x**		**81.4%**

Morningstar Summary

Morningstar Perspective

The Sunrise Hospitality Portfolio loan is a $34 million ($85,000 per room) fixed rate first mortgage loan secured by the borrower's fee simple interest in five limited service hotels with a total of 400 rooms in located in West Monroe, Shreveport and Bossier City, Louisiana. The loan has a ten-year term, amortizing over 30 years, and the properties collateralizing the loan are cross-collateralized and cross-defaulted. Loan proceeds will be utilized to refinance existing debt of approximately $18.9 million, pay closing costs, fund a $387,875 Property Improvement Plan, or PIP, reserve for the Holiday Inn Express – West Monroe, and return about $14.1 million of equity to the sponsors, leaving them with essentially no remaining cash equity in the subject properties.

The five-property portfolio generated net cash flow of $3.96 million for the trailing twelve months, or TTM, ended March 31, 2014. The portfolio's weighted average occupancy, average daily rate, or ADR, and revenue per available room, or RevPAR, are based on a combined occupancy level of 70.3%, ADR of $103.17 per room, and RevPAR of $72.55 for this TTM period. Morningstar's analysis concluded an overall occupancy rate of 69.3%, ADR of $103.17 per room, and RevPAR of $71.50 per room, and yielded net operating income, or NOI, of $3.94 million, which is 0.7% below the TTM period. Morningstar's underwritten net cash flow, or NCF, of $3.41 million is 14.0% below the TTM period as a result of our underwriting 5% of revenues for FF&E reserves. Based upon Morningstar's evaluation of net cash flow and value, the loan is highly leveraged at 99.5%. Our underwritten debt service coverage ratio is adequate at 1.59x, and the debt yield is 10.05%. The properties were individually appraised and the combined concluded appraised value was $48.6 million as of March 1, 2014, implying a loan to appraised value of 70.0%.

On May 1, 2014, Morningstar toured four of the hotels in the Sunrise Hospitality Portfolio, all of which are located in Shreveport and Bossier City. We met with the Vice President of Operations for Sunrise Hospitality and the onsite manager at each property. The tour included a review of each hotel, guest rooms, food and beverage offerings, meeting space, amenities and public areas. The properties were considered to be in good condition with no significant deferred maintenance noted. Morningstar assigned these four hotels a property score of "3" which represents an average rating for each asset.

The Shreveport-Bossier City market was negatively impacted in 2012 and 2013 by the addition of seven new hotels encompassing 1,016 additional rooms in addition to the 395-room new Margaritaville Casino Hotel. While not representing direct competition, the additional rooms in the market siphoned demand flow from area demand generators, primarily overflow from casino facilities in the Shreveport area. This negatively impacted both the subject properties and their competitors. Given the apparent limited barriers to entry, Morningstar is concerned that further additions to supply will adversely impact the subject properties. This concern is somewhat mitigated by the subjects' performance with respect to the recent additions to supply. Morningstar's review of Smith Travel Reports indicates that the subject hotels fared considerably better than the hotels in their respective competitive sets as a result of the increased supply in this market. The appraisals and Sunrise management noted that no new hotel development is currently planned in the area.

The Holiday Inn Express hotels in this portfolio are subject to franchise agreements with ten year terms, all of which expire during the loan term. The Hampton Inn & Suites hotel in Bossier City has a long-term franchise agreement that expires in 2032. Franchise agreements call for adherence to flag standards which require hospitality properties to perform periodic Property Improvement Programs, or PIPs. Renewal of a hotel's franchise agreement is generally conditioned up completion of some level of a PIP. The borrower is funding ongoing monthly reserves of 4% of gross revenues for future property improvements. The combination of these reserves and the overall condition in which the properties are being maintained somewhat mitigates Morningstar's concern relative to the expiring franchise agreements.

The Bears Say

- The loan represents a cash-out refinance, returning approximately $14.1 million to the borrower. The sponsor will have no remaining cash equity in the properties collateralizing the subject loan.
- While the Hampton Inn- Bossier City property's franchise agreements expires in 2032, well after loan maturity, the four Holiday Inn Express hotels' franchise agreements expire during the loan term. The borrower will fund ongoing monthly FF&E reserves at 4% of gross revenues which somewhat mitigates this risk.
- Morningstar's analysis of the portfolio resulted in a loan to value ratio of 99.5% based on our underwriting, representing high leverage. Our value is 29.8% below the aggregate appraised value of the portfolio.
- The market in which the subject hotels operates appears to have few barriers to entry and the additions to supply in the past few years negatively impacted the subject hotels and their respective competitors in terms of both average room rate and occupancy.

- Partial releases of individual properties are permitted at a release price equal to 105% of the allocated loan amount for the first release, 115% for the second release, and 125% for the third and each subsequent release of an individualy mortgaged property.

The Bulls Say

- The loan structure includes upfront reserves of $387,875 representing 125% of the total estimated cost to complete the required PIP for the Holiday Inn Express & Suites – West Monroe property.
- The properties have strong brand affiliation with four hotels having Holiday Inn Express flags and one having a Hampton Inn flag.
- The borrower is the original developer of each of the hotels in the portfolio, and the affiliated management company is an experienced operator.
- Morningstar's underwritten DSCR of 1.59 is satisfactory.
- Four of the hotels collateralizing the subject loan exhibit occupancy penetration rates above 100%, of which three also have RevPAR penetration rates over 100%. The newest hotel in the portfolio, the Holiday Inn Express - Bossier City Racetrack hotel, built in 2012, reports increased occupancy and RevPAR for the TTM ending March 31, 2014 of 98.6% and 85.9%, respectively. This hotel has not attained its fair share of business versus its competitive set.
- The four properties which Morningstar inspected are attractive and appeared to be well maintained.
- All of the properties are subject to seasonality swings, evidencing higher occupancy and commanding higher room rates generally from May through October. Morningstar's review of Smith Travel Reports for each property did not generate significant concern that cash flow would be insufficient to cover debt service during slower months.

Property Description

The Sunrise Hospitality Portfolio consists of five limited service hotels in Shreveport, Bossier City and West Monroe, Louisiana. Four of the hotels carry Holiday Inn Express flags, and one is flagged as a Hampton Inn. The properties are very similar in terms of amenities and services which include an outdoor swimming pool, fitness center, business center, sundries shop and complimentary breakfast. Guestrooms feature a standard complement of amenities including a flat screen television, telephone, desk with chair, dresser, nightstands, lamps, lounge chairs and free internet service. A summary of the portfolio is shown in the following table.

Sunrise Hospitality Portfolio

Property	Location	Year Built/ Renovated	# of Rooms	Appraised Value	Allocated Loan Amount	Loan Per Room	Appraisal LTV
Holiday Inn Express & Suites - West Monroe	W. Monroe	2003/2013	88	$ 15,400,000	$ 11,550,000	$ 131,250	75.0%
Holiday Inn Express & Suites - Shreveport South Park Plaza	Shreveport	2006/2011	69	$ 11,000,000	$ 8,250,000	$ 119,565	75.0%
Holiday Inn Express & Suites - Shreveport Airport	Shreveport	2008/NAP	85	$ 7,200,000	$ 3,600,000	$ 42,353	50.0%
Hampton Inn & Suites - Bossier City	Bossier City	2011/NAP	71	$ 7,100,000	$ 4,970,000	$ 70,000	70.0%
Holiday Inn Express & Suites - Bossier City Race Track	Bossier City	2012/NAP	87	$ 7,900,000	$ 5,630,000	$ 64,713	71.3%
			400	$ 48,600,000	$ 34,000,000	$ 85,000	70.0%

Holiday Inn Express & Suites – West Monroe
HIE – West Monroe is a four-story, 88-room limited service hotel located at 603 Constitution Drive, West Monroe, LA. The property has 1,008 square feet of meeting space, and 89 surface parking spaces. Guestrooms are equipped with a mini-fridge, microwave and coffee maker. The guestroom mix includes 70 king or queen/queen rooms and 18 suites. The property was built in 2003 and the borrower has invested $600,000 ($6,818 per room) in capital improvements since construction. A PIP dated August 8, 2013 requires improvements to the lobby flooring, landscaping, pool repairs and guest room carpeting, window treatments and soft goods with a total cost of about $310,300 ($3,526 per room). Funds will be escrowed at closing for 125% of the anticipated cost, and the renovations are expected to be completed by December 2014.

Holiday Inn Express & Suites – Shreveport South Park Plaza
HIE – Park Plaza is a four-story, 69-room limited service hotel located at 8751 Park Plaza, Shreveport, LA. The property has 528 square feet of meeting space and 74 surface parking spaces. All guestrooms are equipped with a mini-fridge, microwave, coffee maker and kitchenette. The guestroom mix includes 51 king or queen/queen rooms, 18 suites. The property was constructed in April 2006. The sponsor has invested approximately $400,000 ($5,797 per room) in capital improvements since construction.

Holiday Inn Express & Suites – Shreveport Airport
HIE – Shreveport Airport is a four-story, 85-room limited service hotel located at 5420 Interstate Drive, Shreveport, LA. The property has approximately 200 square feet of meeting space and 100 surface parking spaces. The guestroom mix includes 68 king or queen rooms and 38 suites. All guestrooms are equipped with a mini-fridge, microwave, coffee maker and kitchenette. The property was built in 2008 and the borrower has invested about $200,000 ($2,353 per room) in capital improvements since construction.

Hampton Inn & Suites – Bossier City
The Hampton Inn – Bossier City is a four-story, 71-room limited service hotel located at 2692 Viking Drive, Bossier City, LA. The property has about 500 square feet of meeting space and paved parking for 76 vehicles. The guestroom mix includes 45 king or queen/queen rooms and 26 king suites. All guestrooms are equipped with a coffee maker, iron and ironing board. Suites are additionally equipped with a sleeper sofa, bar sink, refrigerator and microwave oven. The property was constructed in 2011.

Holiday Inn Express& Suites – Bossier City Race Track
The HIE – Racetrack property is a four-story, limited service lodging facility with 87 guest rooms located at 7970 East Texas Street, Bossier City, LA. The property has about 200 square feet of meeting space and surface parking for 105 vehicles. The guestroom mix includes 68 king or queen/queen and 19 suites. All guestrooms are equipped with a mini-fridge, microwave and coffee maker. The property was constructed in March 2012.

Property Condition Assessments and Phase I Environmental Assessments were completed by Property Solutions in April 2014 for each property in the Sunrise Hospitality Portfolio. Minimal immediate repair items related to filling cracks in concrete were noted for three of the Holiday Inn Express & Suites. The total cost of repairs was $4,300. No evidence of recognized environmental conditions is associated with any of the properties.

Demand Drivers

West Monroe - The Holiday Inn Express – West Monroe property is located directly off Interstate 20, about 90 miles east of Shreveport/Bossier City. The hotel is four miles west of downtown Monroe, LA, and within six miles of the University of Louisiana - Monroe, Georgia Pacific, and the Ike Hamilton Expo Center, which holds 150 to 200 conventions each year. The area is currently home to the production location of the television show Duck Dynasty, which has become a tourist attraction. Commercial demand for the subject property is generated by a fairly diverse base of corporate tenants in the surrounding area including Georgia Pacific, State Farm, Gulf South Pipeline and St. Francis Health System, among others.

Bossier City and Shreveport are located approximately two miles from one another on opposite sides of the Red River in the northwest corner of Louisiana. Shreveport-Bossier is located 20 miles east of the Texas state line and 40 miles south of the Arkansas border. The area is considered to be the trade center of a 200-mile area known as Ark-La-Tex. Regional access to the area is provided by Interstate 20, a major east/west highway connecting the area to Jackson, MS, Birmingham, AL, and Atlanta, GA to the east and Dallas, TX to the west.

The Shreveport/Bossier City area is an established gaming and entertainment destination, and ranks third in the nation in gaming visitors and thirteenth in casino revenues. There are five riverboat casinos in the area, and casino hotels account for 1,330 rooms in the area. Louisiana Downs, one of the nation's largest thoroughbred racetracks, is located in Bossier City. The property includes a casino operated by Harrah's, and live racing events are held annually from July through November. The Holiday Inn Express – Racetrack property is located directly adjacent to the Harrah's Louisiana Downs racetrack property which includes a 150,000 square foot casino. The subject hotel benefits from overflow business from the Harrah's-owned hotel.

The hotels also benefit from close proximity to the Shreveport Central Business District, the 350,000 square foot Shreveport Convention Center, and Barksdale Air Force Base, or BAFB, which is the mainstay of the Bossier economy. The BAFB is the area's largest employer with 5,400 military and 2,600 civilian employees. The Hampton Inn – Bossier City property is located in close proximity to BAFB. Hotel management noted that this base has never been on a closure list, and reports that less than 10% of room night demand is affiliated with the base. Other local attractions include the Louisiana State Fair, which is held annually in October in Shreveport and attracts over 300,000 visitors. Mardi Gras for Ark-La-Tex, also held in Shreveport in January and February each year features parades, balls and other special events, and attracts over 500,000 visitors each year. Some of the largest generators of commercial room night demand in the Shreveport-Bossier area include AEP Southwestern Electric Power Company, LSU Health Sciences Board, University of Louisiana – Shreveport, Libbey Glass, and Bass Pro Shops, among others.

Benteler International, a German steel company, is constructing its first U.S. manufacturing facility six miles from the Holiday Inn Express & Suites – Shreveport South Park Plaza property. This is expected to generate hotel demand from staff, suppliers and vendors. The borrower has already negotiated with Benteler to be the host hotel for its training facility which is being constructed two miles from both the Holiday Inn Express - Bossier City Race Track property and the Hampton

Inn – Bossier City property. The Benteler International steel facility is expected to create about 1,000 construction jobs and 675 full-time jobs when at full capacity.

The area is served by the Shreveport Regional Airport and commercial providers included American, United, Northwest and Delta Airlines. The Holiday Inn Express – Airport property is located directly adjacent to this airport. Sunrise Hospitality does not have any contracts with the airlines because the ADR paid by the airlines is only $34.

Generally, the demand for lodging accommodations in the subject properties' markets is strongest from mid-May through October. The disparity between peak season and off-season has decreased somewhat in recent years, particularly with respect to occupancy, as all hotels have sought lower-rated demand during off-season months. Individual appraisals for the properties included demand statistics detailing market segmentation for each property in the Sunrise Hospitality Portfolio which is summarized below.

Market Segmentation Summary				
Property	Commercial	Meeting & Group	Leisure	Extended-Stay
Holiday Inn Express & Suites - West Monroe	45%	5%	40%	10%
Holiday Inn Express & Suites - Shreveport South Park Plaza	45%	5%	40%	10%
Holiday Inn Express & Suites - Shreveport Airport	45%	5%	40%	10%
Hampton Inn & Suites - Bossier City	40%	5%	45%	10%
Holiday Inn Express & Suites - Bossier City Race Track	40%	5%	45%	10%
Source: Cushman & Wakefield of Illinois, Inc.				

With the exception of the West Monroe property, the competitive set for the hotels located in the Shreveport-Bossier City area suffered significant declines in occupancy and room rates since 2012. New supply in the surrounding markets, while non-competitive, siphoned demand flow from are demand generators, namely overflow from the casino facilities in the Shreveport area. The appraisals indicate that the downward trend seems to be reversing as the trailing three-month period reflects positive RevPAR growth. With no significant threat of new supply on the horizon, RevPAR performance within the market is expected to continue to rebound.

Market Overview

The Shreveport-Bossier City hotel market was negatively impacted in 2012 and 2013 by the addition of seven new hotels encompassing 1,016 additional rooms and a new Margaritaville Casino property with a 395 room hotel. Based upon information provided by Smith Travel Research, the tables presented below for each property represent summaries of historical occupancy and average room rates for the competitive sets with which each of the hotels in the Sunrise Hospitality Portfolio compete. Of note, the subject hotels impacted by the new supply fared better that their respective competitive sets as evidenced in the statistics shown below.

Holiday Inn Express & Suites – West Monroe
The identified competitive set comprises 332 rooms including the property and the following hotels: 1) Courtyard Monroe Airport, 2) Comfort Suites Monroe, and 3) Hampton Inn West Monroe. The identified competitive set showed improvement in both ADR and occupancy for the 12 months ended February 28, 2014 versus the prior year comparable period. These were the only two periods presented, as the subject's competitive set is largely comprised of newer properties. Occupancy improved by nearly four percentage points to 78.0%, while ADR increased 4.8% to $104.77. The subject property narrowly outperformed the competitive set in occupancy in both 12-month periods, and its 9.8% higher ADR in the latter period helped to push its RevPAR penetration to 111.3%.

Evaluation of Market Trends - Holiday Inn Express & Suites - West Monroe								
12-Month Period Ending	Comp Set Occupancy Rate	Comp Set ADR	Comp Set RevPAR	Subject Occupancy Rate	Subject ADR	Subject RevPAR	Occupancy Penetration	RevPAR Penetration
2/29/2012				76.80%	$ 105.74	$ 81.19		
2/28/2013	74.3%	$ 99.94	$ 80.67	75.60%	$ 111.28	$ 84.17	101.8%	113.3%
2/28/2014	78.0%	$ 104.77	$ 81.70	79.10%	$ 115.01	$ 90.96	101.4%	111.3%
Source: Smith Travel Research								

Holiday Inn Express & Suites – Shreveport South Park Plaza

The identified competitive set comprises 391 rooms including the property and the following hotels: 1) Courtyard Shreveport Airport, 2) Comfort Inn Shreveport, 3) Hampton Inn Suites Shreveport South, and 4) Sleep Inn & Suites Medical Center Shreveport. The identified competitive set had a drop in occupancy from 71.2% for the 12 months ended February 28, 2012 to 60.9% in the corresponding period two years later. New hotel openings in the local area account for at least some of the decline. The ADR for the competitive set declined by 7.2% over the two years period, from $101.72 to $94.35. Although the subject property's ADR performance also declined over the two years, it easily outperformed the competitive set with occupancy penetration of 129.9% and RevPAR penetration of 154.0% for the 12 months ended February 28, 2014.

Evaluation of Market Trends - Holiday Inn Express & Suites - South Park Plaza								
12-Month Period Ending	Comp Set Occupancy Rate	Comp Set ADR	Comp Set RevPAR	Subject Occupancy Rate	Subject ADR	Subject RevPAR	Occupancy Penetration	RevPAR Penetration
2/29/2012	71.2%	$ 101.72	$ 72.45	83.70%	$ 124.98	$ 104.62	117.5%	144.4%
2/28/2013	65.1%	$ 96.30	$ 62.62	75.50%	$ 116.42	$ 87.87	115.9%	140.3%
2/28/2014	60.9%	$ 94.35	$ 57.49	79.10%	$ 111.92	$ 88.55	129.9%	154.0%
Source: Smith Travel Research								

Holiday Inn Express & Suites – Shreveport Airport

The identified competitive set comprises 331 rooms including the property and the following hotels: 1) Courtyard Shreveport Airport, 2) Hampton Inn Shreveport Airport, and 3) Comfort Suites Shreveport. The identified competitive set suffered a sharp drop in occupancy from 68.4% for the 12 months ended February 28, 2012 to 53.2% in the corresponding period two years later. New hotel openings in the local area account for at least some of the decline. The ADR for the competitive set declined by 5.6% over the two year period, from $91.83 to $86.69. Although the subject property's performance also declined over the two years, it continued to outperform the competitive set with occupancy penetration of 110.0% and RevPAR penetration of 119.9% for the 12 months ended February 28, 2014.

Evaluation of Market Trends - Holiday Inn Express & Suites - Shreveport Airport								
12-Month Period Ending	Comp Set Occupancy Rate	Comp Set ADR	Comp Set RevPAR	Subject Occupancy Rate	Subject ADR	Subject RevPAR	Occupancy Penetration	RevPAR Penetration
2/29/2012	68.4%	$ 91.83	$ 62.83	74.10%	$ 102.02	$ 75.65	108.4%	120.4%
2/28/2013	63.5%	$ 87.66	$ 55.63	64.90%	$ 95.42	$ 61.97	102.3%	111.4%
2/28/2014	53.2%	$ 86.69	$ 46.14	58.60%	$ 94.44	$ 55.30	110.0%	119.9%
Source: Smith Travel Research								

Hampton Inn & Suites – Bossier City

The identified competitive set comprises 561 rooms including the property and the following hotels: 1) Hampton Inn Shreveport Bossier City, 2) Holiday Inn Express & Suites Shreveport South Park Plaza, 3) Courtyard Shreveport Bossier City Louisiana Boardwalk, 4) Holiday Inn Express & Suites Bossier City, and 5) Comfort Suites Bossier City Shreveport East. The identified competitive set had a sharp drop in occupancy from 82.1% for the 12 months ended February 28, 2012 to 65.8% in the corresponding period two years later. New hotel openings in the local area account for at least some of the decline. The ADR for the competitive set declined by 9.3% over the two year period ending February 28, 2014, to $104.91. The subject property has made considerable improvement since trailing the performance of the competitive set by a huge margin as recently as the 12-month period ended February 28, 2012 when RevPAR penetration was just 55.7%. For the most recent 12-month period ended February 28, 2014, the subject's occupancy penetration reached 102.3%, while RevPAR penetration reached 95.7%. The property's occupancy improved by 15 percentage points over the past two years, to 67.3% in the most recent period, while the competitive set's occupancy fell by 14 percentage points over the same timeframe.

Evaluation of Market Trends - Hampton Inn & Suites - Bossier City								
12-Month Period Ending	Comp Set Occupancy Rate	Comp Set ADR	Comp Set RevPAR	Subject Occupancy Rate	Subject ADR	Subject RevPAR	Occupancy Penetration	RevPAR Penetration
2/29/2012	82.1%	$ 115.65	$ 94.97	52.10%	$ 101.52	$ 52.89	63.4%	55.7%
2/28/2013	68.4%	$ 111.14	$ 75.99	67.13%	$ 101.60	$ 68.21	98.2%	89.8%
2/28/2014	65.8%	$ 104.91	$ 68.99	67.29%	$ 98.14	$ 66.03	102.3%	95.7%
Source: Smith Travel Research								

Holiday Inn Express & Suites – Bossier City Race Track
The identified competitive set comprises 421 rooms including the property and the following hotels: 1) Hampton Inn Shreveport Bossier City, 2) Courtyard Shreveport Bossier City Louisiana Boardwalk, and 4) Comfort Suites Bossier City Shreveport East. Since this property opened in March 2012, reported historical performance is limited. As a result, Smith Travel has provided only one 12-month reporting period for the competitive set which is the period ended February 28, 2014. The subject property underperformed the identified competitive set for the only 12-month comparison period available, with occupancy penetration of 98.6% and RevPAR penetration of 85.9%. The subject property's ADR of $92.58 was 12.9% below that of the competitive set in the comparison period, having declined 0.9% from the year-earlier period.

Evaluation of Market Trends - Holiday Inn Express & Suites - Racetrack								
12-Month Period Ending	Comp Set Occupancy Rate	Comp Set ADR	Comp Set RevPAR	Subject Occupancy Rate	Subject ADR	Subject RevPAR	Occupancy Penetration	RevPAR Penetration
2/29/2012								
2/28/2013				55.80%	$ 93.44	$ 52.15		
2/28/2014	63.7%	$ 106.29	$ 67.76	62.90%	$ 92.58	$ 58.22	98.6%	85.9%
Source: Smith Travel Research								

Sponsorship/Management

The borrowing, Sunrise Hospitality, LLC, is comprised of five LLCs, each owning one of the hotels securing the loan. The borrower developed the Sunrise Hospitality Portfolio properties with direct costs of $28.9 million and capital improvement costs of $1.2 million for a total investment of $30.1 million, or $75,212 per room. Proceeds from the subject $34 million loan will be utilized to refinance existing debt totaling approximately $18.8 million, pay closing costs, and return about $14.1 million dollars to the borrower. The sponsors will have no remaining cash equity in the properties securing the loan.

The Sponsors have over 15 years of experience developing, owning, and managing hotels in the north Louisiana market. Since 1998, the Sponsors have developed eight hotels totaling 678 rooms including the five Sunrise Hospitality Portfolio Properties. The other three hotels include a 77-room Quality Inn in West Monroe which was developed in 1998, a 101-room Quality Inn in Bossier City which was developed in 2000, and a 100-room Microtel in Bossier City which was developed in 2001. These three hotels were sold in 2005.

The Sunrise Hotel Portfolio is managed by Barron Property Management, LLC, a borrower-affiliated entity founded in 2007. The management agreement dated April 1, 2014 has a two-year term with automatic one-year extensions. After the initial two-year term either party may terminate the agreement with 30-days prior written notice. The contractual base management fee is 3.0% of gross room's revenue. Hotels currently under management by Barron are limited to the five limited service hotels collateralizing the subject loan.

With the exception of the Hampton Inn & Suites – Bossier City property, whose franchise agreement expires July 31, 2032, the remaining Sunrise Hospitality Portfolio properties' franchise agreements all expire within the loan term. FF&E reserves will be escrowed at 4% of revenues which may be utilized for any Property Improvement Programs required for renovations and brand re-licensing.

Morningstar Analysis

	Morningstar Underwriting	Year End 2010	Year End 2011	Year End 2012	TTM 03/31/14	Issuer Underwriting
Occupancy Percent	69.3%	70.5%	76.0%	68.3%	70.3%	70.3%
Average Room Rate	$103.17	$106.48	$109.21	$105.01	$103.17	$103.17
Rooms RevPAR	$71.50	$75.06	$82.98	$71.76	$72.55	$72.55
Departmental Revenue						
Room	$10,438,886	$6,955,280	$7,688,689	$10,131,215	$10,591,686	$10,591,686
Rentals and Other Income	109,017	302,941	99,270	132,587	109,017	109,017
Total Departmental Revenue	**$10,547,903**	**$7,258,221**	**$7,787,959**	**$10,263,802**	**$10,700,703**	**$10,700,703**
Departmental Expenses						
Room	$2,502,503	$899,750	$1,662,592	$2,265,630	$2,539,134	$2,539,134
Rentals and Other Income	68,797	33,184	57,247	86,795	68,797	68,797
Total Departmental Expenses	**$2,571,300**	**$932,934**	**$1,719,839**	**$2,352,425**	**$2,607,931**	**$2,607,931**
Departmental Profit	**$7,976,603**	**$6,325,287**	**$6,068,120**	**$7,911,377**	**$8,092,772**	**$8,092,772**
Undistributed Expenses						
General & Administrative	$986,337	$825,154	$720,594	$982,121	$986,337	$986,337
Franchise Fees	632,874	383,723	421,273	531,928	569,500	595,270
Advertising & Marketing	550,203	326,731	372,839	520,675	550,203	550,203
Repairs & Maintenance	591,429	510,679	299,225	417,966	574,203	574,203
Utilities	352,723	206,568	222,548	309,788	352,723	352,723
Management Fees	316,437	368,420	350,640	475,597	500,760	321,021
Fixed Charges						
Real Estate Taxes	$482,678	$299,155	$270,714	$377,260	$468,619	$468,907
Insurance	124,325	78,963	100,020	154,558	124,325	131,146
Leased Equipment	0	34,343	0	0	0	0
Total Operating Expenses	**$6,608,307**	**$3,966,670**	**$4,477,692**	**$6,122,318**	**$6,734,602**	**$6,587,742**
Net Operating Income	**$3,939,596**	**$3,291,551**	**$3,310,267**	**$4,141,484**	**$3,966,101**	**$4,112,961**
Capital Expenditures						
Reserve for Replacement of FF&E	$527,395	$289,001	$0	$0	$0	$428,028
Total Capital Expenditures	527,395	289,001	0	0	0	428,028
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0	$0
Net Cash Flow	**$3,412,201**	**$3,002,550**	**$3,310,267**	**$4,141,484**	**$3,966,101**	**$3,684,933**

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

Average Room Rate	$103.17
Occupancy (%)	69.3%
Rooms RevPAR	$71.50

The Sunrise Hospitality Portfolio loan is secured by five cross-collateralized and cross-defaulted limited service hotels in Louisiana. Four of the hotels are located in the Shreveport-Bossier City area and one is located about 85 miles east in West Monroe. Morningstar reviewed the historical results for each hotel and underwrote the properties on a consolidated basis. Morningstar's analysis is based upon a blend of historical performance, the borrower's budget, Morningstar's forecasted growth over the next several years, and stabilized occupancy and ADR in today's dollars. The resulting underwritten average room rate for the portfolio is consistent with the TTM period ending March 31, 2014. New supply in surrounding markets has siphoned demand flow from area demand generators, primarily from the casino facilities in the Shreveport area. Given the considerable recent additions to supply in the subjects' markets combined with the lack of barriers to entry, Morningstar underwrote a stabilized occupancy rate based on the average of 2012 and the TTM ending March 31, 2014. Morningstar's resulting rooms RevPAR of $71.50 is below historicals, and slightly below the appraiser's weighted average estimate for the portfolio.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Real estate taxes and repairs and maintenance costs were underwritten at 3% above the actual expense for the TTM ended March 31, 2014. Insurance expense was underwritten based on the actual premium cost. Morningstar underwrote franchise fees at 6% of gross rooms revenue which reflects a blended rate based on the individual hotels' franchise agreements. Management fees were underwritten at 3% of gross revenues which is the contractual rate paid to an affiliate of the sponsor.

Capital Items

A reserve for future capital expenditures is underwritten at 5% of gross revenue in line with industry averages for limited service hotels. In additional to the structure repairs recommended by a property condition assessment, the capital reserve for replacement must provide for sufficient funds to conduct periodic replacement of soft goods and case goods in the hotel rooms and in the public spaces. As a result, the reserve for replacement is well above that recommended by the engineer in the property condition assessments. The engineer's recommendation amounts to $922 per room per year based on an aggregate of 400 rooms, or 3.5% of Morningstar's underwritten gross revenue.

The borrower will fund $387,875 in upfront reserves representing 125% of the estimated cost to complete a PIP for the Holiday Inn Express - West Monroe property.

Valuation Drivers

Morningstar estimated the value of the assets based on the income capitalization approach to value. Morningstar's base capitalization rate for the New Orleans metro hotel market is 9.0%. Upward adjustments were made to the base capitalization rate to account for the limited service nature of the properties and their secondary market locations. The resulting capitalization rate is 10.0%, which implies a portfolio value of $34.12 million, or $85,305 per room, when applied to our underwritten net cash flow. Morningstar's concluded value indicates a highly leveraged portfolio based on our underwriting, with a loan to value ratio of 99.5%.

Village Square & Deerpath Court

Analyst: Jeff Mitchell 267-960-0553
Analytical Manager: Chandan Banerjee 646-560-4512

Source: Cushman & Wakefield

Source: Cushman & Wakefield

Property Summary		
Property Type	Retail/Community Center	
Location	Lake Zurich, IL 60047	
Year Built	Various	
Year Renovated	Various	
Net Rentable Sq. Ft. (Total)	363,049	
Net Rentable Sq. Ft. (Collateral)	363,049	
Occupancy (Tape)	97.82%	(as of 4/1/14)
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$31,000,000	($85 /sq. ft.)
Loan Amount (Cut-Off Balance)	$31,000,000	($85 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	60	
Amortization Term (months)	360	
Loan Seasoning (months)	2	
Interest Rate	4.52250%	

Morningstar Analysis		
Current DSCR	2.28 x	
Amortizing DSCR	1.69 x	
Beginning LTV	82.61%	
Ending LTV	75.64%	
Capitalization Rate	8.50%	
Morningstar UW Occupancy	93.62%	
Net Operating Income	$3,612,225	
Net Cash Flow	$3,189,552	
Value	$37,524,141	($103 /sq. ft.)
Debt Yield	10.29%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan	$31,000,000	4.523%	2.28 x	1.69 x	82.61%	75.64%
Total	**$31,000,000**	**4.523%**	**2.28 x**	**1.69 x**	**82.61%**	**75.64%**

Morningstar Summary

Morningstar Perspective

Village Square and Deerpath Court both operate in a highly concentrated retail corridor along Rand Road and Route 22 in Lake Zurich. The majority of the retail consists of neighborhood and community centers with a category dominant national anchor. Deerpath Court has one of the strongest draws in the area with a Walmart shadow-anchoring the community center. Village Square, despite lacking a large anchor tenant, benefits from a pre-eminent location on the corner of Route 22 and Rand Road. During the first five years of the loan term, 232,000 square feet of space in the portfolio, representing 63% of the annual rental income, will be up for renewal. The initial interest only period will help ease some of the re-tenanting costs, which Morningstar estimates at $350,000 per year over the term of the loan based on a stressed annual lease rollover and the appraiser's assessment of retail tenant improvements and leasing commissions for the Lake Zurich market. Rental rates have been stagnant in the market, hovering near $15 per square foot on a gross basis according to CoStar over the past two years, which may constrain much of the upside from higher rents for both properties during this period of lease rollover.

Deerpath Court is currently fully occupied by twenty seven tenants including one anchor, American Sale, and three major tenants, Sears Roebuck & Co, Jo-Ann Fabrics, and Goodwill Store & Donation Center. Additionally, it has a strong shadow anchor in Walmart. Among the major tenants, Sears will be up for renewal by the end of 2015 and Jo-Ann Fabrics is currently month-to-month, which may provide upside in cash flows if new leases are signed above their weighted in-place rent of $8.05 per square foot. The most recently signed lease to a major tenant was to Goodwill, which signed for $8.98 per square foot in 2008. Given the vintage of the existing leases, strong occupancy, and strengthening economy, newly signed leases should produce upside in cash flow at this property.

Village Square is also a community center with 209,997 square feet of leasable area whose major tenants include TJ Maxx, Office Max, and Sports Authority. The property is located 1.1 miles northwest of Deerpath Court on the southwest corner of the South Rand Road and Route 22 intersection, which both serve as major retail and commercial corridors in the area. This provides Village Square with superior exposure and access from both Rand Road and Route 22 compared to other retail centers in the area. A major draw to the area is an adjacent Target, whose parking lot is connected to Village Square's parking lot via a common access road; however, the lack of a footpath restricts crossover traffic between the centers. The center is currently 3.8% vacant, which consists of 4 in-line spaces totaling 7,929 square feet that average around 2,000 square feet per space.

The portfolio is off to a strong start this year, with six new leases, five of which are in Village Square, signed since the beginning of 2014. This will increase Effective Gross Income, or EGI, by $870,000 this year, with $560,000 attributed to new rental income and $310,000 in associated reimbursements. This has brought the average in-place rent, on a gross rent per square foot basis, to $16.83 at Village Square and $13.69 at Deerpath Court, resulting in a weighted average gross rent of $15.48 per square foot across currently occupied space in the portfolio. Despite the early leasing momentum, the new leases signed at Village Square were signed at rents below what other tenants in similar spaces are currently paying.

According to CoStar, both of these properties fall in the central Northwest submarket cluster within the Chicago retail market. The average rent per square foot within the Central Northwest submarket cluster is $15.30 per square foot. Within the same submarket the average vacancy rate is 12.3%, which is significantly higher than the portfolios weighted vacancy of 2.18%. Taking into consideration that the bulk of the vacant space in Village Square is an irregular shaped cul-de-sac at the back of the property known as "Horseshoe Court," the Morningstar concluded gross rent is $15.41 per square foot for the portfolio, which is slightly below the in-place weighted average rents and market rents according to CoStar.

The Bears Say

- Area is highly competitive and market rents are flat, increasing by less than 1% year-over-year from 2012 to 2013 according to CoStar
- Village Square lacks a strong anchor or shadow anchor, however, it is adjacent to a Target
- Recent leasing at Village Square has been below in-place leases for similar spaces
- There is high near term rollover, with more than half the portfolio coming up for renewal by the end of 2017

The Bulls Say

- The period of interest only payments covers the timespan with the heaviest tenant rollover, which could help cover leasing costs
- Deerpath Court has a very strong shadow anchor in Walmart
- Properties are well located near the two major thoroughfares in an affluent area
- Strong occupancy relative to market
- In lieu of reserves, the borrower has guaranteed an amount equal to 10% of the loan

Property Description

Completed in 1990, Deerpath Court is a one story community center containing 153,052 square feet of gross leasable area built on 608,533 square feet of land. It is on Rand Road, the predominant commercial and retail corridor in the area. There are three points of entry and egress from the site, with the primary access point of Rand Road with alternate entrances on June Terrace to the northwest and Pheasant Ridge Drive to the southeast. Anchors include American Sale, Goodwill, Sears, Jo-Ann Fabrics, and Walmart as a shadow anchor. The center is currently 100% occupied, with five outparcels and 20 in-Line spaces that range from 1,000 to 8,150 square feet with the average around 2,500 square feet. Of the five outparcels, only three are included as part of the collateral and are tenanted by Pizza Hut, which is on a ground lease from an affiliate, Luna, and Sears. The two outparcels not included in the collateral are tenanted by Chaser's Bar & Grill, Back to Bed, and Oberweiss.

Village Square is the older and larger of the two community centers, consisting of 209,969 square feet of gross leasable area built on 855,301 square feet of land. It was built in 1974 and last renovated in 1989. Village Square is situated on the corner of Route 22 and Rand Road, providing excellent access for travelers coming from any direction. The property is currently 96.2% occupied, and its major tenants include TJ Maxx, Office Max, Petco, Sports Authority, Party City, and Dollar Tree. There are a few irregularly shaped lots, including the "Horseshoe Court," which is a cul-de-sac shaped lot located in the back corner of the shopping center. The bulk of the vacancy at the property is in this court, and due to the location and size of the space, has been more difficult to lease. Adjacent to the property is a Target that is connected via a common road between each property's parking lots; however there is no footpath that provides walking access. There are six outparcels that are tenanted by Taco Bell, GameStop, FedEx, Old Giordano's, American Chartered Bank, Dunkin Donuts, and Citgo. The collateral only includes two of the outparcels, Dunkin Donuts and Citgo.

Access to either property from the north and south is provided via Rand Road, and from the west and east via Route 22. The properties are separated by 1.1 miles along Rand Road, with Deerpath Court on the Northeast side of the road and Village Square on the southwest. Both properties have adequate signage and benefit from the large amount of retail and commercial development along both Route 22 and Rand Road. Additionally, Deerpath Court has a strong shadow anchor in Walmart, and Village Square benefits from a Target that is adjacent to the property. While there is a shared road connecting the Target and Village Square parking lots, there is no footpath which limits some of the benefits Village Square derives from being adjacent to this Target. Outside of the immediate area, there are a variety of multifamily and single family residential developments, including a dense triangle of residential development between Rand Road, Old Rand Road, and Route 22 that is ideally situated for shopping at both Village Square and Deerpath Court.

Tenant Overview

Morningstar Tenant Overview Table (Top 10)						
Tenant	**Net Rentable Square Feet**	**% of Square Feet**	**Base Rent Amount**	**Base Rent $ Square Foot**	**% of Rent**	**Lease Expiration**
American Sale	38,920	10.7%	$233,520	$6.00	5.7%	Mar-17
TJ Maxx	28,000	7.7%	$224,000	$8.00	5.5%	Feb-19
Office Max, Inc.	23,500	6.5%	$258,500	$11.00	6.3%	Feb-19
Goodwill Store & Donation C	21,705	6.0%	$194,838	$8.98	4.7%	Jan-19
Sears Roebuck & Co	21,069	5.8%	$158,018	$7.50	3.9%	Nov-15
Petco Animal Supplies	18,810	5.2%	$206,910	$11.00	5.0%	Feb-24
Sports Authority	13,000	3.6%	$169,000	$13.00	4.1%	Apr-24
Jo-Ann Fabrics	12,345	3.4%	$111,105	$9.00	2.7%	Apr-14
Dollar Tree	12,000	3.3%	$120,000	$10.00	2.9%	Oct-17
Party City	12,000	3.3%	$162,000	$13.50	3.9%	Feb-18
Top 10 Subtotal	**201,349**	**55.5%**	**1,837,891**	**$9.13**	**44.8%**	

Lease Expiration and Rollover

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year							
	MTM	**2014**	**2015**	**2016**	**2017**	**2018**	**After 2018**
DC - Anchor	0	0	0	0	38,920	0	0
DC - Major	12,345	0	21,069	0	0	21,705	12,345
DC - In-Line (5,001-10,000 sq.ft.)	0	0	8,150	0	0	0	6,400
DC - In-Line (2,00-4,999 sq.ft.)	0	4,000	2,036	7,000	9,000	0	2,000
DC - In-Line (1,001-1,999 sq.ft.)	0	2,000	1,600	3,164	0	1,200	3,200
DC - Freestanding	0	0	0	0	0	4,160	0
DC - Storage	0	0	0	5,103	0	0	0
VS - Major	0	0	0	0	12,000	12,000	83,310
VS - Inline (5000-9999 sf)	0	0	5,443	0	14,650	15,297	7,028
VS - Inline (2000-4999 sf)	0	11,198	2,500	5,926	10,932	2,500	5,500
VS - Inline (1-1999 sf)	1,500	3,430	1,550	2,779	0	1,325	1,500
VS - Freestanding	0	0	0	0	0	0	1,770
VS - Gas Station	0	0	0	0	0	0	1,430
Total	**13,845**	**20,628**	**42,348**	**23,972**	**85,502**	**58,187**	**124,483**
% Roll	**3.8%**	**5.7%**	**11.7%**	**6.6%**	**23.6%**	**16.0%**	**34.3%**

Market Overview

Lake Zurich, which formerly served as a popular summer resort, is an established residential community 37 miles northwest of Chicago. According to the 2010 census, the village has about 20,000 residents and is expected to grow at 1.1% annually through 2017. The resident base is rather affluent, with a median household income of $109,299, which is significantly higher than the national median household income of $51,371 reported by the U.S. Census Bureau in 2012. The largest employment sectors in the area include manufacturing, retail, and wholesale trade, employing 6,750. While the growth in the Chicago market in terms of Gross Metro Product has lagged the national average, underperforming sectors are beginning to show signs of recovery, with one of the largest sectors, manufacturing, growing 5.7% year over year and only 2.6% below where it stood in 2007.

In 2006, a four-lane bypass was completed which rerouted east-west traffic from Main Street in the village of Lake Zurich to the south and east of the downtown area along Route 22. While this had a negative impact on the downtown retail of Lake Zurich, this provided easier access to the plethora of shopping centers along Rand Road near the intersection of Route 22. The majority of the retail centers are similar to Village Square and Deerpath court in that there is a mix of in-line tenants combined with large nationally recognized anchors. The appraiser identified 11 comparable properties within a three mile radius, all of which were located on Rand Road. The average occupancy was 93%, which is skewed lower due to two of the comparable properties having either a dark anchor or no anchor at all. The existences of one or more strong national anchors among the comparable properties is a large factor in the market, with the most successful centers having dominant anchors, which doesn't play into Village Square's favor due to their lack of a dominant national anchor.

According to CoStar, the market vacancy for the Central Northwest submarket cluster is 12.3%, however both properties in this portfolio enjoy superior locations along Rand Road near the intersection with Route 22, with Village Square occupying the corner location at the intersection. Deerpath Court is currently fully occupied, while Village Square is 96.2% occupied. Deerpath Court has a very strong shadow anchor in Walmart, which is a large draw to the property and a large benefit to other tenants. While the center does not have a true anchor tenant, Village Square benefits from a Target adjacent to the property. Village Square's parking lot is connected to the Target parking lot via a common access road; however there is no footpath which will limit overflow between the properties.

The weighted average net market rent for Deerpath Court, according to the appraiser, is $10.41 per square foot, which is above the current in place net rent of $9.75 per square foot. This represents some upside to the property given that nearly 54,000 square feet will be up for renewal by 2016, the bulk coming from a Sears lease of 21,000 square feet at $7.50 per square foot on a net basis which rolls in October of 2015. The weighted average net rent of the anchor and major space according to the appraiser is $7.42 per square foot, which consists of $6.00 per foot for the anchor space and $10.00 per square foot for the major space on a net basis.

Village Square has been performing more in line with the market compared to Deerpath Court. The weighted average net rent for Village Square according to the appraiser is $12.29 per square foot, which is slightly below the $12.51 weighted average net rent per square foot rent the property is currently attaining. The largest difference between the appraiser's concluded market rent and the properties attained rents is in the in-line space; with the property currently generating $13.63 per square foot compared to the appraiser's concluded $12.00 per square foot in net rent. With 36% of the in-line space rolling by 2016, performance may be impacted if new leasing is closer to market levels. There have been seven leases signed since 2013, all of which were below the weighted average rent relative to tenants occupying similar spaces.

Sponsorship/Management

The borrowers, Village Square Retail Center, LLC and Deerpath Court Retail Center, LLC, are both single-purpose, bankruptcy-remote Delaware limited liability companies. The sponsor and the non-recourse carveout guarantor is John Alan Sfire, who has provided a 10% payment guaranty on the loan. Both properties are managed by The Fidelity Group, an affiliate of the Sponsor which manages all properties owned by entities affiliated with the sponsor, which are located primarily in the Lake Zurich area.

Morningstar Analysis

	Morningstar Underwriting	Year End 2013	TTM 41698	Issuer Underwriting
Income				
Gross Potential Rent	$4,156,001	$3,370,436	$3,459,758	$4,217,063
Less: Vacancy Loss (GPR)	(277,637)	0	0	(346,783)
Less: Concessions	0	0	0	0
Less: Collection Loss	0	0	0	0
Less: Vac Adj for Concess/Coll Loss	0	0	0	0
Base Rent/Net Effective Rent	**$3,878,365**	**$3,370,436**	**$3,459,758**	**$3,870,280**
Expense Reimbursement	$1,551,220	$1,243,521	$487,346	$1,591,668
Percentage Rent	0	45,148	44,880	0
Other	10,648	19,755	8,723	9,400
Recovery Vacancy Gross-Up	40,446	0	0	0
Pizza Hut Ground Lease	50,820	0	0	0
Less: Vacancy Other Incomes	(101,392)	n/a	n/a	n/a
Effective Gross Income	**$5,430,107**	**$4,678,860**	**$4,000,707**	**$5,471,348**
Expenses				
Real Estate Taxes	$989,485	$939,484	$960,088	$970,430
Property Insurance	168,660	92,482	97,791	168,660
Utilities	67,000	63,917	0	0
Repairs and Maintenance	72,000	53,425	0	0
Contract services	0	0	0	0
Management Fees	217,204	200,000	189,583	218,854
Payroll & Benefits	0	0	0	0
Common Area Maintenance	288,000	280,266	460,023	425,293
Advertising & Marketing	0	15,500	0	0
Professional Fees	0	0	0	0
General and Administrative	15,532	0	0	15,500
Non-Reimbursable Expenses	0	0	0	0
Ground Rent	0	0	0	0
Total Operating Expenses	**$1,817,882**	**$1,645,074**	**$1,707,486**	**$1,798,737**
Net Operating Income	**$3,612,225**	**$3,033,786**	**$2,293,221**	**$3,672,611**
Capital Items				
Leasing Commissions	$151,879	$0	$0	$133,526
Tenant Improvements	198,184	0	0	106,440
Capital Expenditure / Reserve	72,610	0	0	72,610
Extraordinary Capital Expenditures	0			
Total Capital Items	**$422,673**	**$0**	**$0**	**$312,576**
Credit for Upfront DSCR Escrow	$0	$0	$0	$0
Net Cash Flow	**$3,189,552**	**$3,033,786**	**$2,293,221**	**$3,360,035**

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

Net Rent Per Square Foot	$11.45
Vacancy (%)	6.7%

Gross potential rent is based on in-place rents being underwritten at their current rates and the vacant in-line space at Village Square being underwritten at an average of $14.14 per square foot. While physical vacancy across the portfolio is 2.18%, Morningstar's underwrote to an economic vacancy of 6.7% that is based upon in-place rents that are below market, near term rollover risk, and a market vacancy of 12.3% according to CoStar.

Expenses

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

Real Estate Taxes: Underwritten based on the actual tax bill for Deerpath Court and the 2013 real estate tax bill inflated by 3% for Village Square.

Common Area Maintenance: The issuer underwrote the utilities and repairs and maintenance as part of the common area maintenance. Morningstar broke out each item.

Capital Items

A reserve for future capital expenditures is underwritten at $0.25/sq. ft. Tenant improvements for non-anchor and major tenants are underwritten to $10 per square foot for new tenants and $2 per square foot for renewing tenants. Leasing Commissions are underwritten to 6% for new tenants and 3% for renewing tenants. Tenant Improvements for anchor and major tenants is underwritten to $5 per square foot for new tenants and $1 per square foot for renewing tenants. Leasing Commissions are underwritten to 5% for new tenants and 2% for renewals. A renewal rate of 65% is assumed, and all leases are assumed to be 10 year terms for the anchor and major tenants and five years for the in-line and outparcel tenants.

Valuation Drivers

Morningstar's concluded capitalization rate for the portfolio is 8.50%. This is based on a base rate for Chicago with adjustments made for the suburban location and community center property type. This is more conservative than the appraiser's concluded capitalization rate of 7.75%, and in-line with the higher end of the appraiser's comparable derived capitalization rates from recent sales.

Newport Commons

Analyst: Min Qian 646-560-4510
Analytical Manager: Chandan Banerjee 646-560-4512

Source: Colliers International Appraisal

Property Summary		
Property Type	Multifamily/Garden	
Location	Lititz, PA	
Year Built/Renovated	2004, 2007, 2010/NAP	
Multifamily Units	293	
Net Rentable Sq. Ft. (Other)	10,152	
Occupancy	94.90%	As of: 2/28/14
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$28,650,000	($97,782/unit)
Loan Amount (Cut-Off Balance)	$28,650,000	($97,782/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	1	
Interest Rate	4.82000%	

Morningstar Analysis		
Current DSCR	1.61 x	
Amortizing DSCR	1.23 x	
Beginning LTV	95.57%	
Ending LTV	82.32%	
Capitalization Rate	7.50%	
Morningstar Occupancy	94.57%	
Net Operating Income	$2,346,157	
Net Cash Flow	$2,248,389	
Value	$29,978,514	($102,316/unit)
Debt Yield	7.85%	
Morningstar Site Visit	No	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$28,650,000	4.82000%	1.61 x	1.23 x	95.57%	82.32%
Total	**$28,650,000**	**4.82000%**	**1.61 x**	**1.23 x**	**95.57%**	**82.32%**

Morningstar Summary

Morningstar Perspective

The Newport Commons loan is a ten-year, $28.65 million ($97,782 per unit) first mortgage financing secured by a 293-unit, Class-B apartment complex located at 600 and 701 Creekside Lane in Lititz, Pennsylvania. The proceeds, along with a $2.00 million preferred equity investment from Arbor Commerical Mortgage, were used to retire the sponsor's existing debt at approximately $29.3 million. The loan amortizes on a 30-year schedule with a two-year interest-only period, and has a Loan-to-Appraisal Value of 68.2%.

The collateral, Newport Commons, was constructed in 2004 (Phase I), 2007 (Phase II), and 2010 (Phase III) at a total cost of $33.7 million ($115,040 per unit). The property consists of twenty low-rise residential buildings and five mixed-use buildings with retail and office spaces. It is located in Lititz, Pennsylviania, approximately ten miles north from the City of Lancaster and seventy-five miles from Philadelphia. The location of the subject was considered as a rural area according to the appraisal. However, the immediate area around the property appears to be a middle to high income area and the local economic development was able to support the subject to achieve the fairly stable occupany rate. The mixed commercial uses in the immediate area, including 748,908 square feet retail spaces, 250,816 square feet office spaces, and 859,118 square feet industrial spaces, continuously contribute to the demand for local market. Over the past three years, the subject maintained an average occupancy rate at around 95.0%. The current vacancy rate at the property was 5.10% as of Febuary 28, 2014, which could be considered as seasonal drop compared to the average vacancy rate of 3.70% in 2013.

Over the long run, however, the niche market and potential for new supply is a concern. The property is located in a neighborhood with a substantial amount of residential developments, particularly to the south and west. Moreover, it is worth noticed that there are two vacant spaces adjacent to the north and east side of the subject, leaving a room for new players to enter. There is also a propsed 300-unit apartment and single-family condominiums development in the nearby city of Ephrata, which is about seven miles east of the subject. Due to the lack of economic momentum and static demand in the relative small market, there could be a risk that once new stocks are added into the market, the subject could be adversely impacted on occupancy rate and face with a severe situation to recover.

Given the subject's fairly good condition and solid historical performances, Morningstar expects the property to provide sufficient cash flow over the loan term, but we do have concerns about certain risk associated with the subdue market and new supply. Overall, the Morningstar underwriting concluded a net cash flow of $2.25 million, which was about 2.10% lower than issuer's underwriting net cash flow and 4.80% lower than 2013 year-to-date figure. Morningstar underwrote vacancy rate at the current in-place vacancy rate of 5.10% as of February 28, 2014 rent roll. Morningstar's concluded value of the property was $30.0 million ($102,316 per unit), which was about 28.6% lower than the appraised value. The resulting Morningstar LTV ratio and DSCR (amortizing) are 95.6% and 1.23x, respectively.

The Bears Say

- Preferred Equity: There is an additional $2.00 million preferred equity investment at 14.0% interest rate provided by Arbor Commerical Mortgage.
- Rural Area: The subject is located in Lititz, Pennsylvania, which is considered as rurual area according to the appraisal with limited market data available. The town has a population base of only around 9,369 as of the 2010 census. The subject is located along Creekside Lane, a small local road with no available public transportation nearby.
- Slow Market Recovery: The subject is located within the Lancaster apartment market, identified by Reis report. The market is slowly recovering from the financial crisis, and lags behind the national average in terms of rent growth. Reis also projects decreases in occupancy rate over the next five years.
- New Construction: There is a proposed 300-unit apartment and single-family condominiums development in the nearby town of Ephrata, which is about seven miles east from the subject. Moreover, the lots adjacent to the north and east side of the subject are vacant, which could be used for future residential developments.
- Environmental Issue Of Radon Concentration: The Phase I Environmental Site Assessment dated February 28, 2014 identified radon concentration at the property. The results of the radon testing indicated an excess of the recommended level in 24 of the 80 units tested. According to the management, all passive radon mitigation systems were then activated between March 21 to March 24, 2014 in effected units.

The Bulls Say

- Low Market Vacancy Rate: Although the subject is located in a niche market identified as rural area, the average vacancy rate for Lancaster market was only 2.20% according to Reis 4Q 2013 submarket report. Meanwhile, the rental comparables in the surrounding area showed an average vacancy rate of 4.42%.
- Solid Historical Performance: The subject's historical vacancy rates were stable at the 5.00% level during the past three years. Gross potential rent and net operating income were also able to maintain at a steady level over the last three years.

Property Description

Newport Commons is a 293-unit garden-style apartment complex located at 600 and 701 Creekside Lane, Lititz, Pennsylvania. Built in three phases in 2004, 2007, and 2010, the property consists of ten four-story apartment buildings, ten three-story apartment buildings, one leasing office/clubhouse building, one three-story retail and apartment building, one three-story office and apartment building, and two two-story retail and apartment buildings on a total of 39.2 acres. Common area amenities include a leasing office/clubhouse, fitness center, swimming pool, playground, gazebo, business center, storage, and exterior lighting. The property has a total of 581 parking spaces including 521 open parking and 60 carport spaces with a 1.98 parking spaces per unit ratio.

Newport Commons offers one, two, and three-bedroom units including loft and townhouse options. Approximately 10.0% of the units were leased to students attending nearby universities, mainly from Penn State University or Millersville University of Pennsylvania. Parental guarantees are required for students without sufficient income qualification. The property also has several corportate units which are able to obtain monthly rental premiums of $400 to $500 per unit. In addition, the property has 10,152 square feet of commercial space. Tenants include a hair salon, a doctor offie, Dana Glass Properties, Inc., a day spa, and a taekwondo and karate studio. The day spa is expected to take occupancy in June 2014, at which the commercial spaces will be 100% occupied. However, 96.0% of the tenants have 12-month leases. The commercial income is a relatively small proportion of total income, representing less than 3.00% of the Effective Gross Income at the subject.

The subject is located in Lititz, Pennsylviania, whih is about ten miles north of the City of Lancaster and seventy-five miles from Philadelphia. The area is identified as rural area with no convenient access to public transportation. However, accessibility is similar to nearby properties. The immediate area is considered as a major residential community with substantial amount of single-family, multi-family, and attached housing developments. The neighborhood is well-established with sufficient life-style facilities including fire stations, hospitals, police stations, and schools. The surrounding area consists of a mixture commercial developments in retail, office and industry. There is a community shopping center, Shoppes at Kissel Village, located around five miles south of the subject, which is occupied by Target, Giant Food Grocery, CVS Pharmacy, and Starbuck's. Headquartered in Lititz, Pennsylviania, the regional financial services holding company, Susquehanna Bancshares, Inc. (NASDAQ: SUSQ) is located only about one and half miles away from the subject with 121,442 square feet spaces.

A property condition assessment performed by EBI Consulting on February 28, 2014 identified $18,700 immediate repairs at the property. The recommended reserve with inflation was $292 per unit per year. A phase I environmental site assessment identified one recognized environmental condition of radon concentrations, which EBI Consulting recommended installation of radon mitigation system at an estimated cost of $5,000. Based on the subject's location and quality, Morningstar assigned a property score of '3' (Average).

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	64	21.8%	736
Two Bedroom	131	44.7%	1,065
Three Bedroom	98	33.4%	1,593
Total	**293**	**100.0%**	**1,170**

Market Overview

Newport Common is located within the Lancaster apartment submarket as defined by Reis. Lancaster 's market is highly dependent on traditional manufacturing and the recovery has struggled in the recent years due to the lack of momentum to stimulate economic growth. The unemployment rate has improved to 5.30% in February, 2014 from 7.10% in February, 2013. However, the average hourly wage was below the national average according to U.S. Bureau of Labor Statistics.

According to the Reis submarket report, average asking rent growth for the Lancaster market has recovered from the bottom of the financial crisis in 2009, and is expected to keep a stable rental growth rate between 2.00% and 3.00% over the next five years. As of fourth quarter 2013, average rent was about $906 per unit per month and $1,067 per unit for properties within the 2000-2009 vintage. The Lancaster market was able to maintain occupancy level above 95.0%, which shows the resilience of the market. The market average vacancy rate was at 2.20% as of the fourth quarter, 2013. With potential new supply coming into the market, however, there could be some fluctuations in the next few years. The subject's current in-place rent at $1,027 per unit per month as of February 28, 2014, was in-line with the market average. The current in-place vacancy rate at the subject was 5.10% as of February 28, 2014 rent roll, which was slightly higher than the previous three-year average at around 5.00%. The lower occupany rate at this time of the year was very likely due to seasonal factors.

The appraiser identified five comparable properties with a total of 1,830 units that compete with the property. The comparable properties were built from 1960 to 2005. The weighted average vacancy at the comparable properties was 4.42% and the weighted average rent was about $1,138 per unit per month excluding the subject. The appraiser concluded a market rent of $1,041 per unit per month for the subject. Morningstar underwrote rents to the in-place rent of $1,027 per unit per month and in-place vacancy rate of 5.10% based on February 28, 2014 rent roll.

Sponsorship/Management

The Property is owned by two borrowers, Newport Commons I, LLC, which owns Phase I of the Property, and Newport Commons II, LLC, which owns Phase II and Phase III of the Property. Both entities are Delaware limited liability companies. The Borrower is controlled by Nathan Yoder and Laralee Bash, who combined own approximately 60.0% of the Borrower. Ms. Bash and Mr. Yoder serve as the non-recourse carve-out guarantors for this transaction ("Guarantors").

The Property is managed by Warrior Run Development Corporation, a borrower-related apartment management company. Based in Turbotville, PA, the company was formed in 1984 and has over 25 years of experience managing family, elderly, subsidized, and market rate properties. Warrior Run currently manages 71 apartment communities in central Pennsylvania with over 2,200 units.

Morningstar Analysis

	Morningstar	2011	2012	TTM 12/31/2013	Issuer Underwriting
Income					
Gross Potential Rent	$3,691,379	$3,285,566	$3,312,378	$3,396,870	$3,681,298
or					
Other Income	181,083	139,636	183,910	183,499	183,499
Less: Vacancy Loss	-206,828	0	0	0	-200,340
Less: Concessions & Collection Loss	-61,952	-89,803	-17,864	-3,115	-61,932
Effective Gross Income	**$3,603,682**	**$3,335,399**	**$3,478,424**	**$3,577,254**	**$3,602,525**
Expenses					
Real Estate Taxes	$392,353	$320,177	$296,844	$380,925	$380,925
Property Insurance	74,536	50,425	33,685	68,106	72,365
Utilities	39,950	45,597	34,292	39,502	39,502
Repairs and Maintenance	209,192	215,650	215,920	190,183	190,183
Water & Sewer	154,286	151,420	110,280	154,236	154,236
Management Fees	108,110	137,016	139,852	107,391	108,076
Payroll & Benefits	171,433	164,048	163,658	169,498	169,498
General and Administrative	107,666	103,831	104,101	105,260	105,260
Total Operating Expenses	**$1,257,525**	**$1,188,164**	**$1,098,632**	**$1,215,101**	**$1,220,045**
Net Operating Income	**$2,346,157**	**$2,147,235**	**$2,379,792**	**$2,362,153**	**$2,382,480**
Capital Items					
Leasing Commissions	$1,754	$0	$0	$0	$0
Tenant Improvements	1,754	0	0	0	0
Capital Expenditures	94,260	0	0	0	85,556
Total Capital Items	**$97,769**	**$0**	**$0**	**$0**	**$85,556**
Net Cash Flow	**$2,248,389**	**$2,147,235**	**$2,379,792**	**$2,362,153**	**$2,296,924**

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	$1,027
Vacancy (%)	5.10%

Morningstar's underwriting rent was based on the current in-place rent of $1,027 per unit per month as of February 28, 2014 rent roll, while the appraisal's market rent estimate was $1,041 per unit and 4Q 2013 Reis submarket average rent was $1,067 per unit for similar vintage properties. Morningstar's vacancy rate conclusion was set to the current in-place rate at 5.10% as of February 28, 2014 rent roll. Appraisal concluded a market vacancy loss at 5.00%. The five commercial spaces were currently 81.3% occupied as of February 28, 2014 rent roll. A day spa is expected to take occupancy in June 2014, raising the occupancy rate to 100% at the time. However, about 96.0% of the tenants have 12-month leases. Morningstar underwrote to average $8.00 per square feet for commercial spaces based on appraisal's estimate. The commercial income, however, is a small proportion of total revenue with less than 3.00% of effective gross income at the subject.

Expenses

Expenses were underwritten in-line with historicals except for Property Insurance and Management Fee.

Property Insurance was underwritten to the actual insurance premium plus 3.00% inflation.

Management Fee was underwritten to 4.00% of effective gross income.

Capital Items

A reserve for future capital expenditures was underwritten at $322 per unit per year, a 10% increase over the PCA estimate at $292 per unit per year.

Valuation Drivers

The Morningstar's capitalization rate was concluded at 7.50%, which was based on the market multifamily capitalization rate of the east region at 7.00%, with adjustments for location and other risks associated with the loan structure. The final 7.50% cap rate was about 150 basis points greater than the appraiser's concluded rate at 6.00%, resulting in a value variance of 28.6% from the appraised value.

Pine Haven RV Resort

Analyst: Ricky Cipko 267-960-6013
Analytical Manager: Chandan Banerjee 267-960-4512

Property Summary		
Property Type	Multifamily/Special Use	
Location	Ocean View, NJ	
Year Built/Renovated	1965/2013	
Multifamily Units	617	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	97.10%	As of: 10/15/13
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$25,000,000	($40,519/unit)
Loan Amount (Cut-Off Balance)	$25,000,000	($40,519/unit)
Loan Term (months)	120	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	0	
Interest Rate	5.49000%	

Morningstar Analysis		
Current DSCR	1.27 x	
Amortizing DSCR	1.27 x	
Beginning LTV	100.26%	
Ending LTV	83.15%	
Capitalization Rate	8.75%	
Morningstar Occupancy	95.00%	
Net Operating Income	$2,212,570	
Net Cash Flow	$2,181,720	
Value	$24,933,940	($40,412/unit)
Debt Yield	8.73%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$25,000,000	5.49000%	1.27 x	1.27 x	100.26%	83.15%
Total	**$25,000,000**	**5.49000%**	**1.27 x**	**1.27 x**	**100.26%**	**83.15%**

Morningstar Summary

Morningstar Perspective

The $25.0 million ($40,510 per unit) Pine Haven RV Park loan is secured by a first mortgage in a 617-site resort style campground located in Ocean View, N.J. The campground, which is open from the first week of April to the second week of October, provides secondary residences and/or vacation homes via park model homes and trailers to seasonal renters. In addition, the park services daily and weekly tourists and vacationers that flood Cape May County in the summer months via cabin rentals. Loan proceeds were used to refinance existing debt of approximately $16.1 million, pay estimated defeasance costs of $2.26 million, fund upfront reserves totaling approximately $500,000, pay estimated closing costs of $500,000, and return equity to the sponsors of approximately $4.3 million.

The campground contains 577 seasonal campsites and 40 rental cabins and is located 14 miles south of Ocean City, N.J. The property's 577 seasonal sites have minimal turnover year-over-year. In fact, an estimated 53% of the seasonal tenants have been in occupancy for over five years and 26% of the seasonal tenants have been in occupancy for over ten years. The park has a very stable occupancy history, as occupancy has averaged 91.8% in the past five years. In addition to its strong location and stable operating history, the property has experienced notable revenue growth over the prior three years as seasonal rents increased an average of 4.3%, 7.8%, and 5.5% for 2011, 2012, and 2013, respectively. Furthermore, the property has the potential to expand by 12 sites given its current zoning and the borrower plans to add eight additional cabins this season. Potential revenue from these cabins has not been included in Morningstar's underwriting.

Morningstar's principal concerns with the property are centered on the seasonal nature of generated cash flow. To mitigate this, the issuer is requiring an upfront seasonality reserve of $500,000 which will be available to the borrower to cover monthly shortfalls in debt service, reserves, and other expenses necessary to operate the facility. In addition to the seasonality risk, campgrounds are considered unconventional by general commercial real estate standards. As a result, the amount of available data to fully evaluate their risk can be limited. The January 2014 appraisal details four similarly sized campgrounds within Cape May County that are comparable in age and amenity offerings, giving us comfort in the evaluation and underwriting of this property. Viewed as a strength from our perspective, the subject campground relies more heavily on seasonal rental income rather than transient tent sites and RV sites, as is the case with the appraiser's comparable campgrounds. In addition, the seasonal average rent of $5,380 for the subject is significantly higher than the seasonal rates offered at the four comparable properties. The net income for the comparable sales ranges from $952 per unit to $2,351 per unit, whereas the subject's NOI is significantly above the range at $3,792 per unit. This data, combined with the property's stable operating history, mitigates much of our concerns surrounding the unconventional property type.

Morningstar's underwritten net cash flow of $2.2 million is 1.3% lower than that in the 12 months ending December 31, 2013 and 7.6% lower than the borrower's 2014 budget. This is the result of Morningstar's more conservative underwritten rent level and minimum vacancy of 5% on base rental income. We note that actual vacancy at the property was 3.3% as March 2014 pre-leasing data. While Morningstar's base capitalization rate for multifamily in the east region is 7.0%, we have added a 50 basis point 'special use' premium and a 125 basis point ' seasonality' premium to adjust for the unconventional property type. Morningstar's concluded value for the property is $24.9 million ($40,412 per unit), which is 25.3% below the appraised value.

The Bears Say

- Seasonality Risk: The property operates from the first week in April to the second week in October. As a result, an upfront seasonality reserve of $500,000 has been established. This equates to approximately 3.6 months of debt service.
- Campgrounds are generally considered unconventional commercial real estate and can be more difficult to analyze compared to other, more conventional property types.
- The property's niche, serving as a secondary vacation residence and overnight/weekly tourism make it extra sensitive to broad shifts in the domestic economy.
- Litigation: The Borrower and/or Sponsor have been named in four recent cases. Two of the cases were dismissed but two civil cases are pending.
- There is a deed restriction on 12 acres of the property from 1966 regarding alcohol consumption, storage, and sales. The borrower provided New Jersey legal opinion which concludes that this will not result in forfeiture of title. The borrower will provide a recourse carveout for losses incurred if the deed restriction is enforced.
- Beginning LTV of 100.26% and ending LTV of 83.15% based on Morningstar's concluded value.

The Bulls Say

- The location is a draw for tourists as Cape May County's population balloons to 800,000 in the summer months. The property is ten miles north of Cape May, N.J. and fourteen miles south of Ocean City, N.J., just west of the barrier shore islands.
- Occupancy has been stable over the past five years, averaging 91.8% over that time period.
- 93.5% of the sites are seasonal and 79% of the seasonal tenants have been in occupancy in excess of 5 years.
- Population of 30 million within a 3.5 hour driving radius of the property.
- The borrower plans to add eight cabins this season; however this has not been included in Morningstar's underwriting.
- Best-in-class sponsor with over 100 years of combined experience in the RV space across the management team, acquiring and selling over $400 million worth of RV properties over the past 18 years.

Property Description

Pine Haven Camping Resort is a seasonal RV Resort-style park in Cape May County New Jersey. The property was originally constructed in 1965 and is 14 miles south of Ocean City, N.J. and 20 miles north of Cape May, N.J. Located just west of the barrier shore islands, the park is within a ten minute driving distance to most beaches and a reasonable drive to historic sites, coastal shops and galleries, and Atlantic City.

The property contains 577 seasonal sites and 40 cabin rentals and is situated on a heavily wooded 81.65-acre site (7.6 units per acre). Individual site amenities include cable television, electric, and sewer hookups while community amenities include a swimming pool area, recreation hall, game room, basketball and volleyball courts, children's playgrounds, laundry facilities, Wi-Fi internet access, two freshwater lakes and general store. In addition to the property's physical amenities, organized recreational and social activities are provided regularly.

The borrower purchased the property in January 2004 and invested $6.5 million ($10,487 per site) in capital improvements since that time. Capital improvements included new cabins, additional sites, new pool and pool house, roadwork, lake and beach improvements, and general remodeling.

Morningstar toured the property in the afternoon of May 1, 2014 along with the general manager of the Pine Haven Camping Resort. Overall, the property was considered clean and the common areas well groomed, especially after heavy rains the few days prior to the visit. Based on our inspection, Morningstar rated this property as a 3, or average.

Of the eight new cabins expected to be delivered this season, five have been recently delivered. The general manager indicated that these new cabins would be ready for the Memorial Day weekend. Cabins generally rent from $70/night to $250/night depending on the season. It was previously reported that there was an outdoor movie theater and miniature golf at the property; however we did not see either site amenity on our tour. Golf carts are available for rental by the cabin users at about $40 per day.

The resort is limited to its current six-month operating period because if it was longer, it would push the resort into a different category (i.e. hospitality) in which they would be governed by different guidelines. Also, the maximum size of the RV is 300 square feet. If they were larger, then they would be considered residential and governed differently. Once the Park Model Home/RV is located in the resort, however, people can add to the structure, either a room addition or screened porch, etc. All modifications must be approved by the resort in advance so that it does not infringe upon other sites. All other golf carts on the premise, which are owned by the seasonal tenants, earn a usage fee of $150 per season.

Main roads are paved; many of the site roads are either dirt or gravel. The entrance includes a guard gate mainly for weekend activity. Otherwise, tenants can access via electronic code. There is also a recycle area that includes trash, which is required by local ordinances.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
Seasonal Sites	577	93.5%	0
Rental Cabins	40	6.5%	0
Total	**617**	**100.0%**	**0**

Market Overview

Given the subject's physical amenities and organized social activities, the park is generally categorized as an RV resort rather than a campground or RV park. As one would imagine, general market data are not readily available for this segment. Therefore, Morningstar relied heavily on the appraiser's evaluation of the subject and its niche relative to other campgrounds and parks in Cape May County.

We are not aware of any RV parks under construction or proposed for development in the subject's competitive market, as a moratorium has been in place since the early 1990s that prohibits development of new campgrounds. Existing demand for RV space rentals is highly seasonal in Cape May County with strong demand from Philadelphia and Northern New Jersey, both located within a 100 mile radius of the subject. Given the area demographics and analysis of the competitive RV park market, it appears that demand for comparable surrounding RV and manufactured housing units and the subject will continue to be favorable.

Per the March 2014 appraisal report, there are four comparable campgrounds within Cape May County. While amenities vary by property, the comparable rentals also offer cabins, lodges, and seasonal rentals. The competitors, as a whole, offer more traditional transient tent sites and RV sites versus the seasonal nature of Pine Haven. The quality and design of the comparable cabins and lodges vary at each campground and are oftentimes not identical to those at the subject property. Viewed as a strength from our perspective, the subject campground relies more heavily on seasonal rental income rather than transient tent sites and RV sites, as is the case with the appraiser's comparable campgrounds. We note that vacancy data was not readily available for the comparable properties.

Sponsorship/Management

The borrower, Pine Haven RV, LLC, purchased the property in January 2004 for approximately $6.0 million ($9,724 per site). Structured as a single purpose Florida limited liability, the borrower is owned by Diversified Investments – PH, LLC (75%) and Pine Haven Holdings, LLC (25%). Diversified currently owns five RV Resort properties located in New Jersey, Pennsylvania, Texas, and Wisconsin with a reported value of approximately $75.0 million.

The Pine Haven RV Resort Property is managed by Diversified Investments – PH, LLC, a borrower affiliated management company. Diversified currently manages the company's portfolio of five RV Resort properties totaling 1,981 sites.

The Borrower and/or Sponsor have been named in four recent cases. Two lawsuits were filed by former employees in 2012 and 2013 and both cases were summarily dismissed. A civil case pending in the US District Court for the District of Maryland resulted from the August 8, 2010 drowning death of an unauthorized guest, a minor swimming in the Pine Haven lake after hours and contrary to posted rules and regulations. The case is still in discovery but in the unlikely event that the Plaintiff prevails, the property has a $10 million insurance coverage in place.

A second civil case has been filed by an adjacent property owner is pending in the federal court. The plaintiff claims the Pine Haven RV Resort Property is encroaching upon her property. According to Mr. Haase, the approximately 1.3 acres in dispute do not contain rental spaces and do not generate revenue for the Pine Haven RV Resort Property. Per the borrower's counsel, the dispute is limited to the area identified in the complaint and does not extend to the entire property. The defendants are represented by counsel retained by the Pine Haven RV Resort property's general liability insurance carrier and counsel retained by the borrower's title insurer.

Morningstar Analysis

	Morningstar	2011	2012	12/31/2013	Issuer Underwriting
Income					
Gross Potential Rent	$3,066,538	$2,579,435	$2,790,554	$2,890,578	$3,117,112
or					
Base Rent	0	0	0	0	0
Retail/Food	76,348	61,197	61,396	82,334	82,334
Cabin Rent	441,555	301,202	299,634	441,555	441,555
Other Income	149,528	164,116	123,711	154,193	154,193
Cost of Goods Sold	-45,752	-42,812	-38,267	-45,829	-45,829
RUBS	139,196	144,024	148,386	143,539	143,539
Less: Vacancy Loss	-150,077	0	0	0	-102,277
Less: Concessions & Collection Loss	-65,000	-148,218	-171,789	-65,591	-65,591
Effective Gross Income	**$3,612,336**	**$3,058,943**	**$3,213,625**	**$3,600,779**	**$3,725,036**
Expenses					
Real Estate Taxes	$96,271	$91,968	$90,919	$93,467	$95,426
Property Insurance	33,224	33,484	30,746	32,256	38,087
Utilities	403,179	351,937	378,170	383,201	383,201
Repairs and Maintenance	90,563	78,353	76,994	92,290	92,290
Janitorial	0	0	0	0	0
Management Fees	144,872	122,639	128,847	144,450	149,001
Payroll & Benefits	479,001	375,360	363,772	493,945	493,945
Common Area Maintenance	0	0	0	0	0
Advertising & Marketing	64,435	53,767	57,748	64,224	64,224
Professional Fees	0	0	0	0	0
General and Administrative	88,221	75,662	78,817	87,314	87,314
Non-Reimbursable Expenses	0	0	0	0	0
Other Expenses	0	0	0	0	0
Ground Rent	0	0	0	0	0
Market Expense Adjustment	0	0	0	0	0
Total Operating Expenses	**$1,399,766**	**$1,183,170**	**$1,206,014**	**$1,391,147**	**$1,403,489**
Net Operating Income	**$2,212,570**	**$1,875,772**	**$2,007,611**	**$2,209,632**	**$2,321,547**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	$0
Tenant Improvements	0	0	0	0	0
Capital Expenditures	30,850	0	0	0	30,850
Extraordinary Capital Expenditures	0	0	0	0	0
Total Capital Items	**$30,850**	**$0**	**$0**	**$0**	**$30,850**
Net Cash Flow	**$2,181,720**	**$1,875,772**	**$2,007,611**	**$2,209,632**	**$2,290,697**

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	$442.89
Vacancy (%)	5.0%

Morningstar's concluded rent per unit is $442.89 per month, lower than the in place level of $450.00 per month as of March 2014. Our concluded rent per unit was driven downward by the appraiser's $431 per month estimate for market rent. In addition, Morningstar underwrote a concluded vacancy level of 5%, which is our standard minimum for multifamily properties. We note that actual vacancy, which is based on March 2014, was 3.3%.

Expenses

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

Capital Items

A reserve for future capital expenditures is underwritten at $50.00 per site, which is higher than the engineer's conclusion of $41.00 per site (inflated) over a 12-year period.

Valuation Drivers

Morningstar concluded an underwritten annual Net Cash Flow of $2.2 million, 1.3% lower than the trailing twelve month period. We applied an 8.75% cap rate to this figure to conclude an underwritten value of $24.9 million. Morningstar's base cap rate for multifamily properties in the east region were 7.0% for 4Q 2013, however, we applied a 125 basis point seasonality premium and a 50 basis point special use premium to this figure. The appraiser concluded an underwritten annual Net Cash Flow of $2.3 million and applied a direct cap rate of 7% to arrive at a value of $33.4 million.

Westgate Plaza

Analyst: Fan Huang 646-560-4515
Analytical Manager: Chandan Banerjee 646-560-4512

Photos from the appraisal report

Property Summary		
Property Type	Retail/Community Center	
Location	Metairie, LA 70003	
Year Built	1986	
Year Renovated	2013	
Net Rentable Sq. Ft. (Total)	199,863	
Net Rentable Sq. Ft. (Collateral)	199,863	
Occupancy (Tape)	100.00%	(as of 4/21/14)
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$25,000,000	($125 /sq. ft.)
Loan Amount (Cut-Off Balance)	$24,972,804	($125 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	1	
Interest Rate	4.90000%	

Morningstar Analysis		
Current DSCR	1.33 x	
Amortizing DSCR	1.33 x	
Beginning LTV	97.44%	
Ending LTV	79.95%	
Capitalization Rate	8.25%	
Morningstar UW Occupancy	94.00%	
Net Operating Income	$2,324,141	
Net Cash Flow	$2,116,233	
Value	$25,629,568	($128 /sq. ft.)
Debt Yield	8.47%	
Morningstar Site Visit	No	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan	$24,972,804	4.900%	1.33 x	1.33 x	97.44%	79.95%
Total	**$24,972,804**	**4.900%**	**1.33 x**	**1.33 x**	**97.44%**	**79.95%**

Morningstar Summary

Morningstar Perspective

The $25.0 million Westgate Plaza loan will be secured by a 199,863 square feet community center anchored by Academy Sports with junior anchors HH Gregg, Michaels and Laser Tag & Games, located in Metairie, Louisiana, a suburb of New Orleans. The loan collateral includes three outparcels that are ground leased to restaurant users. It is currently 100% occupied by sixteen tenants per the April 21, 2014 rent roll.

The $25.0 million first mortgage loan proceeds are being used to pay off the existing debt of $21.3 million, fund upfront reserves and escrows, pay closing costs, and return $2.6 million of equity to the sponsor. The sponsor purchased the property in 2005 for $25.0 million and has invested $5.9 million in capital improvements, $4.6 million of which was associated with repositioning the property after former anchor Walmart vacated in the fourth quarter of 2009 to relocate to a new and larger Supercenter store across the street. The combined base rent from the two replacement tenants is $200,000 more annually than that from Walmart in its final lease year.

Metairie is located seven miles northwest of the New Orleans central business district, or CBD, between the Mississippi River and Lake Pontchartrain. Metairie is the oldest suburb of New Orleans and because of its proximity to both the airport and the New Orleans CBD/ French Quarter, is considered to be one of New Orleans prime suburban communities. It is estimated that half of the population of Metairie work within the community and the remainder commute to the New Orleans CBD. The property is located on Veterans Memorial Boulevard, a high density retail corridor with limited developable land, four miles east of the Louis Armstrong New Orleans International Airport. It is also highly visible from Interstate 10 which is parallel to Veterans Memorial Boulevard and the two serve as the major east-west thoroughfares throughout the New Orleans metropolitan area. Because of the rectangular, linear configuration of the retail improvements, all tenants have excellent visibility from Veterans Memorial Boulevard.

Westgate Plaza was constructed in 1986 and anchored by Walmart until the end of 2009, when that retailer relocated across the street to a new and larger Walmart Supercenter format. Walmart continued to pay rent through the lease expiration date in the fourth quarter of 2011 and in 2012 the sponsor spent $4.6 million to subdivide the space to accommodate new anchor, Academy Sports, and a junior anchor, HH Gregg. The in-line tenants represent less than 20% of the net rentable area. Academy Sports, which occupies 39.4% of the property's net rental area, or NRA, entered into a 15-year lease in October 2012 that will not expire during the term of the current loan. The three junior anchor tenants, which include HH Gregg, Michael's, and Laser Tag & Games, together account for 41.6% of property's NRA with an average lease term of 8.3 years. According to the April 2014 rent roll, the property is fully leased to thirteen in-line tenants and three restaurants who have ground-leased outparcels in the front of the subject.
While there is the potential for rollover risk during the term of the 10-year loan as nearly 60% of the leases will expire, annual turnover is averaged at 7.4% over the next four years. Mitigating the potential risk of non-renewal is the subject's prime retail location, convenience to two major regional thoroughfares, the fully developed nature of the area, and the strength of the surrounding high-density middle-class residential neighborhoods. Morningstar has underwritten the loan at conservative rent levels consistent with in-place rents at a weighted average of $11.64 per square foot, but lower than rents found among directly competitive properties according to a recent appraisal. Morningstar's underwriting assumed a higher vacancy rate of 6.0% although the property is currently fully leased and had an average occupancy rate of 94.6% in 2012 and 2013. The resulting cash flow allows for a solid 1.33X debt service coverage ratio, suggesting little risk of term default. The beginning loan-to-value of 97.44% is high, but with amortization over the full term of the loan, will decline to 80.0% at maturity, suggesting limited risk of maturity default. Overall, Morningstar is comfortable that the loan will perform as underwritten.

The Bears Say

- Lease Rollover: Nearly 60% of the total leases are scheduled to roll during the term of the loan and half of which will expire by the end of 2018. Academy Sports is the only tenant that has a long term lease with an expiration date on January 31, 2028.
- Below-Market Rental Rates: The property has maintained steady rental rates over the past few years, however, the in-place rents are low as compared to the competing centers within the primary trade area.
- Cash Out and Refinance Risk: Morningstar's beginning loan to value, or BLTV, is slightly high at 97.44% and although terms call for amortization of loan principal over a 30-yeart schedule, ending loan to value, or ELTV, at 80.0% makes refinance in full at maturity dependent on favorable market factors. The loan also allows for a return of $2.6 million of borrower equity.

The Bulls Say

- Prime Location: Westgate Plaza is situated in the main retail corridor within a highly desirable and established suburb of New Orleans.

- Good Access and Visibility: The property has clear frontage and access to both Veterans Memorial Boulevard and Interstate 10, two major east-west thoroughfares throughout the New Orleans MSA. The linear layout with inline units adjoining the anchor space maximize visibility.
- Diversified Tenant Types: The sixteen tenant spaces include a wide variety of goods and services providers. Retailers range from the sporting goods to an electronics/appliance store. Available service providers include a hair salon, automobile oil change facility, and a dentist/denture lab. A variety of smaller retail establishments and three restaurants on outparcels provide necessary goods and services to the local residential community.
- Potential for Rent Increases: The subject's current in-place average rent of $11.64 per square foot is well below the rental range found among direct competitors. According to a recent appraisal, competitors are currently leasing space in the rental range of $19.65 to $24.15 per square foot, suggesting the borrower may be able to achieve higher base rents as tenant spaces roll over.

Property Description

Westgate Plaza is a community center located in the major retail corridor of Metairie, one of the residential suburbs of New Orleans. The property was built in 1986 of masonry construction, and fully renovated in 2012 following the vacancy created by a former Walmart tenant. The center is rectangular in shape with a linear layout so that all tenants are afforded good street visibility. There are three outparcels in front of the center that are ground leased to restaurant users. The individual restaurants constructed their own buildings so while the center contains a total of 207,866 square feet of rentable area, only 199,863 square feet is included in the net rentable area. On-site parking is provided for approximately 905 vehicles.

Morningstar did not visit this property. However, a recent property condition recommended $274,495 in immediate repairs for roof replacement which was escrowed at closing and is to be completed in the near term. An environmental site assessment did not identify any environmental conditions in connection with the property.

Tenant Overview

As of the April 2014 rent roll, Westgate Plaza was 100% leased to 16 tenants, including 3 restaurants on ground leases. The Top 10 tenants according to size are summarized below:

Morningstar Tenant Overview Table (Top 10)						
Tenant	Net Rentable Square Feet	% of Square Feet	Base Rent Amount	Base Rent $ Square Foot	% of Rent	Lease Expiration
Academy Sports	78,661	39.4%	$778,744	$9.90	33.5%	Jan-28
HH Gregg	29,070	14.5%	$319,770	$11.00	13.8%	Sep-22
Michaels	27,200	13.6%	$380,800	$14.00	16.4%	Oct-17
Laser Tag & Games	26,800	13.4%	$254,600	$9.50	11.0%	Oct-20
Scandinavia Furniture	10,300	5.2%	$159,650	$15.50	6.9%	Oct-18
Dress Barn	9,500	4.8%	$114,000	$12.00	4.9%	Jun-18
SpeeDee Oil Change & Tune	4,332	2.2%	$54,150	$12.50	2.3%	Jan-23
Payless Shoesource	3,000	1.5%	$59,220	$19.74	2.5%	Oct-15
Jazzercise Fitness Center	2,500	1.3%	$38,825	$15.53	1.7%	Apr-16
Affordable Care	2,500	1.3%	$44,800	$17.92	1.9%	Jan-15
Top 10 Subtotal	**193,863**	**97.0%**	**2,204,559**	**$11.37**	**94.8%**	**Apr-23**

Academy Sports & Outdoors, or Academy, is a sports, outdoor and lifestyle retailer founded in 1938. They are headquartered in Texas and operate over 170 stores in 13 states, employing over 21,000. The company is currently owned by Kohlberg, Kravis Roberts & Co L.P. who acquired Academy from the founding family in 2011. Sales for Academy exceeded $3.5 billion in 2013 and the company reported that the subject location is the third highest grossing store among the six Academy Sports stores within a 100 miles radius.

Academy has been in occupancy at the subject since 2012 and is subject to a 15-year lease term expiring in January 2018. The tenant has three, five-year lease renewal options.

HH Gregg is a specialty retailer of home appliances and furniture, consumer electronics, fitness equipment, and related services. The company is headquartered in Indianapolis, Indiana and as of December 2013, HH Gregg operated 228 stores in the eastern U.S. The appraiser reported most recent annual store sales of $557 per square foot and according to the store manager are exceeding their sales goals and performing better than the company's other New Orleans location.

HH Gregg has also been in occupancy since October 2012 and is operating under a 10-year lease expiring in September 2022. HH Gregg has four, five-year renewal options.

Michael's Stores is the largest arts and crafts retail chain in the U.S., with more than 1,040 stores in 49 states and Canada. Headquarters for Michael's is located in Irving, Texas. According to Michael's store manager, the subject location is the number two out of seven stores in the New Orleans market. Sales are reported to be at levels exceeding those when Westgate Plaza was anchored by Walmart.

Michael's is an original tenant at the property, having been in occupancy since 1985. They are currently operating under their 2nd lease extension, which expires in September 2017, and will have one more five-year renewal option remaining at that time.

Laser Tag & Games is a family owned and operated indoor family entertainment company founded in 1996. They have a second, smaller location in Baton Rouge, Louisiana. Their space houses a multi-level laser tag arena, arcade, bumper cars, café, and multiple party rooms. The owner has reported invested $2.8 million in improvements and equipment into this space and plans to add a $90,000 LED theatrical lighting system through the space in the near future. Per the company's owner, the subject location is the premier indoor family entertainment complex in the area and has more than 300,000 customers per year. It is estimated that approximately 30% of their revenue is generated from parties, and 70% is generated from street business. Prior to opening in this location, Laser Tag & Games was located across the street where the Walmart Supercenter now stands. They indicated that with Westgate Plaza's exposure to Interstate 10, they have seen a boost to their business since moving to this side of Veterans Memorial Boulevard and are seeing strong year-over-year increases in revenues.

Laser Tag & Games has been in occupancy at the subject since December 2010 and although their lease does not expire until December 2015, the tenant has already exercised on of their three five-year renewal options, extending their lease through October 2020.

Lease Expiration and Rollover

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year

	MTM	2014	2015	2016	2017	2018	After 2018
Anchor	0	0	0	0	0	0	78,661
Junior Anchor	0	0	0	0	27,200	0	55,870
In-Line (10,001-20,000 sq.ft.)	0	0	0	0	0	10,300	0
In-Line (5,001-10,000 sq.ft.)	0	0	0	0	0	9,500	0
In-Line (2,501-5,000 sq.ft.)	0	0	3,000	0	0	0	4,332
In-Line (1,001-2,500 sq.ft.)	0	0	4,500	2,500	0	2,000	2,000
Outparcel	0	0	0	0	0	0	0
Total	**0**	**0**	**7,500**	**2,500**	**27,200**	**21,800**	**140,863**
% Roll	**0.0%**	**0.0%**	**3.8%**	**1.3%**	**13.6%**	**10.9%**	**70.5%**

Market Overview

Westgate Plaza is located in the New Orleans suburban community of Metairie, Jefferson Parish, Louisiana. Metairie is located seven miles northwest of the New Orleans CBD between the Mississippi River and Lake Pontchartrain. Metairie is the oldest suburb of New Orleans and because of its proximity to both the airport and the New Orleans CBD and French Quarter, Metairie is considered to be one of New Orleans prime suburban communities. It is estimated that half of the population of Metairie work within the community and the remainder commute to the New Orleans CBD. The New Orleans economy is dominated by four major sectors; oil/gas, tourism, shipping and ship building, and aerospace manufacturing. Major employers in New Orleans include Northrup Grumman, Tulane University and University of New Orleans. Major employers in Jefferson Parish are Ochsner Health System, Superior Energy Services and Huntington Ingalls Industries.

The entire New Orleans area experienced a significant decline in population after the events of Hurricane Katrina and Hurricane Rita in 2005. The population has recovered considerably since the catastrophic weather events of 2005, due in great to an estimated $120.5 billion in federal aid. As of the end of 2013, the 5-

mile radius around the property reflected 90,749 households, with a median household income of $68,313. It is noted however, that like much of the New Orleans metropolitan area, the subject and surrounding areas are located in a flood zone.

Westgate Plaza has a favorable location within Metairie's primary commercial corridor, with the Walmart Superstore and a Home Depot immediately across the Veterans Boulevard from the subject. Other retail draws in the immediate vicinity of the subject include hotels, restaurants, new car dealerships (BMW, Lexus, Acura, and Toyota, among others), as well as office buildings. To the immediate north is a canal running along Interstate 10 with Bonnabel Magnet Academy High School and densely populated middle class residential developments on the other side of Interstate 10. To the subject's west, the New Orleans Saints offices and practice fields are situated along Airline Highway.

The 4Q 2013 Reis data for the overall Kenner/Metairie retail submarket indicated a negative 10, 000 square foot net absorption, 18% vacancy rate and $17.05 asking rent for community shopping center space. It was noted that vacancy and rental rates have generally remained flat over the past three years. A recent appraisal report stated that there is approximately 1,875,000 square feet of retail space within a three-mile radius of the subject, creating a significant amount of competition within the subject's trade area. However, there is only a 3.3% vacancy rate reported among the subject's primary competing centers with a local area rent range from $19.65 to $24.15 per square foot, higher than rents achieved at the subject property. The appraiser noted that the area immediately around the subject is nearly 100 percent built out and is considered to be in the revitalization phase of its real estate life cycle, with redevelopment, modernization, and increasing demand.

Sponsorship/Management

The sponsor is Victory Real Estate Investments, a privately held, full service real estate firm founded in 1992 and headquartered in Columbus, Georgia. The sponsor owns and manages 52 shopping centers containing more than 4.2 million square feet of leasable area.

The sponsor purchased the property in 2005 for $25 million and has invested an additional $5.9 million in capital improvements for a total cost basis of $31.9 million. This transaction will return $2.6 million to the sponsor, with $5.9 million of equity remaining after funding of the subject loan.

The property is managed by an affiliate of the sponsor, Victory Property Management.

Morningstar Analysis

	Morningstar Underwriting	Year End 2011	Year End 2012	TTM 12/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$2,326,559	$2,042,804	$1,335,492	$2,305,993	$2,321,528
Less: Vacancy Loss (GPR)	(139,594)	0	0	0	(169,841)
Base Rent/Net Effective Rent	**$2,186,965**	**$2,042,804**	**$1,335,492**	**$2,305,993**	**$2,151,687**
Expense Reimbursement	$684,801	$186,728	$217,138	$582,343	$673,820
Other Income	50,178	50,178	50,178	50,772	50,178
Ground Lease/Outlot Effective Rent	220,643	0	0	0	220,643
Less: Vacancy Other Incomes	(13,239)	n/a	n/a	n/a	n/a
Effective Gross Income	**$3,129,348**	**$2,279,710**	**$1,602,807**	**$2,939,108**	**$3,096,328**
Expenses					
Real Estate Taxes	$328,514	$231,175	$245,018	$318,945	$325,196
Property Insurance	186,810	149,261	152,289	181,369	181,369
Management Fees	93,880	0	0	0	92,890
Common Area Maintenance	190,967	110,091	123,299	187,886	187,886
Other	5,036	1,219	4,199	4,955	4,955
Total Operating Expenses	**$805,207**	**$491,747**	**$524,804**	**$693,155**	**$792,296**
Net Operating Income	**$2,324,141**	**$1,787,962**	**$1,078,003**	**$2,245,953**	**$2,304,032**
Capital Items					
Leasing Commissions	$104,182	$34,471	$44,675	$44,126	$79,447
Tenant Improvements	74,004	0	0	0	66,195
Capital Expenditure / Reserve	39,973	0	0	0	39,973
Extraordinary Capital Expenditures	0	31,221	14,403	18,101	0
- Credit For TI/LC Reserve	(10,000)				
- Credit For Cap Ex Reserve	(250)				
Total Capital Items	**$207,908**	**$65,692**	**$59,078**	**$62,227**	**$185,614**
Net Cash Flow	**$2,116,233**	**$1,722,270**	**$1,018,925**	**$2,183,726**	**$2,118,417**

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	$11.64
Vacancy (%)	6.0%

Morningstar concluded a vacancy rate of 6.0% although the property is currently fully leased with an average occupancy rate of 94.6% in 2012 and 2013. The Reis vacancy rate is 12.6% for neighborhood and community centers in the submarket. Morningstar's 6.0% resulted from a blend of the in-place and market vacancy rates. Morningstar's underwritten rents are in line with the appraiser's market assessments. The rent is underwritten to actual in-place leases at a weighted average of $11.64 per square foot.

Expenses

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

- Expense Reimbursements: Underwritten to 85% recovery ratio as shown in the trailing twelve months as well as the appraiser's market assessment.
- Other Income: Other income includes revenues from the billboard advertisements. Morningstar underwrote to the issuer's actual figure.
- Ground Lease: Underwritten to the issuer's figure which is flat from 2011 to 2013 at $220,643.
- Real Estate Taxes: Estimated at 3% above the trailing twelve months.
- Property Insurance: Estimated at 3% above actual allocated insurance.
- Management Fee: Underwritten to 3% of effective gross income, or EGI.
- The Common Area Maintenance, or CAM: Underwritten to actual 2013 cost.

Capital Items

A reserve for future capital expenditures is underwritten to a Morningstar minimum of $0.20 per square foot, which represents a 25% increase over the engineer's recommended reserves. Tenant improvements are underwritten to $5 per square foot for new tenants and $1 per square foot for renewals for anchor and junior anchor space. For inline space, tenant improvements are underwritten to $10 per square foot for new tenants and $2 per square foot for renewals. Leasing commissions are underwritten to 6% for new tenants and 4% for renewals for all tenants. A renewal rate of 65% is assumed.

Valuation Drivers

Morningstar's base capitalization rate for the New Orleans, Louisiana retail market was 8.40% as of 4Q 2013. Morningstar's overall rates are compiled from comparable sales data and relevant market information and are updated regularly. Following a 15 basis points downward adjustment for the fact that Metairie is the major retail corridor in the region, the concluded overall rate used in our analysis was 8.25%. Based on the concluded net cash flow of $2,116,233, the value derived from the direct capitalization method is $25,629,568 which is 23.3% below the appraised value of $25,000,000.

Enclave at Prestonwood

Analyst: Jeffrey Mitchell 267-960-0553
Analytical Manager: Chandan Banerjee 646-560-4512

Property Summary		
Property Type	Multifamily/Garden	
Location	Dallas, TX	
Year Built/Renovated	1972,1978 / 2012	
Multifamily Units	466	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	92.70%	As of: 4/8/14
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$23,760,000	($50,987/unit)
Loan Amount (Cut-Off Balance)	$23,760,000	($50,987/unit)
Loan Term (months)	120	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	1	
Interest Rate	4.95000%	

Morningstar Analysis		
Current DSCR	1.55 x	
Amortizing DSCR	1.20 x	
Beginning LTV	93.90%	
Ending LTV	83.04%	
Capitalization Rate	7.30%	
Morningstar Occupancy	90.80%	
Net Operating Income	$1,973,246	
Net Cash Flow	$1,847,194	
Value	$25,304,034	($54,301/unit)
Debt Yield	7.77%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$23,760,000	4.95000%	1.55 x	1.20 x	93.90%	83.04%
Total	**$23,760,000**	**4.95000%**	**1.55 x**	**1.20 x**	**93.90%**	**83.04%**

Morningstar Summary

Morningstar Perspective

Construction has maintained a torrid pace in Texas, with Houston, Dallas, and Austin among the top five in the nation for new completions over the past ten years. Current projects in the Metroplex, which covers both Dallas and Forth Worth, are at a 14-year high. Over the years this has forced older properties, such as the Enclave at Prestonwood, to either accept lower rents or make the necessary improvements to remain competitive. Ownership at the property has pursued the latter strategy, with the prior owner investing over $8.5 million in renovations since 2009 and the borrower acquiring the property planning to invest another $1.5 million. Additionally, the property's general area, North Dallas, is set for an extensive revitalization initiative, the Valley View-Galleria Area Plan, that will see 430 acres of land that currently serves as a dying mall and dilapidated apartments renovated. An improved area, along with renovations at the property will permit the property to participate more effectively in the middle tier rental market. However, the large supply in the market will continue to make this a difficult market for any older property to compete in.

Since 2012, the property has shown marked improvements, with net operating income, or NOI, increasing 51% from 2012 to the trailing twelve months, or TTM, ended February 28th, 2014. Driving the improvements are the reduced concessions, which have fallen from over 20% of rental income to 9% over the same period. While the asking rental rate has not increased much over this period, only 2% from $737 per unit in 2012 to $753 per unit as of the February 28th, 2014 TTM, the reduction in concessions has resulted in net rental income, which is the gross rental income net of vacancy, collections, and concessions, to increase by 23% over the same period. Dallas Rents in the B/C class according to Reis are $743 per month and the appraiser concluded rents at $760 per month. With asking rents of $753 per unit, the property is at market, which will constrict growth via rent increases. Costs were controlled successfully during this process, with operating expenses rising only 2% from 2012 to 2013.

While the aggressive cutting of concessions has improved the property's bottom line significantly, growth from these means is limited. Dallas's multifamily market has traditionally offered concessions, with Reis indicating concessions in the fourth quarter of 2013 for the Far North Dallas submarket averaging one month of free rent. Given the age of the property and amount of new supply in the Dallas market, Morningstar expects concessions to remain slightly above this level, consistent with where they are today.

Although the property's cash flow has turned around quickly, growth will be difficult to come by now that concessions are in line with the market. However, there is still potential upside to be had by increasing occupancy, as the property is currently 7.3% vacant as of April 2014. During the 2009-2012 renovations, not all units were available and common amenities such as the pool and fitness center were offline, which depressed occupancy as the amenities and appeal of the property was reduced. Now that the majority of the renovations are finished, occupancy has increased 3.8% since the end of 2013. Reis reported vacancy in the fourth quarter of 2013 at 1.5% for multifamily properties in the B/C class. Given that the market for multifamily is very tight in all Dallas submarkets and that renovations to the property were recently completed, it is reasonable to expect occupancy to improve towards market levels.

The loan is highly leveraged at 94% based on the Morningstar concluded value of $25.4 million, and is covering its debt service 1.2 times on an amortizing basis based on the Morningstar concluded net cash flow of $1,847,194. Based on Morningstar's analysis, high leverage, and limited upside potential, the borrower may have difficulty refinancing the loan without a cash infusion at maturity.

The Bears Say

- Older property in a market that includes a glut of new inventory and record levels of supply in the pipeline
- Limited upside due to market concession and rent levels
- Low amortizing debt service coverage of 1.2 and 94% leverage could make refinancing difficult

The Bulls Say

- If undertaken, the Valley View-Galleria Area Plan will bring significant changes to the area
- Property has upside through increasing occupancy to market levels
- Experienced management team with several properties in the Dallas market will offer economies of scale

Property Description

The Enclave at Prestonwood is a class B multifamily development built in two phases, with the first phase completed in 1972 consisting of 198 units and the second phase providing an additional 268 units in 1978. The property is conveniently located near the Dallas North Tollway and Interstate 635, providing access to nearby retail and employment centers. The majority of the major roads are lined with retail, office, and industrial properties. Feeder roads from these larger thoroughfares are dominated by multi-family and single-family residential developments.

The property is laid out garden style, with the units contained in thirty seven, two story buildings. There are two additional single story buildings that contain the leasing office, two clubhouses, and a fitness center. Other common amenities include two swimming pools, four laundry facilities, gym, barbeque grills, playground, dog park, and gazebo.

Since 2009, there has been $8.5 million in renovations at the property. Improvements consisted of renovating 100 units, addressing exterior building repairs, roof and siding replacement, HVAC replacement, and remodeling of the leasing office, business center, and clubhouse. The borrower intends to invest $1.5 million more into the property upon acquisition which will be utilized renovating 120 more units and painting and repairing the exterior.

There is currently one unit offline that is being renovated and is expected to come back online within six months; the lender has held back funds in order to complete the renovation and address overgrown trees and shrubs that are encroaching on walkways and certain units. The unit mix consists of 284 one bedroom units, that include one bathroom and range in size from 480 square feet to 688 square feet, with an average of 582 square feet. The remainder consists of 182 two bedroom units, 54 of which include a second bathroom, that range from 849 square feet to 944 square feet, for an average of 893 square feet. The average rent at the one bedroom units is $681 per month and the average rent for a two bedroom units is $872 per month.

Common unit amenities at the property include either a standard or upgraded package. The standard package offers older appliances and carpeted floors, while the upgraded units include stainless steel appliance, faux wood floors, crown molding, resurfaced countertops, fireplace, private yard, and washer/dry connection or a stacked washer/dryer. Considering the amount of new supply in this market, the standard package is limited and dated for the market. The renovations have been addressing this shortcoming, and after the current round of renovations are complete, about half of the units at the property will offer an amenity package that is consistent with the market.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	284	60.9%	582
Two Bedroom	182	39.1%	893
Total	**466**	**100.0%**	**703**

Market Overview

According to the US Census Bureau, the population of the Dallas and Fort Worth area, also known as the Metroplex, grew at a 2.03% annual rate from 2000-2013, more than twice the national average, and is projected to grow at 1.53% annually through 2018. Dallas and Forth Worth has a diverse industry base, with the two largest industries in the Metroplex, Trade, Transportation, and Utilities, and Professional and Business Services representing around 20% and 18% of the workforce. Based on the property's zip code, 75248, the median household income in the area is approximately $72,797 and unemployment rate is around 7.5% according to the 2012 US Census Bureau. The largest employers in the area include Wal-Mart, American Airlines, Bank of America, Baylor Health Care, Texas Health Resources, AT&T, and Lockheed Martin Aeronautics.

The immediate area is highly developed, with the major roads lined by commercial developments concentrated in the retail, office, and industrial sectors. Outside of the major roads, most of the land is dedicated to multi-family and single-family residential properties located off feeder roads from the larger thoroughfares, with single-family properties representing the dominant land use. The subject property is conveniently located near the Dallas North Tollway and Interstate 635, providing access to nearby retail and employment centers.

Construction volume has traditionally been robust within the Metroplex, and is currently at a 14-year high. However, little of this development has occurred within this property's submarket; the majority of new multifamily development has been taking place north of the President George Bush Turnpike in Plano, Allen, Mckinley, and Lewisville. In spite of consistent new supply in Dallas, rents have continued to keep pace and are expected to grow in the Far North submarket by 16% from $852 per month to $989 per month by the end of 2018 according to Reis. Additionally, Reis expects vacancy to remain low, hovering around 3.2% over the same period.

Class B properties offer renters a substantial discount, with the appraiser concluding comparable class B rents in the area at $760 per unit. This is slightly above the Reis class B/C estimate of $743 per unit, which is skewed lower due to the inclusion of class C inventory. Both of these estimates are in range of the subject property's attained rents of approximately $755 per unit

Major retail draws in the area include the Galleria-Dallas Mall, a 1.8 million square foot super regional mall with 8 anchors, including Nordstrom, Macy's, Banana Republic, and H & M. In addition to the steady development taking place in the Metroplex, North Dallas is currently undergoing a revitalization initiative, known as the Valley View-Galleria Area Plan, which is a planned redevelopment to approximately 430 acres of land that is currently occupied by a dying mall, the Valley View Mall, and dilapidated apartments. As the heart of this redevelopment is a $2 billion plan to convert the Valley View mall into a 1.5 million square feet mixed use development including restaurants, residential units, retail stores, office towers, and a hotel.

Sponsorship/Management

The borrowing entity is 5930 Enclave, LLC., a single-purpose Texas limited liability company. The managing member, and 28.03% owner of 5930 Enclave LLC. is Conti Enclave, LLC.. Conti Enclave, LLC. is managed by Carlos P. Vaz, who is serving as the sponsor and non-recourse carve-out guarantor for the transaction.

Morningstar Analysis

	Morningstar	2012	2013	TTM 2/28/2014	Issuer Underwriting
Income					
Gross Potential Rent	$4,224,312	$4,117,946	$4,191,667	$4,203,132	$4,226,160
Laundry/Vending	0	0	0	0	0
Expense Reimbursement	187,051	188,195	185,081	188,619	188,619
Parking Income	0	0	0	0	0
Other Income	199,028	162,301	202,726	206,500	206,500
Less: Vacancy Loss	-406,947	-523,741	-505,034	-477,415	-316,962
Less: Concessions & Collection Loss	-298,148	-895,194	-423,536	-387,392	-252,403
Effective Gross Income	**$3,905,295**	**$3,049,507**	**$3,650,904**	**$3,733,443**	**$4,051,913**
Expenses					
Real Estate Taxes	$546,577	$375,520	$519,248	$543,204	$534,826
Property Insurance	91,741	103,653	103,233	104,577	93,200
Utilities	267,216	275,802	253,839	261,222	261,222
Repairs and Maintenance	235,797	233,520	175,395	188,063	244,650
Janitorial	0	0	0	0	0
Management Fees	156,212	109,916	125,435	128,549	162,077
Payroll & Benefits	489,300	580,754	599,153	602,251	489,300
Common Area Maintenance	0	0	0	0	0
Advertising & Marketing	0	0	0	0	0
Professional Fees	0	0	0	0	0
General and Administrative	145,207	226,044	166,104	171,583	142,129
Non-Reimbursable Expenses	0	0	0	0	0
Other Expenses	0	0	0	0	0
Ground Rent	0	0	0	0	0
Market Expense Adjustment	0	0	0	0	0
Total Operating Expenses	**$1,932,049**	**$1,905,210**	**$1,942,407**	**$1,999,449**	**$1,927,402**
Net Operating Income	**$1,973,246**	**$1,144,298**	**$1,708,497**	**$1,733,994**	**$2,124,511**
Capital Items					
Capital Expenditures	126,051	57,443	111,501	103,150	116,500
Extraordinary Capital Expenditures	0	0	0	0	0
Total Capital Items	**$126,051**	**$57,443**	**$111,501**	**$103,150**	**$116,500**
Net Cash Flow	**$1,847,194**	**$1,086,855**	**$1,596,995**	**$1,630,844**	**$2,008,011**

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	$755
Vacancy	9.20%

Rent per unit and vacancy assumptions are based on the in-place rental rate per unit as of April 2014.

Concessions: Due to the extensive renovations, concessions were recently at levels well above the rest of the market. Concessions were underwritten based on the average of market level concessions according to Reis and the borrower's trailing three month concession levels.

Expenses

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

Payroll & Benefits: Underwritten based on a payroll schedule provided by the new borrower. Since this is an acquisition by an experienced owner and operator with other properties in the Dallas market, it is reasonable to expect economies of scale to decrease payroll expenses.

Management Fees: Underwritten to 4% of the effective gross income, which is more conservative than the 3% contractual management fee.

Insurance: Underwritten to the actual insurance premium inflated by 3%.

Capital Items

A reserve for future capital expenditures is underwritten at $270 per unit per year, a 10% increase over the engineer's recommended reserves of $246 per unit per year.

Valuation Drivers

Morningstar's concluded capitalization rate for the property is 7.30%. This is based on Morningstar's Dallas and Fort Worth base capitalization rates with an adjustment made for the age of the property. This is more conservative than the appraiser's comparable sales average capitalization rate of 6.40% and concluded capitalization rate of 6.25%

COMM 2014-UBS3 Mortgage Trust
Commercial Mortgage Pass-Through Certificates

Asset Summary Report

Capstar Plaza

Analyst: Howard Peterson 267-960-6024
Analytical Manager: Chandan Banerjee 646-560-4512

Source: Cushman & Wakefield Appraisal

Property Summary		
Property Type	Office/Multi-Tenant	
Location	Austin, TX 78703	
Year Built	2009	
Year Renovated	NAP	
Net Rentable Sq. Ft. (Total)	115,975	
Net Rentable Sq. Ft. (Collateral)	115,975	
Occupancy (Tape)	100.00%	(as of 3/5/14)
Ownership	Leased Fee	

Loan Summary		
Loan Amount (Original Balance)	$22,750,000	($196 /sq. ft.)
Loan Amount (Cut-Off Balance)	$22,750,000	($196 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	120	
Amortization Term (months)	0	
Loan Seasoning (months)	1	
Interest Rate	4.85000%	

Morningstar Analysis		
Current DSCR	2.85 x	
Amortizing DSCR	2.85 x	
Beginning LTV	53.87%	
Ending LTV	53.87%	
Capitalization Rate	7.45%	
Morningstar UW Occupancy	95.00%	
Net Operating Income	$3,378,721	
Net Cash Flow	$3,145,977	
Value	$42,227,877	($364 /sq. ft.)
Debt Yield	13.83%	
Morningstar Site Visit	No	
Property Score	3 (Average)	

Capital Structure Table

Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan	$22,750,000	4.850%	2.85 x	2.85 x	53.87%	53.87%
Total	**$22,750,000**	**4.850%**	**2.85 x**	**2.85 x**	**53.87%**	**53.87%**

Morningstar Summary

Morningstar Perspective

The subject represents the acquisition financing of the ground lease interest on an office building in Austin, Texas. Therefore, the ground lessor's interest in the improvements is not collateral for the Capstar Plaza loan. It does, however, have a reversionary interest in the subject office building. If there was a default on the ground lease, ownership of the improvements on the land would revert to the borrower.

The 99-year ground lease has an expiration of December 14, 2112 with payments of $1.24 million per year with 3.0% annual increases. Based on the appraisal, the unencumbered value of the land without any improvements is $26.1 million, resulting in an 87.2% loan-to-appraised value ratio. Assuming the unencumbered value of the land without any improvements remains constant, the estimated contractual ground rent would increase to $2.2 million per annum, assuming a 20-year holding period. When considering a commonly applied look through valuation method for the property, unencumbered by the ground lease, resulted in a $49.5 million appraised value and a loan-to-appraised value of 46.0%.

Morningstar's analysis of leased fee (ground lease interests) transactions typically includes a thorough review of the subject's look-through rent roll and property cash flows. The Issuer provided a rent roll dated 3/5/14 indicating the subject is fully occupied and a trailing twelve month ("TTM") statement ending July 31, 2013 reporting property net operating income and net cash flow flows of $3.5 million, as there were no capital items within the statement. The Issuer underwrote only the income from the ground lease rental stream, averaged over the initial ARD term, or a net cash flow of $1.4 million.

Morningstar's analysis of the loan and leasehold office building, based on a look-through approach, yielded net operating income of $3.4 million and a net cash flow of $3.15 million. This was 4.8% below the net operating income for the TTM ending July 31, 2013, or a negative variance of $165,635, but sufficient to cover the debt service and ground lease payments.

Based on Morningstar's underwritten net cash flow and the low leverage at 53.87% on a look-through analysis, the loan would be shadow rated at AA-.

Morningstar views Capstar Plaza as a nice-looking, urban office building in a premier suburban submarket just a few blocks west of downtown Austin. The Class A office building is LEED Gold certified. The location is part of a mixed-use development area along Fifth Street, the southwest gateway to downtown from the MoPac Expressway, which includes retail and restaurant space, along with residential apartments. Overall, the property appears to be well maintained and in good condition.

Based on our evaluation, Morningstar assigned a property quality score of 3 ("Average") to the property. 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 the property, Morningstar then factors the score into the assignment of our capitalization rate.

The Bears Say

- ❖ All of the tenants roll during the initial loan term. Most of this rollover occurs between 2018 and 2020. All of the tenants have been at the property since it was completed in 2009. According to the appraisal, all of the subject's tenant leases were reviewed and found that all have renewal options available at the end of their respective lease terms. In addition, many of the tenants have common ownership and are expected to remain at the property. The one exception may be Gentiva, which recently acquired Harden Healthcare in late 2013. Gentiva will either continue to occupy the space or decide to sublet it. If it sublets the space, Gentiva with over $1.7 billion in revenue will continue to be on the lease until 2020.
- ❖ The loan is interest only during this entire ARD term through April 5, 2024, therefore it does not benefit from scheduled amortization. However, Morningstar's underwritten loan-to-value, based on a look-through approach, is 53.9% and provides support for refinancing should there be a downturn in the market.

The Bulls Say

- ❖ Absolute Net Ground Lease: The collateral for the loan is 111,514 square feet (2.56 acres) of land underlying an eight-story, 115,872 square foot Class A office building in Austin, Texas, near downtown. The improvements were built in 2009, include a three level parking garage and five stories of office space. The property is subject to a 99-year triple-net ground lease with 98-years remaining.
- ❖ The ground lessor's interest in the improvements is not collateral for the Capstar Plaza loan. It does, however, have a reversionary interest in the subject office building. If there was a default on the ground lease, ownership of the improvements on the land would revert to the borrower.

- Based on Morningstar's underwritten net cash flow and the low leverage at 53.87% on a look-through analysis, the loan would be shadow rated at AA-.
- The Austin-Round Rock-San Marcos, TX metropolitan area economy continues to boom, however it slowed slightly in 2013, but only because there were fewer workers left to employ according to Reis. According to the latest U.S. Bureau of Labor Statistics, or BLS, the February 2014 unemployment rate was 4.8% (not seasonally adjusted). This compares favorably with the U.S. unemployment rate of 6.7%.
- According to Reis, office employment growth at the metro level during 2014 and 2015 is projected to average 4.0% annually, enough to facilitate an absorption rate averaging 971,000 square feet per year. The CBD submarket will claim a significant portion of this demand, posting absorption averaging 424,000 square feet per year, 43% of the projected metro total.

Property Description

The property is the 2.56 acre (111,514 square feet) parcel of land underlying an eight-story, 115,872 square foot Class A office building in Austin, Texas. The parcel is located along the south side of West 5th Street and just east of the MoPac Expressway, a major north-south highway on the west side of Austin. The property is less than three miles west of Interstate 35, which connects Austin to San Antonio to the south ant the Dallas-Fort Worth area to the north. Capstar Plaza is just north of West Cesar Chavez Street and includes frontage along the south side of West 5th Street. Ingress and egress is available to the site via two access points along the south side of West 5th Street (east bound traffic only). Street parking is not permitted along West 5th Street in the immediate vicinity of the property.

The property's adjacent land uses include office/retail development to the north, railroad, Austin High School, Ladybird Lake to the south, multifamily residential with ground floor retail development to the east and Cesar Chavez/ West 5th/6th Street/MoPac Expressway roadway interchange to the west. The University of Texas at Austin, one the largest universities in the country and the Texas State Capitol Complex are within three miles of the property.

Primary access to the neighborhood is provided by MoPac Expressway and I-35. MoPac is located just east of the property and I-35 is about one mile east. I-35 is a six lane divided highway traveling in a north-south direction, which is the major north-south traffic carrier for the metro area and the state of Texas. Interstate 35 travels northbound from Laredo at the Mexican border, through San Antonio, Austin, Waco, Dallas/Fort Worth and Oklahoma City, and is the primary link between north and south Austin going through the CBD and State Capitol Complex. MoPac is a six lane, divided highway also traveling in a north-south direction and is a major in town expressway ultimately connecting with Interstate 35 to the north via the new Toll 1 extension of MoPac or Loop 1 and State Highway 45 Tollway. Secondary access to the neighborhood is provided by several two and three lane undivided feeder streets which provide good access and visibility to the neighborhood and the property. The commute to the Austin-Bergstrom International Airport is 15 minutes to the southeast.

The ground lessor's interest in the improvements is not collateral for the Capstar Plaza loan. It does, however, have a reversionary interest in the subject office building. If there was a default on the ground lease, ownership of the improvements on the land would revert to the borrower.

The improvements at Capstar Plaza were originally built in 2009 and the building is LEED Gold certified. The eight-story building has 115,872 square feet of net rentable Class A office space, occupied by four office tenants and one fitness center. The second through fourth floors consist of a parking garage. There is parking for 382 parking spaces, including 260 parking spaces in the three-level parking garage. There is no street parking available along the property frontage.

The property has been fully occupied since it was completed in 2009 and the tenancy is split among five tenants discussed in detail under the Tenant Overview section of this report.

The appraisal identified five land sales comparables that occurred from a mid-2012 sale to a current listing that ranged from $25.52 to $148.22 per square foot, with an average of $69.03 per square foot. These sites were typical ground leases primarily in suburban locations to pad site users and not ideally comparable to the subject because of differences in location and tenant credit. This equates to a land value of $7.7 million based on the average and $16.5 million based on the high end sales. There was little emphasis placed on this approach.

The appraiser also looked at the present value of the property cash flows over a 20-year holding period and the present value of a subsequent sale, utilizing a 6.0% to 6.5% internal rate of return which generated value of $26.1 million, utilized for the leased fee value of the land interest.

Ground Lease Summary

The land is currently subject to a 99-year, long-term, ground lease. The initial ground lease payment is $1.24 million, followed by annual increases of 3.0% with the final ARD payment of $1.618 million. The final ground lease payment is December 14, 2112. The lease is an absolutely net lease with taxes, insurance, electrical utilities, repairs and maintenance of common areas and demised premises passed through and paid by the tenant.

Beginning on the 13th lease year, the fixed rent calculation on the annual ground rent will reset to the greater of either (a) the fixed rent calculated as if the "Look-Back Average CPI Increase" had been used in lieu of the 3.00% amount under the fixed rent for the 13th lease year and b) the fixed rent for each lease year from the 1st lease year through the 12th lease year (but without actually increasing the fixed rent owed for any prior lease year), then on a going-forward basis, until the next adjustment year, calculated using the 3.00% (and not using the Look-Back Average CPI Increase). This reset calculation is followed similarly as of the 20th lease year, the 30th lease year and the 45th lease.

The ground lessee is ACA Capstar Investments, LLC, an affiliate of Austin Capital Advisors ("ACA"), Legacy 5980 Travis, LLC, Hodson Holdings, LLC, QC Apartments SPE, LLC and Lamar Acquisition I SPED, LLC, jointly and severally, as tenants in common. ACA purchased the leasehold interest for $29.74 million. ACA is a boutique private equity firm that invests in both entrepreneurial businesses and commercial real estate, mainly focused in the Austin, Texas market.

Tenant Overview

According to the current rent roll, the property has been fully occupied since it was completed in 2009. The major tenants include the following.

Morningstar Tenant Overview Table						
Tenant	Net Rentable Square Feet	% of Square Feet	Base Rent Amount	Base Rent $ Square Foot	% of Rent	Lease Expiration
BBVA Compass Bank	32,766	28.3%	$1,010,930	$30.85	27.9%	Sep-19
DMX Inc.	27,155	23.4%	$858,370	$31.61	23.7%	Jan-18
Harden Healthcare, LLC	27,149	23.4%	$858,180	$31.61	23.7%	Jan-20
Capstar Investment Partners, LLC	27,144	23.4%	$858,022	$31.61	23.7%	Jan-22
Fitness Center	1,761	1.5%	$31,698	$18.00	0.9%	Aug-14
Top 10 Subtotal	**115,975**	**100.0%**	**3,617,199**	**$31.19**	**100.0%**	

BBVA Compass Bank – BBVA Compass Bank occupies 32,766 square feet (28.3% of NRA), with 5,590 square feet on the ground floor and 27,176 square feet on the 5th floor of the building. BBVA Compass Bank is a leading U.S. banking franchise with operations throughout the Sunbelt region and ranked among the top 25 largest U.S. commercial banks based on deposit market share, operating 688 branches in Alabama, Arizona, California, Colorado, Florida, New Mexico and Texas. BBVA Compass was founded in 1857 and is a subsidiary of Compass Bancshares Inc., a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria SA (BBVA). BBVA stock is traded on the NYSE under the ticker symbol "BBVA" and Morningstar, Inc. assigns a rating of BB+ (Morningstar, Inc. corporate ratings are not NRSRO ratings).

DMX, Inc. – DMX, Inc. which occupies 27,155 square feet (23.4% of NRA) was sold to Mood Media in March 2012. Mood Media Corporation is a leading in-store media specialist that uses a mix of music, visual and scent media to help its clients communicate with consumers with a view to driving incremental sales at the point of purchase. Mood Media operates through its two principal divisions, In-Store Media and Retail Point of Purchase. Mood Media Corporation works with over 470,000 commercial locations in over 40 countries throughout North America, Europe, Asia and Australia. Mood Media is traded on the Toronto Stock Exchange under the ticker symbol "MM" and is currently not rated by Morningstar Inc. (Morningstar, Inc. corporate ratings are not NRSRO ratings). It is noted that the president of Mood Media is a partner at Capstar.

Harden Healthcare – Harden Healthcare is a subsidiary of Capstar Partners, LLC, which is majority-owned by BNP Paribas. Harden Healthcare occupies 27,149 square feet (23.4% of NRA) and is a leading provider of post-acute care to patients with various healthcare needs and medical complexities throughout fourteen states including Texas, Alabama, California, Colorado, Florida, Georgia, Kansas, Oklahoma, Iowa, Illinois, Missouri, New York, Tennessee, and West Virginia. The company provides a complete post-acute care continuum encompassing long-term care, home health, hospice, and related ancillary services.

In 2007, Harden Healthcare acquired Girling Health Care. Girling Health Care provides a variety of home health, personal care and hospice services for clients in Florida, Illinois, New York, Oklahoma, Tennessee, and Texas. Services include skilled nursing, hospice, occupational therapy, medication management, and cardiac pulmonary care. Girling's largest market is Texas, where it operates in more than 20 cities throughout the state. The family-owned company was founded in 1967 by Bob and Bettie Girling.

In late 2013, Gentiva Health Services, Inc. (Nasdaq: GTIV) reached an agreement with Harden Healthcare to buy the company's home health, hospice and community health operations for $408.8 million in cash and stock. Gentiva currently has about 37,000 employees and achieved revenues of $1.8 billion with $150 million EBITDA in 2011, $1.7 billion in revenue with $175 million of EBITDA in 2012, and $1.7 billion in revenue with $103 million of EBITDA in 2013.

Following Gentiva's acquisition of a division of Harden, Harden vacated the space while Girling continues to pay rent (Girling assumed Harden's lease) as they are currently determining whether to sublet or re-occupy the space as Girling.

Capstar Partners, LLC – Capstar Partners, LLC occupies 27,144 square feet (23.4% of NRA) and is a private investment firm based in Austin, Texas. Capstar Partners participates in small and middle market buyouts, real estate development, and public investing. Since 2000, Capstar has invested in a broad range of industries including media and broadcasting, healthcare services, e-commerce, financial services and real estate. BNP Paribas is the parent of Capstar Partners, LLC, after purchasing 60% of the company in 2001. BNP Paribas is traded on the NYSE Euronext under the ticker symbol "BNP" and Morningstar, Inc. assigns a rating of A+ (Morningstar, Inc. corporate ratings are not NRSRO ratings). BNP Paribas does not guarantee the lease.

Lease Expiration and Rollover

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year							
	MTM	**2014**	**2015**	**2016**	**2017**	**2018**	**After 2018**
Office	0	0	0	0	0	27,155	59,915
Fitness Center	0	1,761	0	0	0	0	0
Capstar Investment	0	0	0	0	0	0	27,144
Total	**0**	**1,761**	**0**	**0**	**0**	**27,155**	**87,059**
% Roll	**0.0%**	**1.5%**	**0.0%**	**0.0%**	**0.0%**	**23.4%**	**75.1%**

All of the tenants leased space rolls during the loan term. During 2018, the lease with DMX, Inc. for 27,155 square feet, or 23.4% of the NRA, expires. During 2019, the two leases (office and retail) with BBVA Compass Bank totaling 32,766 square feet, or 28.3% of the NRA, expire. This is followed in 2020 when 27,149 square feet for the Harden Healthcare, LLC, or 23.4% of the NRA expires. In 2022, the Capstar Investment Partners Inc. lease for 27,144 square feet expires, or 23.4% of the NRA. According to the appraisal, all of the subject's tenant leases were reviewed and found that all of the tenants have renewal options available at the end of their respective lease terms.

Market Overview

The property is located at 1703 West 5th Street in Austin, Texas. The site is 1.5 miles west of downtown Austin and not too much farther from the Texas State Capital. The area is a mix of uses. This includes office/retail developments to the north, railroad, Austin High School, Ladybird Lake to the south, multifamily residential with ground floor retail development to the east and Cesar Chavez/ West 5th/6th Street/MoPac Expressway roadway interchange to the west. The University of Texas at Austin, one the largest universities in the country is less than three miles of the property.

The property is located the Reis CBD submarket within the greater Austin market. According to Reis, the mean office submarket rent was $36.29 per square foot with a vacancy of 14.1% as of the fourth quarter of 2013. Class A office buildings had a submarket rent of $39.52 per square foot with a vacancy of 14.6% and vintage properties of a similar age (2000 – 2009) had a submarket rent of $44.79 per square foot with a vacancy of 7.6%. The appraiser estimated office space at $27.50 per square foot and ground floor retail space (fitness center) at $29.00 per square foot for the submarket. According to CBRE, the Austin office market vacancy was 11.7% and 8.7% for the Southwest submarket.

Morningstar chose to underwrite the subject utilizing the appraiser's various market rents and the CBRE submarket vacancy rate. The average underwritten rent was $29.18 per square foot with an economic vacancy of 5.0%.

Sponsorship/Management

The borrowing entity is comprised of 343 East 8th Associates Austin LLC, 159 Eluji Associates Austin LLC, Rusty Realty Associates Austin LLC and 195 Phesten Associates Austin LLC, each a Delaware limited liability company and collectively the borrower.

Although the property is self-managed, Morningstar underwrote a typical 3.0% management fee as a conservative approach, higher than the issuer's 1.0% management fee.

Morningstar Analysis

	Morningstar Underwriting	Year End 2011	Year End 2012	TTM 07/31/13	Issuer Underwriting
Income					
Gross Potential Rent	$3,380,742	$3,198,579	$3,332,095	$3,380,105	$1,421,521
Less: Vacancy Loss (GPR)	(169,037)	0	0	0	0
Less: Concessions	0	0	0	0	0
Less: Collection Loss	0	0	0	0	0
Less: Vac Adj for Concess/Coll Loss	0	0	0	0	0
Base Rent/Net Effective Rent	**$3,211,705**	**$3,198,579**	**$3,332,095**	**$3,380,105**	**$1,421,521**
Expense Reimbursement	$2,153,816	$1,922,008	$2,046,935	$2,174,038	$0
Percentage Rent	0	0	0	0	0
Other Recurring Income 2	3,830	8,393	2,325	3,533	0
Less: Vacancy Other Incomes	0	n/a	n/a	n/a	n/a
Effective Gross Income	**$5,369,351**	**$5,128,980**	**$5,381,355**	**$5,557,676**	**$1,421,521**
Expenses					
Real Estate Taxes	$935,971	$669,192	$816,506	$908,710	$0
Property Insurance	35,835	26,784	27,000	34,791	0
Utilities	229,865	248,694	228,694	241,572	0
Repairs and Maintenance	140,903	131,658	143,029	153,478	0
Contract services	275,039	297,512	283,767	282,218	0
Management Fees	161,081	154,113	161,286	166,556	14,215
Payroll & Benefits	114,493	112,710	117,069	122,121	0
Common Area Maintenance	0	0	0	0	0
Advertising & Marketing	11,299	22,901	9,218	9,483	0
Professional Fees	19,049	22,597	20,099	18,543	0
General and Administrative	67,095	63,667	69,428	71,848	0
Non-Reimbursable Expenses	0	0	0	0	0
Total Operating Expenses	**$1,990,630**	**$1,749,828**	**$1,876,096**	**$2,009,320**	**$14,215**
Net Operating Income	**$3,378,721**	**$3,379,152**	**$3,505,259**	**$3,548,356**	**$1,407,306**
Capital Items					
Leasing Commissions	$89,544	$0	$0	$0	$0
Tenant Improvements	114,206	0	0	0	0
Capital Expenditure / Reserve	28,994	0	0	0	0
Extraordinary Capital Expenditures	0				
Total Capital Items	**$232,744**	**$0**	**$0**	**$0**	**$0**
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0
Net Cash Flow	**$3,145,977**	**$3,379,152**	**$3,505,259**	**$3,548,356**	**$1,407,306**

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	$29.15
Vacancy (%)	5.0%

As previously indicated, the subject collateral is a ground lease (leased fee) on the land located at Capstar Plaza, 1703 West 5th Street, Austin, Texas.

Morningstar's analysis on leased fee (ground lease interests) transactions typically includes a thorough review of the subject's look-through rent roll and property cash flows. The Issuer provided a trailing twelve ("TTM") ending July, 31, 2013 reporting property net operating income of $3.548 million. The Issuer underwrote only the income from the ground lease rental stream, averaged over the initial ARD term, or a net cash flow of $1.4 million.

Morningstar's analysis of the loan and leasehold office building, based on a look-through approach, yielded net operating income of $3.4 million This was 4.8% below the net operating income for the TTM ending July 31, 2013, or a negative variance of $165,635, but sufficient to cover the debt service and ground lease payments.

Expenses

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

Capital Items

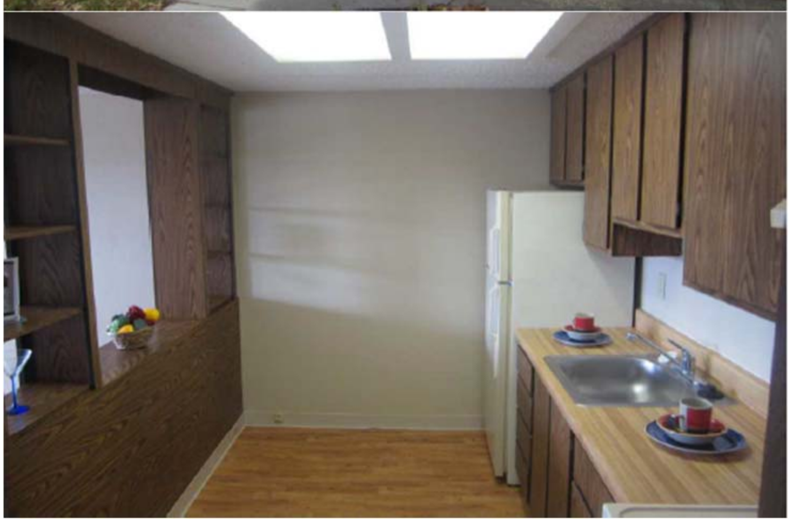
A reserve for future capital expenditures is underwritten at a minimum of $0.25 per square foot. Tenant improvements were underwritten at 50% of Morningstar's underwritten rent for new office space and 25% for renewal office space. Leasing commissions are underwritten at 4% for new tenants and 2% for renewals. A renewal rate of 65% is assumed.

Valuation Drivers

Morningstar's capitalization rate for Austin office was 7.7%. Adjustments were made to the capitalization rate for its Class A office status and mid-term rollover risk. The final adjusted capitalization rate was 7.45%. This estimate is more conservative than the appraiser's implicit capitalization rate of 5.8% on the ground leased land sales and 7.0% on the improved property.

Florida Multifamily Portfolio

Analyst: Celeste P. Stinson 646-560-4506
Analytical Manager: Chandan Banerjee 646-560-4512



Property Summary		
Property Type	Manufactured Housing/Garden	
Location	Various, FL	
Year Built/Renovated	1982/2013	
Multifamily Units	469	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	93.39%	As of: 2/1/14
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$20,940,000	($44,648/unit)
Loan Amount (Cut-Off Balance)	$20,940,000	($44,648/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	2	
Interest Rate	4.83000%	

Morningstar Analysis		
Current DSCR	1.86 x	
Amortizing DSCR	1.43 x	
Beginning LTV	93.33%	
Ending LTV	80.41%	
Capitalization Rate	8.50%	
Morningstar Occupancy	91.50%	
Net Operating Income	$2,061,795	
Net Cash Flow	$1,907,025	
Value	$22,435,591	($47,837/unit)
Debt Yield	9.11%	
Morningstar Site Visit	Yes	
Property Score	4 (Fair)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$20,940,000	4.83000%	1.86 x	1.43 x	93.33%	80.41%
Total	**$20,940,000**	**4.83000%**	**1.86 x**	**1.43 x**	**93.33%**	**80.41%**

Morningstar Summary

Morningstar Perspective

Collateral for the 10-year $20.9 million financing of the Florida Multifamily Portfolio consists of five Class B/C apartment communities with a total of 469 units, located on the west coast of Florida near the cities of Tampa and Sarasota. The five apartment communities consist of multiple, one-story buildings and a one-story leasing office at each location. The properties were built between 1978 and 1986 and are constructed of wood frame with wood siding and stone accents. The individual units were manufactured offsite by Cardinal Industries and were assembled on-site in 12-foot by 24-foot modules with the configuration of each apartment community determined by the number of modules used.

The five assets in the Florida Multifamily Portfolio were previously financed as part of a larger portfolio of 230 assets, which was subsequently securitized in three separate pools in May 2007. The sponsor of the present borrowing entities, Arbor Realty Trust (Arbor), provided a preferred equity investment in the portfolio of $70 million, representing a junior preferred equity position. However, in 2008 the properties began to suffer from increasing deferred maintenance, lack of appropriate marketing and poor management. In November 2010 the portfolio was moved to special servicing and in October 2011 Arbor took control of the operations of the entire 230 property portfolio. In December 2011, Arbor completed a restructuring of two of the three securitized pools, and subsequently was able to modify the senior mortgage to allow for individual property releases. In February of 2013 as the senior loan was returned to the master servicer, the five properties in the Florida Multifamily portfolio were released to Arbor from the securitized pool. Arbor immediately initiated a capital improvement plan, which included unit interior work, exterior repairs and painting, roof repairs, new signage, asphalt repairs, and landscape refurbishment totaling $438,297 ($943 per unit). It is reported that as a result of the immediate capital infusion, the combined occupancy of the five properties increased from a level well below market just prior to their release, to occupancy equal to and in some cases even greater than market levels.

Morningstar inspected two of the five communities as part of this credit analysis and was able to speak with the property managers. Both locations reported occupancy in excess of 95% with no concessions given recently. It was reported that the properties are attractive to public sector workers and low wage employees who work at local retailers and fast food restaurants. At the largest property, Shadowood, the longest residing tenant has been in occupancy for twenty years, and is moving from a one-bedroom to a two-bedroom unit which was currently under renovation. While local competitors were identified by each of the property managers, the two subject apartment communities appeared to be the most affordable multi-family options within the market. It was observed that they are convenient to major thoroughfares and are well served with service and retail options.

The five subject apartment communities are concentrated in two different markets on Florida's west coast. The largest concentration, representing 67.4% of the portfolio according to allocated loan amount, is located in Tampa. Tampa is a large and diverse market with multiple demand factors. The overall multifamily market in the Tampa area is healthy, and within the Temple Terrace submarket of Tampa (home to University Square and Terrace Trace communities), Class B/C properties similar to the subjects reported a vacancy rate of 8.7% and lower rent of $742 per unit per month as of 4Q2013. The Pinellas Pines submarket was even stronger with Class B/C properties reflecting a 4.2% vacancy rate and average rent of $771 per unit. The remaining two properties, representing 32.6% of the portfolio, are located within the Sarasota market. The Sarasota market benefits from strong tourist traffic and has also traditionally been more attractive than Tampa for wealthy retirees. A noted weakness in Sarasota is the area's related high cost of living, which makes it difficult to attract the low-wage earners necessary to support the market's hospitality and retail industries. Overall, the Sarasota multifamily market is very strong, with an average 4Q 2013 vacancy rate of 4.0% and unit rent of $948 per month. Class B/C properties in Sarasota reported a 4.2% vacancy rate and an average monthly rent of $771 per unit. Morningstar compared the most recent reported property operations for each community (which reflect great improvement following the borrower's acquisition) to the Reis market statistics for the respective market/submarket and to metrics provided in recent property appraisals. It is noted that occupancy levels at all five of the communities have returned to market rates for comparable Class B/C apartments and, in some instances, the properties are attracting higher rents than projected by the appraisals. However, on average, rental rates are still below those reported by Reis within the submarkets, suggesting that the properties may have potential for future rent growth, assuming that the high level of on-going maintenance and active management and leasing continue.

A strong positive factor considered in the credit analysis of the Florida Multifamily Portfolio loan, is the strength and experience of the loan sponsors. As previously discussed, Arbor Realty Services is the sponsor and has had a long history with each of the properties. Since assuming ownership, Arbor has proactively taken physical and financial measures to return each of the communities to profitability and allow them to support an appropriate level of debt service. Although the properties are considered to be Class B/C, they are well-located and functional. The experience of the sponsor and proven history of proactive ownership should allow each of the facilities to continue to serve the strong level of demand from the low-wage earners within their markets.

Although Morningstar's beginning loan-to-value, or LTV, is high at 93.33%, the loan amortizes following an initial two-year interest-only period so that ending LTV is reduced to 80.41%. There does still remain some concern over a full take-out refinance at maturity with an LTV in excess of 75%, but given ownership's experience with properties of this nature, some value appreciation should be recognized over the loan term as the properties benefit from higher standards of maintenance and management. While debt yield is less than 10% based on Morningstar's cash flow, the loan has a very strong DSCR of 1.86X which provides a high comfort-level that the loan will perform as underwritten.

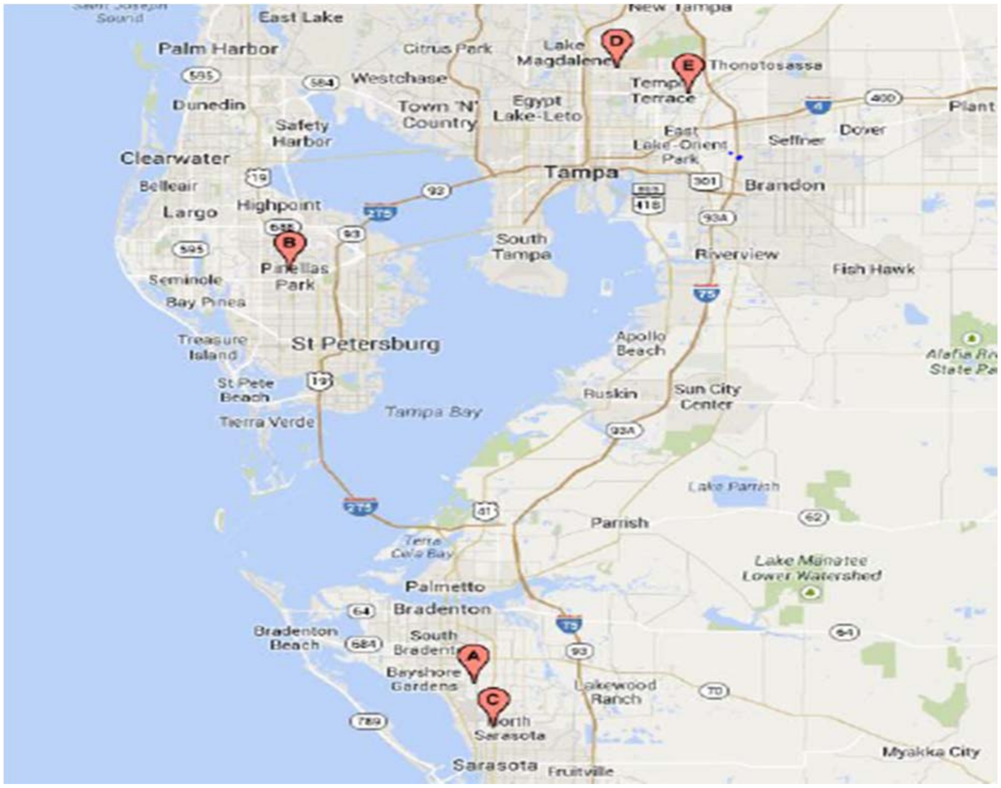
The Bears Say

- Older, manufactured housing: The five apartment communities were all constructed more than 25 years ago and, given original modular construction of wood frame and wood siding in Florida's humid environment, a high level of on-going capital investment will be necessary.
- High loan-to-value: The transaction is highly leveraged with a beginning loan-to-value in excess of 90%, based on Morningstar's concluded value. This risk is somewhat mitigated by partial amortization of the loan after an initial two-year interest-only period. It should also be noted that Morningstar's value calculation included adjustments for the age and construction quality of the improvements.
- Refinance risk: The loan is interest-only for the initial two year period and, with an ending Morningstar loan-to-value greater than 75%, there is potential for maturity risk if the property is not adequately maintained and managed, or if market conditions are more restrictive at the time of loan maturity.
- Return of borrower equity: After refinance of the property release recapitalization amount and funding of closing costs as well as $112,438 of immediate repairs, approximately $500,000 of equity is to be returned to the borrower. However, given borrower's recent funding of over $400,000 of capital improvements at the properties, and in light of on-going renovations, the amount of equity actually being returned to the borrower is minimal.

The Bulls Say

- Affordable housing option: The apartment communities are located in robust markets with relatively high cost of living and high demand for multifamily rental properties. All of the properties represent a quality, affordable housing option for the low-wage earners that work in the markets and are essential to the economy.
- High DSCR: Current debt service coverage of the loan is very strong at 1.86X, based on Morningstar's estimate of sustainable cash flow.
- Experienced sponsor: The loan's sponsor is an established real estate investment trust that is externally managed and advised by Arbor Commercial Mortgage, a national direct lender to the multifamily industry since 1983. The sponsor's manager has a lengthy history with the subject assets, having financed a preferred equity position in a larger pool of multifamily properties which included the five subject assets securitizing this loan. These five apartment communities were selected by the sponsor's manager for acquisition based on their knowledge of the properties and experience in value-added opportunities.

Portfolio Summary



Identifier	Property Name	Location	Units	Year Built	Allocated Loan Amount	Appraised Value	Occupancy as of 2/1/2014
A	Hidden Acres Apartments	Sarasota, FL	94	1986	$3,900,000	$5,200,000	91.49%
B	Pinellas Pines Apartments	Pinellas Park, FL	68	1983	$2,925,000	$3,900,000	97.06%
C	Shadowood Apartments	Sarasota, FL	139	1981	$5,775,000	$7,700,000	94.96%
D	University Square Apartments	Tampa, FL	81	1978	$4,222,500	$5,630,000	90.12%
E	Terrace Trace Apartments	Tampa, FL	87	1985	$4,117,500	$5,490,000	93.10%
	Total/Weighted Average		**469**		**$20,940,000**	**$27,920,000**	**93.39%**

The five apartment communities consist of multiple, one-story buildings and a one-story leasing office, built between 1978 and 1986 and are constructed of wood frame with wood siding and stone accents. The individual units were manufactured offsite by Cardinal Industries, which produced thousands of apartment units from 1954 to 1989. The units were assembled on-site in 12-foot by 24-foot modules with the configuration of each apartment community determined by the number of modules used. Studio apartments consist of one module, while one-bedrooms are comprised of two modules and two-bedroom units are comprised of three modules. Each apartment unit has a separate private entrance, a vinyl-tiled kitchen and bathroom, as well as attic space. Some units also have washer/dryer connections. Common laundry facilities are also available at each of the properties. Asphalt paved parking is available for tenants and the properties are landscaped. Similar to many other modular communities comprised of units constructed by the former Cardinal Industries, the five subject properties are managed by Elon Management Company.

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
Studio/Efficiency	109	23.2%	293
One Bedroom	316	67.4%	576
Two Bedroom	44	9.4%	864
Total	**469**	**100.0%**	**537**

The five assets in the Florida Multifamily Portfolio were previously financed as part of a larger portfolio of 230 assets, which was subsequently securitized in three separate pools in May 2007 for a total amount of senior debt of $1.05 billion. The sponsor of the present borrowing entities, Arbor Realty Trust (Arbor), also financed a preferred equity investment in the portfolio of $70.0 million, representing a junior preferred equity position. However, in 2008 the properties began to suffer from increasing deferred maintenance, lack of appropriate marketing and poor management. In November 2010 the portfolio was moved to special servicing due to imminent default and in October 2011, Arbor took control of the operations of the entire 230 property portfolio. In December 2011, Arbor completed a restructuring of two of the three securitized pools, and subsequently was able to modify the senior mortgage to allow for individual property releases. In February of 2013 as the senior loan was returned to the master servicer, the five properties in the Florida Multifamily portfolio were released from the securitized pool. Arbor immediately initiated a capital improvement plan, which included unit interior work, exterior repairs and painting, roof repairs, new signage, asphalt repairs, and landscape refurbishment totaling $438,297 ($943 per unit). The issuer reported that as a result of the immediate capital infusion, the combined occupancy of the five properties increased from a level well below market just prior to their release, to occupancy equal to and in some cases even greater than market levels. Details for each of the five multifamily communities are summarized below.

University Square Apartments

University Square Apartments consists of 10 one-story residential buildings, constructed in 1978 on a 4.28 acre parcel located at 2900 University Square Drive in Tampa, Hillsborough County, Florida. Paved surface parking is provided for 102 vehicles (1.3 parking spaces per unit). The 2-bedroom units in this complex do not include a 2 bath unit. Since taking over University Square in 2013, the Sponsor has invested approximately $67,186 ($829 per unit) through December 2013. Following a change in management, the average vacancy rate has decreased from 11.2% in 2012 to an average of 8,5% for January and February 2013. Additionally, it is reported that there has been a consistent increase in Gross Potential Rent since 2012, with an increase in rents accompanying the increase in occupancy.

	Total Units	Occupancy %*	Average SF	Average Occupied Rent	Minimum Occupied Rent	Maximum Occupied Rent	Issuer Average Market Rent	Appraisal Market Rental Rates	Reis 4Q2013 Market Rents Cl B/C
Studio	25	76.0%	288	$540	$475	$576	$566	$540	
1 BR/1 BA	49	98.0%	576	$625	$529	$709	$660	$620	
2 BR/1 BA	7	85.7%	864	$787	$764	$804	$813	$790	
Average			**512**	**$616**			**$644**	**$610**	**$742**
Total	**81**	**90.1%**	**41,472**	**$44,986**			**$52,154**	**$49,410**	**$60,102**

*As of February 1, 2014 Rent Roll.

Terrace Trace Apartments

Terrace Trace Apartments consists of 12 one-story residential buildings, constructed in 1985 on a 7.44 acre parcel located at 9135 Talina Lane in Tampa, Hillsborough County, Florida. Paved surface parking is provided for 131 vehicles (1.5 parking spaces per unit). Since taking over Terrace Trace in 2013, the Sponsor has invested approximately $74,466 ($866 per unit) through December 2013. Following a change in management, the average vacancy rate has decreased from 17.3% in 2012 to an average of 8.1% for January and February 2013. Additionally, it is reported that there has been a consistent increase in Gross Potential Rent since 2012, with an increase in rents accompanying the increase in occupancy.

Unit Type	Total Units	Occupancy %*	Average SF	Average Occupied Rent	Minimum Occupied Rent	Maximum Occupied Rent	Issuer Average Market Rent	Appraisal Market Rental Rates	Reis 4Q2013 Market Rents Cl B/C
Studio	28	89.3%	309	$528	$429	$615	$558	$529	
1 BR/1 BA	53	94.3%	576	$607	$554	$696	$663	$590	
2 BR/1 BA	4	100.0%	864	$774	$739	$799	$803	$779	
2 BR/2 BA	2	100.0%	864	$792	$739	$844	$864	$792	
Average			**510**	**$596**			**$640**	**$584**	**$742**
Total	**87**	**95.0%**	**44,352**	**$48,254**			**$55,683**	**$50,192**	**$63,812**

*As of February 1, 2014 Rent Roll.

- University Square and Temple Trace Apartments are both located within the Temple Terrace submarket of Tampa, as defined by Reis. Average rents for properties of similar vintage to the subject properties are $698 per unit with a vacancy rate of 5.4%. Reis average rent for Class B/C units within the Temple Terrace submarket is $742 per unit, with a vacancy rate of 8.7%. A March 2014 appraisal determined market rental rates for each unit as shown in the tables above.

- The appraisal average market rent for Terrace Trace was $584 per unit, which is below the in-place average occupied rent of $596 per unit. However, while it appears that Terrace Trace is currently achieving rents slightly above the appraisal market rents, the Reis Temple Terrace submarket estimate for Class B/C properties of $742 per unit suggests that the property has potential for future appreciation of rental rates.
- The appraisal average market rents for University Square were $610 per unit, which is below the in-place average occupied rent of $616 per unit. However, while it appears that University Square is currently achieving rents slightly above the appraisal market rents, the Reis Temple Terrace submarket estimate for Class B/C properties of $742 per unit suggests that the property has potential for future appreciation of rental rates.

Pinellas Pines Apartments

Pinellas Pines Apartments consists of 9 one-story residential buildings, constructed in 1983 on a 4.75 acre parcel located at 8501 52nd Street North, Pinellas Park, Pinellas County, Florida. Paved surface parking is provided for 135 vehicles (2.0 parking spaces per unit). Since taking over Pinellas Pines in 2013, the Sponsor has invested approximately $71,392 ($1,050 per unit) through December 2013. Following a change in management, the average vacancy rate has decreased from 7.5% in 2012 to an average of 4.7% for January and February 2013. Additionally, it is reported that there has been a consistent increase in Gross Potential Rent since 2012, with an increase in rents accompanying the increase in occupancy.

Unit Type	Total Units	Occupancy %*	Average SF	Average Occupied Rent	Minimum Occupied Rent	Maximum Occupied Rent	Average Market Rent	Appraisal Market Rental Rates	Reis 4Q2013 Market Rents Cl B/C
1 BR/1 BA	54	96.3%	576	$636	$515	$699	$708	$678	
2 BR/1 BA	11	100.0%	864	$784	$732	$809	$819	$809	
2 BR/2 BA	3	100.0%	864	$808	$725	$859	$862	$829	
Average			**635**	**$668**			**$733**	**$706**	**$771**
Total	**68**	**97.1%**	**43,200**	**$44,106**			**$49,817**	**$47,998**	**$52,428**

*As of February 1, 2014 Rent Roll.

- Pinellas Pines Apartments are 'ocated within the Pinellas Park submarket of Tampa, as defined by Reis, average rents for properties of similar vintage is $738 per unit with a vacancy rate of 2.6%. Reis average rent for Class B/C units within the Temple Terrace submarket is $771 per unit, with a vacancy rate of 4.2%. A March 2014 appraisal determined market rental rates for each unit as shown in the table above. The appraisal average market rent for Pinellas Pines was $706 per unit, which is above the in-place average occupied rent of $668 per unit. According to the appraisal average rent of $706 per unit for the subject and the Reis Sarasota market estimate for Class B/C properties of $771 per unit, it would appear that the property has potential for future appreciation of rental rates. It is noted that Pinellas Pines is located closer to beaches and park areas than the other four properties in the portfolio, which offers some explanation for the historically higher occupancy levels at the property.

Shadowood Apartments

Shadowood consists of 18 one-story residential buildings, constructed in 1981 on an 8.60 acre parcel located at 1927 Sanford Circle in Sarasota, Sarasota County, Florida. Paved surface parking is provided for 204 vehicles (1.4 parking spaces per unit). Since taking over Shadowood in 2013, the Sponsor has invested approximately $117,609 ($846 per unit) through December 2013. Following a change in management, the average vacancy rate has decreased from 17.7% in 2012 to an average of 5.4% for January and February 2013. Additionally, it is reported that there has been a consistent increase in Gross Potential Rent since 2012, with an increase in rents accompanying the increase in occupancy.

Unit Type	Total Units	Occupancy %*	Average SF	Average Occupied Rent	Minimum Occupied Rent	Maximum Occupied Rent	Average Market Rent	Appraisal Market Rental Rates	Reis 4Q2013 Market Rents Cl B/C
Studio	29	93.1%	288	$520	$459	$589	$543	$544	
1 BR/1 BA	100	96.0%	576	$602	$525	$649	$633	$629	
2 BR/1 BA	8	87.5%	864	$788	$764	$804	$803	$789	
2 BR/2 BA	2	100.0%	864	$824	$824	$824	$824	$809	
Average			**537**	**$600**			**$627**	**$623**	**$771**
Total	**139**	**95.0%**	**74,592**	**$79,009**			**$87,146**	**$86,606**	**$107,169**

*As of February 1, 2014 Rent Roll.

Hidden Acres Apartments

Hidden Acres Apartments consists of 11 one-story residential buildings, constructed in 1986 on a 5.30 acre parcel located at 1284 Hidden Circle East in Sarasota, Manatee County, Florida. Paved surface parking is provided for 182 vehicles (1.9 parking spaces per unit). Since taking over Hidden Acres in 2013, the sponsor has invested approximately $107,626 ($1,145 per unit) through December 2013, including repairs on the roofs/exteriors, HVAC systems, appliance and cabinet repairs, and interior renovations. Following a change in management, the average vacancy rate has decreased from 22.5% in 2012 to 7.8% for January and February 2013. Additionally, it is reported that there has been a consistent increase in Gross Potential Rent (or GPR) since 2012, with an increase in rents accompanying the increase in occupancy.

Unit Type	Total Units	Occupancy %*	Average SF	Average Occupied Rent	Minimum Occupied Rent	Maximum Occupied Rent	Average Market Rent	Appraisal Market Rental Rates	Reis 4Q2013 Market Rents Cl B/C
Studio	27	92.6%	288	$516	$475	$539	$529	$529	
1 BR/1 BA	60	90.0%	576	$599	$541	$659	$618	$619	
2 BR/1 BA	3	100.0%	864	$753	$700	$789	$789	$789	
2 BR/2 BA	4	100.0%	864	$805	$799	$809	$810	$809	
Average			**515**	**$589**			**$606**	**$607**	**$771**
Total	**94**	**91.5%**	**48,384**	**$50,737**			**$56,981**	**$57,026**	**$72,474**

*As of February 1, 2014 Rent Roll.

- The Shadowoods and Hidden Acres apartment complexes are both located within the Sarasota multi-family market (as defined by Reis), where reported average rents for properties of similar vintage are $866 per unit with a vacancy rate of 3.7%. Reis average rent for Class B/C units within the Sarasota market is $771 per unit, with a vacancy rate of 4.2%. It should be noted that Reis does not report at the submarket level in the Sarasota market and closer examination of local data could skew the appropriate Class B/C rents for the Sarasota-area properties. A March 2014 appraisal determined market rental rates for each unit as shown in the table above.
- The appraisal average market rent for Shadowood was $623 per unit, which is above the in-place average occupied rent of $600 per unit. According to the appraisal average rent of $623 per unit for the subject and the Reis Sarasota market estimate for Class B/C properties of $771 per unit, it would appear that the property has potential for future appreciation of rental rates
- The appraisal average market rent for Hidden Acres was $607 per unit, which is above the in-place average occupied rent of $589 per unit. According to the appraisal average rent of $607 per unit for the subject and the Reis Sarasota market estimate for Class B/C properties of $771 per unit, it would appear that the property has potential for future appreciation of rental rates.

Market Overview

The five apartment communities of the Florida Multifamily Portfolio are concentrated in two different markets on Florida's west coast. The largest concentration, representing 67.4% of the portfolio according to allocated loan amount, is located in Tampa. The Tampa concentration includes University Square, Terrace Trace and Pinellas Pines with a total of 236 units. Tampa is a large and diverse market with multiple demand factors, ranging from the Port of Tampa, which is the largest in Florida and the closest U.S. deep-water port to the Panama Canal, to medical device manufacturing. It is known as the financial services capital of Florida and also serves as the gateway to the Florida High Tech Corridor. Two major military installations are also located in the Tampa area, MacDill Air Force Base and Coast Guard Air Station Clearwater. The overall multifamily market in the Tampa area is healthy, with a vacancy rate of only 4.3% and market-wide effective rental rate of $856 per unit as of 4Q 2013. Within the Temple Terrace submarket of Tampa (home to University Square and Terrace Trace communities), average vacancy was 8.3% with reported average rent of $748. Class B/C properties similar to the subjects reported a slightly higher vacancy of 8.7% and lower rent of $742 per unit as of 4Q 2013. The Pinellas Pines submarket was even stronger with market-wide vacancy of 3.5% and an average rent of $809 per unit, while Class B/C properties similar to the subject had a 4.2% vacancy rate and average rent of $771 per unit.

The remaining two properties in the Florida Multifamily Portfolio, Shadowood and Hidden Acres, are located within the Sarasota market. The two communities contain 233 units and represent 32.6% of the portfolio as measured by allocated loan amount. The Sarasota market benefits from strong tourist traffic, both nationally and from Europe, which is returning after being impacted by the negative global economics of 2008. The area has also traditionally been more attractive than Tampa for wealthy retirees and, with the national housing market recovery underway and higher home prices enabling older workers the financial confidence to retire, there is expected to be a return to strong in-migration. While the Sarasota economy is expected to strengthen, a noted weakness is the area's related high cost of living, which makes it difficult to attract the low-wage earners necessary to support the market's hospitality and retail industries. Although this is a seen as a weakness for the Sarasota market in general, it is a strong advantage to the two subject properties located within the Sarasota market that offer just such an affordable housing option as sought by those essential low-wage workers. Overall, the Sarasota multifamily market is very strong, with an average 4Q 2013 vacancy rate of 4.0% and rent of $948 per unit. Class B/C properties in Sarasota reported a 4.2% vacancy rate and an average monthly rent of $771 per unit.

Sponsorship/Management

The loan's sponsor is Arbor Realty Trust, a real estate investment trust that invests in multifamily and commercial real estate-related bridge and mezzanine loans, preferred equity investments, and other real estate-related assets. The company began operations in 2003 and is externally managed and advised by Arbor Commercial Mortgage, LLC. a national direct lender to the multifamily and commercial real estate industries founded in 1983 and headquartered in Uniondale, New York.

The property is managed by Elon Property Management, a multi-family housing management company current managing a portfolio of over 15,000 apartment units in150 apartment communities spread over 20 U.S. markets.

Morningstar Analysis

	Morningstar	2011	2012	TTM 1/31/2014	Issuer Underwriting
Income					
Gross Potential Rent	$3,422,269	$3,226,561	$3,330,892	$3,340,143	$3,434,832
or					
Expense Reimbursement	198,767	147,951	195,049	198,038	198,038
Other Income	255,220	202,434	257,995	257,547	257,537
Less: Vacancy Loss	-299,493	-495,866	-299,194	-279,324	-294,882
Less: Concessions & Collection Loss	-154,045	-181,495	-172,573	-151,445	-141,728
Effective Gross Income	**$3,422,718**	**$2,899,585**	**$3,312,169**	**$3,364,959**	**$3,453,798**
Expenses					
Real Estate Taxes	$252,286	$184,652	$235,025	$234,841	$252,286
Property Insurance	95,195	113,246	88,788	87,981	95,195
Utilities	222,047	210,160	215,148	207,170	224,063
Repairs and Maintenance	185,833	143,120	179,302	187,520	187,520
Management Fees	136,909	84,592	99,365	101,532	138,152
Payroll & Benefits	387,120	395,931	382,947	380,587	380,587
General and Administrative	81,535	66,114	82,265	79,025	78,128
Total Operating Expenses	**$1,360,923**	**$1,197,815**	**$1,282,840**	**$1,278,656**	**$1,355,931**
Net Operating Income	**$2,061,795**	**$1,701,770**	**$2,029,329**	**$2,086,303**	**$2,097,867**
Capital Items					
Capital Expenditures	154,770	0	0	0	161,071
Total Capital Items	**$154,770**	**$0**	**$0**	**$0**	**$161,071**
Net Cash Flow	**$1,907,025**	**$1,701,770**	**$2,029,329**	**$2,086,303**	**$1,936,796**

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	$608
Vacancy (%)	8.50%

Expenses

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

Real Estate Taxes and Insurance were underwritten to budgeted amounts which are higher than the TTM as of January 31, 2014.

Management fees were underwritten at the contract rate of 4.0%.

Capital Items

A reserve for future capital expenditures is underwritten at $330 per unit, a 10% increase over the engineer's recommended annual inflated reserves of $300 per unit.

Valuation Drivers

Morningstar's overall capitalization rate for the Tampa market as of 4Q 2013 was 6.6% and was given a 75% weighting. The remaining 25% was allowed for the Southern regional multifamily capitalization rate of 7.0% due to the dispersion of the assets outside of the Tampa MSA. The resulting weighted capitalization rate of 6.7% was adjusted upward due to the Class B/C nature of the property relative to common area amenities, landscaping and age, plus the off-site manufactured nature of the individual units. The final Morningstar capitalization rate was 8.5%, which is more conservative than the appraiser's direct capitalization rate of 7.5%.

North Penn Business Park

Analyst: Molly Maghran 267-960-6044
Analytical Manager: Chandan Banerjee 646-560-4512

Property Summary		
Property Type	Industrial/Warehouse/Distribution	
Location	Lansdale, PA 19446	
Year Built	1940, 1950, 1960	
Year Renovated	1985	
Net Rentable Sq. Ft. (Total)	726,545	
Net Rentable Sq. Ft. (Collateral)	726,545	
Occupancy (Tape)	88.70%	(as of 5/9/14)
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$20,800,000	($29 /sq. ft.)
Loan Amount (Cut-Off Balance)	$20,753,198	($29 /sq. ft.)
Loan Term (months)	120	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	2	
Interest Rate	5.04100%	

Morningstar Analysis		
Current DSCR	1.34 x	
Amortizing DSCR	1.34 x	
Beginning LTV	101.44%	
Ending LTV	83.71%	
Capitalization Rate	8.75%	
Morningstar UW Occupancy	84.14%	
Net Operating Income	$2,095,749	
Net Cash Flow	$1,800,153	
Value	$20,458,889	($28 /sq. ft.)
Debt Yield	8.67%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table						
Loan	Current Balance	Interest Rate	Current DSCR	DSCR Amortizing	BLTV	ELTV
Subject Loan	$20,753,198	5.041%	1.34 x	1.34 x	101.44%	83.71%
Total	**$20,753,198**	**5.041%**	**1.34 x**	**1.34 x**	**101.44%**	**83.71%**

Morningstar Summary

Morningstar Perspective

Morningstar's principal concerns with the North Penn Business Park are the property's high leverage, functional obsolescence of 21.2% of the gross building area, below-market occupancy and lease rollover during the loan term. The North Penn Business Park is a 920,196-square-foot multi-tenant industrial/warehouse property in Lansdale, PA, with 726,545 rentable square feet. The difference in square footage represents unusable space that is either functionally obsolete or lacking direct access. The cost of redeveloping and/or reconfiguring the unusable space to leasable condition is not supported by current market rental rates, and Morningstar's underwriting includes only the square footage identified by the borrower as rentable space.

The North Penn Business Park appears to have had difficulty competing in its submarket in recent years, evidenced by the slight but steady decline in its base rental income and current above-market vacancy rate of 15.9%. The property's weighted average in-place rents of $4.33 per square foot are below market, and recent leasing at the property is below the appraiser's concluded market rental rates. The property is currently 84.1% occupied by eleven tenants, and a lease for 33,180 square feet was signed on May 9, 2014 which will increase occupancy to 88.7% when this tenant takes occupancy.

All leases expire during the loan term, and when Morningstar considers the property's vacancy rate, we are concerned with lease rollover due to the potential for insufficient cash flow to service debt. The two largest tenants, Accupac and Hughes Relocation Services, occupy a total of 34.9% of space and contribute 41.3% of gross potential rental income, or GPR. These tenants' leases expire in 2017 and 2015 respectively. The loan was structured with a $600,000 reserve for future tenant improvements and leasing commissions, or TI/LC costs. This mitigates the rollover risk; however, this reserve will be returned to the borrower upon the property's achievement of a 9.25% debt yield, which may occur well before either of the aforementioned large leases expires.

The property was built in 1940 with additions constructed in 1950, 1960 and 1985. The borrower purchased the property in 1998 for $9.925 million and has since invested $21.67 million in capital expenditures and tenant improvements to reposition the property. The sponsor has $12 million of cash equity remaining in the property, which is considerable and mitigates some of Morningstar's discomfort with this loan.

Morningstar's underwritten net cash flow results in a debt service coverage ratio, or DSCR, of 1.33x. While the appraiser concluded a vacancy rate of 10%, Morningstar underwrote the property's current economic vacancy rate of 14.0%. We view this loan as highly leveraged with the loan balance at cutoff representing a 101.6% loan to value ratio, or LTV, based on Morningstar's concluded value (67.9% based on the appraised value). Morningstar's underwritten value of $20.5 million is 33.3% lower than the appraised value of $30.6 million. Morningstar believes that the high leverage risk is somewhat offset by the borrower's long-term commitment and considerable amount of remaining cash equity in the property.

Morningstar toured the property on April 28, 2014 with management's senior leasing representative and viewed occupied, vacant and unusable spaces. Some of the buildings/spaces are obviously dated, with lower ceiling heights varying from 16' to 24', which generally aren't desirable in today's market. These are some of the areas that have been identified as functionally obsolete, and removed from the property's current net leasable area. The exterior was in generally fair to good condition. Some of the asphalt in parking areas and driveways is in need of repair. The property is located within five miles of three major area thoroughfares. Overall, Morningstar assigned a property quality score of "3", or average, understanding that unusable space has been removed from the underwritten net rentable area.

During our site visit, we observed an 80,192 square foot space recently occupied and leased by APEX Display Group, LLC for a five-year term. The lease includes three different types of space and has a blended, below-market rental rate of $2.74 per square foot. While there are rent steps each year, the increases do not bring the lease to market levels. The leasing manager noted additional interest in the property by virtue of his receipt of a letter of intent, or LOI, for 33,180 square feet of space. While Morningstar does not underwrite LOI space, the leasing agent had a high level of confidence that it would convert to an executed lease, bringing physical occupancy up from 84.1% to 88.7%. In fact, subsequent to Morningstar's visit, and after the completion of our underwriting, this LOI converted to an executed lease at $4.12 per square foot, which is slightly below the appraiser's concluded market rate for space categorized as small industrial. The lease includes annual rent steps and the tenant's occupancy date is unknown.

Morningstar believes that given the length of ownership and level of cash equity remaining in the property, the borrower will continue to maintain the property and persist in its efforts to increase occupancy. Given the staggered lease rollover and principal amortization of about $3.6 million during the loan term, we do not anticipate significant refinance risk at this time; however, rising interest rates could hamper the borrower's ability to refinance the $17.1 million outstanding loan balance at maturity.

The Bears Say

- The property's current physical occupancy is 84.1%, which is below the current market occupancy rate of 87.6%, however when the tenant for the LOI which is reported to have converted to an executed lease takes occupancy, physical occupancy will improve to 88.7%.
- All leases expire during the loan term, and rollover risk concerns are centered on the two largest tenants, however, these expirations are over two years apart, and one of the tenants has expressed interest in additional space in the subject property. The borrower has reserved $600,000 for future TI/LC costs, and $200,000 for capital expenditures; however, the reserve for TI/LCs may be returned to the borrower upon the property achieving a 9.25% debt yield. This may occur before either of the large leases expires.
- Morningstar's concluded value of $20.5 million represents high leverage with a loan to value ratio of 101.6%. Amortization reduces the LTV to 83.7% at balloon, and there is refinance risk associated with rising interest rates.
- The property's replacement cost greatly exceeds the value of the property on a per-square-foot basis, and the cost to redevelop the subject's functionally obsolete space is not supported by current market rents.
- The recently executed 80,192 square foot APEX lease is below market. While the lease includes annual rent steps, the increased rental rates remain below current market rates.

The Bulls Say

- Sponsor has owned the North Penn Business Park since 1998, and has $12 million of equity remaining in the property.
- There appears to be little risk of additional competition via additions to supply as construction costs aren't supported by market rents for this type of space.
- The property is within five miles of Interstate 476, and within three miles of Routes 202 and 309. The proximity to I-476 benefits the subject; however, the appraiser concluded that access to and from the property is below average due to the narrow residential connecting roadways to and from the property.
- The appraisal indicates that the market is expected to remain stable for the near term, and projects positive demand for the property over the long term.
- Morningstar's underwritten DSCR is adequate at 1.33x.

Property Description

North Penn Business Park is a Class C, four-building, multi-tenanted industrial facility on 118 acres of land in Lansdale, PA. The property encompasses 920,196 square feet of improvements, but only 726,545 of rentable square footage per the borrower's rent roll. The appraisal reflects slightly less rentable square footage of 707,420. The difference reflects the borrower's inclusion of space currently lacking direct tenant access for which they are negotiating a lease. This will require the borrower to make improvements including the addition of a demising wall, new entrance, customer service area and a parking area, and reserves have been escrowed for this purpose. Morningstar underwrote rentable square footage per the borrower's rent roll, with any unleased space categorized as vacant. The property was 84.1% occupied by eleven tenants as of April, and a lease executed May 9th will improve occupancy to 88.7%.

The majority of the non-leasable space is deemed so because either (a) it is interior space which lacks direct tenant access and/or does not have access to loading docks, or (b) the significant amount of capital costs necessary to transition the area from functional obsolescence to usable square footage is not supported by market rents for industrial space. Interior inaccessible space cannot be demolished for obvious reasons, and some of the functionally obsolete space cannot be demolished as there are building systems located in the subflooring that are in use.

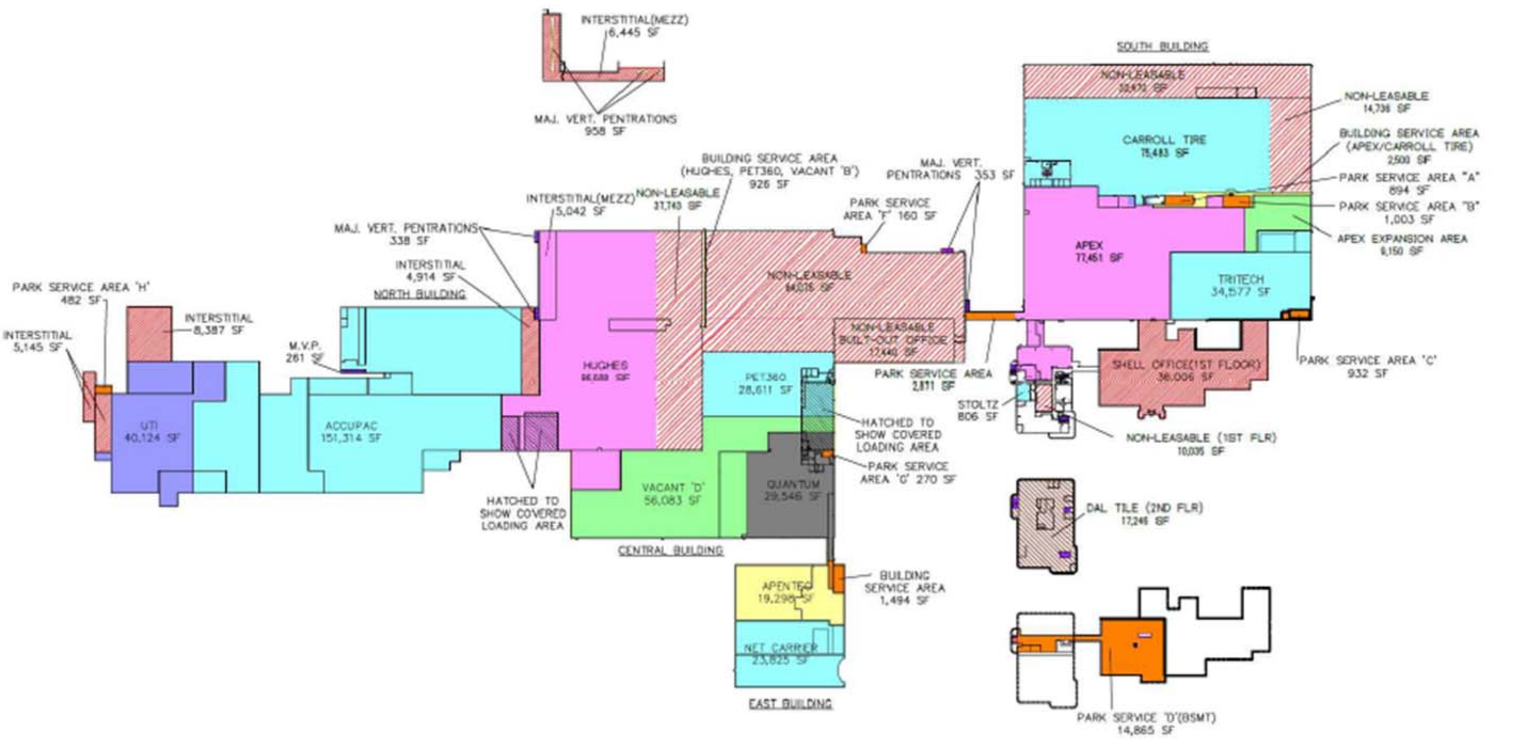
The original buildings were constructed in 1940 and the property was expanded in 1950, 1960, and 1985. The subject is zoned for industrial and light industrial uses, and is utilized as warehousing, distribution, flex and light industrial space. The sponsor spent $22.77 million on improvements since acquiring the property in 1998. This includes over $10 million spent during the last seven years for building and tenant finish upgrades and renovation of the electrical system, roof, exterior facades and HVAC. Building construction is steel frame with masonry load bearing walls. Ceiling heights range from 12 to 37 feet, and improvements include 31 loading docks and 13 overhead drive-in doors. Buildings are fully sprinklered and there is surface parking for 872 vehicles. Land uses in the immediate surrounding area include light industrial and residential properties, along with recreational fields to the west of the property.

The property is 25 miles north of Philadelphia, and within five miles of Interstate 476 (the Northeast Extension of the Pennsylvania Turnpike), three miles of Bethlehem Pike (Route 309), and four miles from DeKalb Pike (Route 202) which are all major thoroughfares in the area. Access to the subject from I-476 is provided by Sumneytown Pike (Route 63) and a number of connector roadways. Given the number of neighborhood streets to pass through, the appraiser deemed the vehicular access to and from the property to be below average.

A Property Condition Assessment completed February 19, 2014 identified deferred maintenance items requiring immediate repair totaling $25,000. This includes repairs to asphalt pavement, metal handrails, concrete, roof and facade. Reserves were funded at 125% of the engineer's estimate of repair cost. The property is located in Flood Zone X, an area located outside of the 100-year and 500-year flood plains. The property is located in Seismic Zone 2A, an area with low-to-moderate probability of damaging ground motion.

A Phase I Environmental Assessment dated February 18, 2014 did not identify any recognized environmental conditions in connection with the property. The engineer recommended that an Operations and Maintenance Program be implemented to safely manage suspect Asbestos Containing Materials at the subject property.

A site plan of North Penn Business Park is shown below. The shaded area represents approximately 19 acres which are not part of the collateral for the subject loan which the borrower is selling to a residential developer. The second drawing shows non-leasable space shaded with diagonal red lines.



Tenant Overview

The property is 84.1% leased to eleven tenants as of April, and the lease executed May 9th will increase occupancy to 88.7%. The four largest tenants, Accupac, Inc., Hughes Relocation Services, Inc., APEX Display Group, LLC, and Carrolls, LLC account for 56.7% of the net rentable area, or NRA, as identified by the borrower, and occupy an aggregate of 412,212 square feet. No other tenant occupies more than 6% of NRA. Leases for two small tenants, Pet 360 and Uti, expire in 2014. Pet 360 occupies 4.0% of NRA and exercised the first of its four three-month auto renewals. The tenant pays a below market rent because it is in an inferior position within the property. The tenant is in discussions with the borrower about taking additional space in the property. Uti occupies 5.6% of NRA in the property and its current lease includes a one-year renewal option. According to the borrower, this tenant is looking for 15,000 additional square feet and will be looking for at least a three-year extension of its lease. Additional details on the largest tenants follow.

Accupac, Inc. occupies 154,624 square feet, or 21.3% of rentable area, and contributes 25.3% of gross potential rent, or GPR, under a lease expiring December 31, 2017. While Morningstar has concerns regarding the potential rollover of this lease, the tenant has been in occupancy since 2004 and executed a renewal in 2010. Accupac is a leading liquid contract manufacturer serving Fortune 500 companies in the pharmaceutical and consumer package good industries. In October 2012 Accupac issued a press release announcing plans to double its manufacturing capacity with the addition of a facility in Lakewood, NJ. The announcement included a statement that Accupac will maintain its warehouse in Lansdale, PA. The borrower reports that this tenant recently expressed interest in increasing its space at the property.

Hughes Relocation Services, Inc. occupies 99,149 square feet, or 13.6% of NRA, and contributes 16.0% of GPR under a lease that commenced in 2008 and expires August 31, 2015. Hughes provides residential and commercial moving and storage services in the cities and suburbs of Philadelphia and Allentown. The subject property represents the company's headquarters and sole Pennsylvania location. The company additionally serves north central Florida from a smaller facility in Ocala.

APEX Display Group, LLC recently leased and took occupancy of a total of 80,192 square feet representing 11.0% of rentable area. The lease has a five-year term with annual base rent increases, and expires March 31, 2019. The lease includes two one-year renewal options. APEX is paying a blended below market rental rate of $2.74 per square foot, as its space is divided into traditional industrial use and varying degrees of storage and manufacturing space. The traditional high ceiling industrial space with loading docks commands the tenant's highest rental rate of $4.40 per square foot. The remainder of this tenant's space is comprised of lower ceiling warehouse storage/manufacturing space with rental rates ranging from $1.45 to $3.38 per square foot. The low ceiling areas of 12' to 13' are further restricted because the fire sprinkler system runs along its ceiling and tenants are prohibited from staking within a few feet of the sprinkler. APEX manufactures point of purchase display solutions and packaging materials for retail and industrial customers.

Carrolls, LLC leases 78,247 square feet, or 10.8% of NRA, and represents 10.0% of GPR. The company operates a warehouse and support office for its commercial and passenger tire distribution business at the subject property under a ten-year lease expiring November 30, 2022. The lease provides for annual increases in base rent and includes two five-year renewal options.

Morningstar Tenant Overview Table (Top 10)						
Tenant	Net Rentable Square Feet	% of Square Feet	Base Rent Amount	Base Rent $ Square Foot	% of Rent	Lease Expiration
Accupac, Inc.	154,624	21.3%	$667,976	$4.32	25.3%	12/31/2017
Hughes Relocation Services,	99,149	13.6%	$421,562	$4.25	16.0%	8/31/2015
APEX Display Group, LLC	80,192	11.0%	$219,576	$2.74	8.3%	3/31/2019
Carrolls, LLC	78,247	10.8%	$264,475	$3.38	10.0%	11/30/2022
Uti	41,002	5.6%	$189,913	$4.63	7.2%	9/30/2014
Tritech Applied Sciences, Inc	35,333	4.9%	$162,648	$4.60	6.2%	6/30/2015
Graduate Plastics, Inc. d/b/a	30,192	4.2%	$118,655	$3.93	4.5%	1/31/2016
Pet 360	29,339	4.0%	$68,999	$2.35	2.6%	4/30/2014
Net Carrier, Inc.	25,190	3.5%	$261,724	$10.39	9.9%	4/30/2016
Apantec, LLC	20,403	2.8%	$154,441	$7.57	5.9%	11/30/2015
Top 10 Subtotal	**593,671**	**81.7%**	**2,529,969**	**$4.26**	**95.8%**	

Lease Expiration and Rollover

All tenants' leases in the subject property expire during the loan term. The largest tenant, Accupac, occupies 21.3% of NRA under a lease expiring December 31, 2017. As mentioned above, Accupac recently expanded in New Jersey, but the tenant stated at that time that they plan to remain in the subject location. The borrower reports that this tenant would like to discuss additional space in North Penn Business Park. There is additional rollover risk during 2014 and 2015 when leases totaling 242,849 square feet, or 33.4% of NRA, expire. This rollover is spread among six tenants, and only one, Hughes Relocation Services with 99,149 square feet, or 13.6% of NRA, represents more than 5.7% of the property's NRA. The subject property represents Hughes' sole location in the northeast, and it is the corporate headquarters for this tenant. The subject loan was structured with a $600,000 rollover reserve for future tenant improvements and leasing commissions. This mitigates the rollover risk; however, this reserve will be returned to the borrower upon the property's achievement of a 9.25% debt yield, which may occur well before either of the aforementioned large leases expires.

Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year							
	MTM	2014	2015	2016	2017	2018	After 2018
Industrial Large	0	0	99,149	0	154,624	0	158,439
Industrial Small	0	64,672	0	30,192	0	0	0
Flex Space	0	41,002	20,403	0	0	0	0
Office	0	0	17,623	25,190	0	0	0
Total	**0**	**105,674**	**137,175**	**55,382**	**154,624**	**0**	**158,439**
% Roll	**0.0%**	**14.5%**	**18.9%**	**7.6%**	**21.3%**	**0.0%**	**21.8%**

Market Overview

The property is in the Montgomery County industrial market, which, according to the appraisal by Integra Realty Resources, has an inventory of about 74.7 million square feet, a direct vacancy rate of 8.9% and average rental rate of $4.93 per square foot. The North Penn Business Park appears to compete poorly in its submarket, evidenced by its above-market vacancy rate of 15.9%, and below-market weighted average in-place rents of $4.33 per square foot. The property competes with other large big box industrial buildings and the subject's submarket, per the appraisal, is represented by buildings having 250,000 or more square feet. Thus, the subject's submarket includes 36 buildings aggregating 27.8 million square feet. The submarket tends to attract a variety of service, pharmaceutical and high tech companies. The subject property's location relative to 1-476 will be a positive factor in terms of demand over the long term. Although access to the site from I-476 is below average due to its access via narrow residential connecting roadways, the proximity to this major arterial benefits the property.

The appraiser estimated overall submarket vacancy at 12.4% with an average rental rate of $4.51 per square foot. The appraiser estimates the vacancy rate to increase slightly and begin to stabilize as the economy continues to recover. Industrial rental rates are expected to remain stable in the near future. The appraisal projects a stabilized vacancy rate of 10% for the subject property which includes a 1% collection loss.

The appraiser categorized the subject's rentable spaces as large industrial, small industrial, flex and office, and conducted a market analysis of similar leases for each type to ascertain a concluded market rental rate for the various space categories. The appraiser concluded market rental rates of $3.75 per square foot for large industrial, $4.25 per square foot for small industrial, $6.25 per square foot for flex, and $13.50 per square foot for office space. When the appraiser's market rental rates are applied, by category, to Morningstar's underwritten square footage, the resulting weighted average market rental rate for the property is $4.76 per square foot. Morningstar's underwritten weighted average rent for the property is about 10.9% lower, at $4.24 per square foot.

Sponsorship/Management

The borrowing entity is North Penn Holdings LLC which is ultimately owned by Keith and Jack Stoltz via their respective 50%/50% ownership interests in Freedom Properties, Inc., the general partner. The non-recourse carve-out guarantor is Cirrus 210 LLC. The guarantor is required to maintain minimum net worth and liquidity of $6 million and $500,000, respectively for the term of the loan.

The property is owner-operated and managed by Stoltz Management Company, which provides property management, leasing, construction management, accounting, entitlement and asset management services for all Stoltz properties. Stoltz manages a nationwide portfolio of 45 office, retail, industrial, mixed-use and multi-family properties aggregating approximately 10 million square feet which they value at over $1.5 billion.

Morningstar Analysis

	Morningstar Underwriting	Year End 2011	Year End 2012	TTM 01/31/14	Issuer Underwriting
Income					
Gross Potential Rent	$3,078,455	$2,408,792	$2,337,171	$2,272,140	$3,142,581
Less: Vacancy Loss (GPR)	(430,087)	0	0	0	(348,802)
Less: Concessions	0	0	0	0	0
Less: Collection Loss	0	0	0	0	0
Less: Vac Adj for Concess/Coll Loss	0	0	0	0	0
Base Rent/Net Effective Rent	**$2,648,368**	**$2,408,792**	**$2,337,171**	**$2,272,140**	**$2,793,779**
Expense Reimbursement	$199,541	$189,154	$262,865	$344,662	$220,164
Real Estate Tax Reimbursements	108,431	0	0	0	118,888
Other Expense Recoveries	0	0	0	0	0
Other Income	598,838	527,561	565,631	598,838	603,300
Effective Gross Income	**$3,555,178**	**$3,125,507**	**$3,165,667**	**$3,215,640**	**$3,736,131**
Expenses					
Real Estate Taxes	$295,132	$277,922	$284,714	$286,536	$290,300
Property Insurance	104,612	60,742	87,788	101,565	95,591
Utilities	647,990	558,680	657,546	638,434	659,000
Repairs and Maintenance	196,084	179,547	164,534	196,084	196,000
Contract services	0	0	0	0	0
Management Fees	142,207	62,511	93,826	114,652	149,445
Payroll & Benefits	60,493	69,467	67,422	60,493	60,500
Common Area Maintenance	0	0	0	0	0
Advertising & Marketing	0	0	0	0	0
Professional Fees	0	0	0	0	0
General and Administrative	12,911	7,263	7,426	12,911	12,900
Total Operating Expenses	**$1,459,429**	**$1,216,132**	**$1,363,256**	**$1,410,675**	**$1,463,736**
Net Operating Income	**$2,095,749**	**$1,909,375**	**$1,802,411**	**$1,804,965**	**$2,272,395**
Capital Items					
Leasing Commissions	$93,415	$0	$0	$0	$0
Tenant Improvements	173,199	0	0	0	217,964
Capital Expenditure / Reserve	108,982	0	0	0	72,655
Extraordinary Capital Expenditures	0				
- Credit For TI Reserve	(60,000)				
- Credit For Cap Ex Reserve	(20,000)				
Total Capital Items	**$295,596**	**$0**	**$0**	**$0**	**$290,618**
Credit for Upfront DSCR Escrow	$0	$0	$0	$0	$0
Net Cash Flow	**$1,800,153**	**$1,909,375**	**$1,802,411**	**$1,804,965**	**$1,981,777**

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	$4.24
Vacancy (%)	14.0%

Morningstar underwrote rent at $4.24 per square foot. This reflects a weighted average of in-place rent of $4.33 per square foot, combined with vacant space underwritten at $3.73 per square foot. The lower underwritten rent for vacant space reflects availability of square footage categorized as small industrial space which has lower in-place average rents versus some of the other space in the property such as flex and office. Morningstar underwrote a 1.8% rent step occurring in May of 2015 for a tenant occupying 78,247 square feet of space categorized as large industrial, and a 3.0% rent step occurring in February of 2015 for a tenant occupying 30,192 square feet of small industrial space. The respective underwritten rental rates are slightly below the appraiser's estimates of market. All of the vacant space in the subject property is categorized as small industrial. Vacancy was underwritten based upon the April 1, 2014 rent roll, at the average in-place rental rate for this space, which is below the appraiser's estimate of market. The underwritten vacancy rate of 14.0% is higher than the appraiser's concluded vacancy rate of 10%, which includes a 1% collection loss.

Expenses

Expenses are underwritten in-line with historical expenses unless otherwise noted. Real estate taxes and insurance costs are underwritten at 3% above the TTM ended January 31, 2014. Management fees have increased steadily over the past few years, both in actual cost and as a percentage of effective gross income, or EGI, and are underwritten at 4% of EGI which is slightly above the TTM and within the appraiser's estimated market range of 3-4%.

Capital Items

A reserve for future capital expenditures is underwritten at $0.15 per net rentable square foot, or NRSF, less $.03 per NRSF representing upfront reserves for future capital expenditures. The resulting $0.12 per NRSF represents a 31% increase over the engineer's inflated recommended reserves which are the equivalent of 0.09/square foot. Tenant improvement costs, or TIs, for new leases were underwritten based on the appraiser's estimates of $1.00 per square foot for large industrial space, $2.00 per square foot for small industrial space, $5.00 per square foot for flex space, and $10.00 per square foot for office space. TIs for renewal leases are similarly underwritten at $0.50, $1.00, $1.50, and $3.00 per square foot, respectively. Leasing commissions are underwritten at 4.2% for new leases and 3.0% for renewals based upon the appraiser's estimates. A renewal rate of 65% is assumed for all tenants with the exception of small industrial tenants, due to the high level of vacancy in this type of space. Morningstar reduced its underwritten annual TI/LC costs by $60,000 to account for the borrower's $600,000 upfront reserve for re-tenanting costs.

Valuation Drivers

Morningstar estimated the value of the North Penn Business Park based on the direct income capitalization approach to value. Morningstar's base capitalization rate for industrial properties in the eastern United States is currently 8.4%. This base capitalization rate was adjusted to reflect the relative location, quality and condition of the subject asset relative to the overall market. Morningstar's concluded capitalization rate for this asset was 8.75% which resulted in a value of $20.5 million, or $28 per square foot. The resulting loan to value ratio based on the $20.8 million first mortgage loan is 101.6%.