MORNINGSTAR CONTACTS

Lead Analyst
Sheila Bjornstad | 646-560-4511
Sheila.Bjornstad@morningstar.com

New Issuance
Ken Cheng | 267-960-6017
Ken.Cheng@morningstar.com

CMBS Surveillance
Frank Innaurato | 267-960-6002
Frank.Innaurato@morningstar.com

Investor Relations
Joe Petro | 267-960-6004
Joe.Petro@morningstar.com

Greg Murdock | 301-309-0894
Greg.Murdock@morningstar.com

Website
http:ratingagency.morningstar.com

PRELIMINARY RATINGS (AS OF: 01/03/13)

CLASS	BALANCE/ NOTIONAL AMT	PRELIMINARY RATINGS	MORNINGSTAR DSCR	MORNINGSTAR BLTV	CREDIT SUPPORT LEVELS
FREMF 2013-K24 Multifamily Mortgage Pass-Through Certificates					
Class A-1	$203,324,000	AAA	1.87x	67.2%	15.875%
Class A-2	1,016,050,000	AAA	1.87x	67.2%	15.875%
Class X1	1,219,374,000	AAA	n/a	n/a	15.875%
Class X2-A	1,219,374,000	AAA	n/a	n/a	n/a
Class X2-B	230,104,610	AAA	n/a	n/a	n/a
Class X3	230,104,610	NR	n/a	n/a	n/a
Class B	85,157,000	AA-	1.75 x	71.9%	10.000%
Class C	36,237,000	A-	1.70 x	73.9%	7.500%
Class D	108,710,610	NR	n/a	n/a	n/a
Total Issuance	$1,449,478,610				
Freddie Mac Structured Pass-Through Certificates, Series K-024 (SPC K-024)					
Class A-1	$203,324,000	AAA	1.85x	67.2%	15.875%
Class A-2	1,016,050,000	AAA	1.85x	67.2%	15.875%
Class X1	1,219,374,000	AAA	n/a	n/a	n/a
Class X3	230,104,610	NR	n/a	n/a	n/a
Total Issuance	$1,219,374,000				

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

Estimated Closing Date: January 24, 2013
Solely to the extent and subject to the scope of review enumerated herein, this report and the preliminary ratings noted above address certain credit risks and the extent to which the payment stream of the collateral is adequate to make payments required under the certificates based on information identified as subject to review herein and to the extent provided to Morningstar Credit Ratings, LLC ("Morningstar") on the arranger's website for this transaction as of January 2, 2013. The below analysis, as well as Morningstar's ratings characteristics as described in Appendix C, further reflect the ratings analysis related to these preliminary ratings. Investors should be aware that the proposed transaction and certain documents related thereto are not finalized. Following Morningstar's receipt of final information and documentation, and the completion of Morningstar's review of such information and documentation, Morningstar may issue final ratings to certain subscribers. Such final ratings may differ from the preliminary ratings enumerated herein. Any final ratings will solely be available to Morningstar subscribers on a subscription basis. The preliminary ratings are provided on an arranger pay basis while any related surveillance and analysis is provided to subscribers on a subscription pay basis. For the avoidance of doubt, your receipt of this report does not, in and of itself, make recipient a subscriber of Morningstar. For further information on Morningstar's subscription service, please contact Joe Petro pursuant to the contact information above.

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

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

TRANSACTION SPOTLIGHT

Collateral	74 loans secured by 74 properties	**Mortgage Loan Seller**	Federal Home Loan Mortgage Corporation (Freddie Mac)
Notional Balance	$1,449,478,610	**Guarantor**	Federal Home Loan Mortgage Corporation
Structure	Sequential	**Depositor**	Wells Fargo Commercial Mortgage Securities, Inc.
Morningstar U/W Current DSCR (1)	2.06 x	**Placement Agents**	Wells Fargo Securities, LLC and Barclays Capital Inc.
Morningstar U/W Amortizing DSCR (1)	1.57 x	**Trustee**	Deutsche Bank Trust Company Americas
Morningstar Trust U/W BLTV	79.8%	**Custodian**	Deutsche Bank Trust Company Americas
Morningstar Trust U/W ELTV	67.7%	**Master Servicer**	Midland Loan Services, a Division of PNC Bank, N.A.
Morningstar All-In DSCR (2)	1.57 x	**Special Servicer**	Midland Loan Services, a Division of PNC Bank, N.A.
Morningstar All-In UW BLTV(2)	79.8%	**Certificate Administrator**	Deutsche Bank Trust Company Americas

Note:
(1) Current debt service coverage reflects interest only payments for loans which are interest only or which have a partial interest only period. Amortizing debt service coverage includes full amortization payments for amortizing and partial interest only loans and interest only for full term interest only loans.
(2) All in Current Debt Service and BLTV represents the total debt on the asset or portfolio including both the trust loan balance and any subordinated financing. There is currently no subordinated debt on the portfolio.

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Transaction Overview

The FREMF 2013-K24 Mortgage Trust, Multifamily Mortgage Pass Through Certificates (FREMF 2013-K24) are supported by the payment streams from 74 mortgage loans on 74 multifamily properties. The properties are distributed across 22 states; however, 65.35% of the cut-off portfolio balance is located in five states including Texas, Maryland, California, New Jersey, and Colorado. The largest loan exposure, The Point At Silver Spring, represents 8.3% of the overall trust portfolio. The top 10 largest loans represent 35.3% of the cut-off portfolio balance; all other loans represent less than 2.5% of the portfolio balance. The priority of payments on the certificates is generally based on a sequential pay structure.

The Freddie Mac Structured Pass-Through Certificates, Series K-024 (SPC K-024) represent the pass-through of the entire beneficial interest of certain underlying securities shown on the table above issued by FREMF 2013-K24 including all principal, interest, guarantee and other payments. Each SPC K-024 security corresponds to its underlying FREMF 2013-K24 certificate of the same name.

Morningstar determined the preliminary ratings for each class of FREMF 2013-K24 certificates by analyzing all of the loans and subjecting the aggregate net cash flow and capitalization rates to a variety of stresses in our proprietary CMBS Subordination Model. Morningstar analysts visited 28 properties backing 28 loans (60.8% by cut-off portfolio balance) and underwrote each of the 74 loans in the portfolio. Morningstar will perform on-going monitoring of the rating on each class of certificates on a subscription basis in accordance with Morningstar's policies and procedures.

The Morningstar operational risk assessment ("ORA") ranking for Midland Loan Services, a Division of PNC Bank, National Association which is acting as both Master Servicer and Special Servicer, is MOR CS1, as master and special servicer. For the full assessment reports and additional information, please access https://ratingagency.morningstar.com

Asset Summary Reports detailing Morningstar's analysis of the top 19 loans as well as a Loan Analysis Summary Table that provides our final net cash flow, capitalization rate and value for each property, along with key loan and property characteristics for all loans, are distributed along with this presale report on Morningstar's website at http://ratingagency.morningstar.com. Asset Summary Reports for the top 10 loans are included in this presale report.

Morningstar Perspective

Morningstar's analysis of the 74 loans, based on information provided on the arranger's website as of December 24, 2012, yielded an aggregate net cash flow of approximately $126.6 million; this was 1.6% lower than the Freddie Mac's underwritten net cash flow. The Morningstar net cash flow resulted in a weighted-average current DSCR and amortizing DSCR of 2.06 x and 1.57 x, respectively, based on the loan payment terms. The net cash flow and DSCR for each loan are provided in the Loan Analysis Summary Table and are distributed along with this presale report posted on Morningstar's website at http://ratingagency.morningstar.com.

Morningstar valued each of the properties using the direct capitalization method. Our final aggregate value of approximately $1.815 billion, which was 36.2% lower than the reported aggregate appraised value, was calculated separately for each asset by dividing the Morningstar net cash flow by a capitalization rate determined based upon asset location, type, quality, and other characteristics. The capitalized value is then further adjusted to reflect the additional value contributed by upfront reserves, escrows, and other miscellaneous items. Based upon the Morningstar valuation, the derived weighted-average capitalization rate was 6.97%. The Morningstar valuation resulted in a beginning weighted-average loan-to-value ratio of 79.8% and a weighted-average ending loan to value of 67.7%. The capitalization rate, value, and loan to value ratio for each loan are provided in the Loan Analysis Summary Table.

The Bulls Say

- Morningstar evaluated each of the 74 loans in the portfolio and based upon our evaluation the underwriting of the loan by the originators did not deviate significantly from the results of our evaluation. We estimated NCF to be 1.6% lower than that estimated by the originators. This variance is well below the variance of other FREMF K-Series 10 Year deals Morningstar has rated, which were on average 3.5% lower than the originator underwriting.
- The leverage on this portfolio, with a beginning loan to value of 79.8% and an ending loan to value of 67.7%, is lower than the average of other FREMF K-Series 10 Year deals rated by Morningstar. This lower leverage may, however, be skewed slightly because three of the assets in the portfolio, representing 4.6% of the initial mortgage pool balance, involve the ownership of a cooperative building; as discussed on page on page 16 of this report, the NCF and value of cooperative properties are evaluated as if the asset were owned fee simple and operated as a market rental apartment

community. Since the debt on cooperative buildings is much lower than that of typical apartment communities, these assets may tend to reduce the overall portfolio leverage and may also tend to increase the overall portfolio debt service coverage ratios. Because one of the cooperative loans in this portfolio is the fifth largest loan, it is likely that the overall portfolio leverage and DSCR have been affected.

- Despite the fact that the weighted average capitalization rate estimated for this portfolio was 6.97%, our estimate of market value was significantly below that of the appraisers. The Morningstar value was 36.2% lower than the conclusions contained within the appraisals; this is a much higher variance than the average 15% variance for past FREMF K-series 10 Year deals rated by Morningstar.

- The majority of the Top 10 loans are all located in strong residential markets in suburbs of major metropolitan areas including New York City, Washington DC, Houston, Denver, and Los Angeles. Only one loan is located in a secondary city (Sacramento); however the market fundamentals for this loan indicate strong occupancy and steady rental growth.

The Bears Say

- Based upon Morningstar's valuation, 11 loans have a beginning LTV higher than 100%; Three such loans are in the top 20 – Harrison Station, Parkway Apartments, and Bexley Cloisters At Steelecroft. All three loans, however, provide for amortization.

- Interest only and partial interest only loans account for 76.0% of the cut-off portfolio balance which results in decreased amortization during the loan term. There are only two full term interest only loans including Stoneleigh At Valley Ranch and The Beresford and these assets combined account for only 1.8% of the cut-off balance. There are 51 partial interest only loans accounting for 74.2% of the cutoff balance; this is high compared to past FREMF K-Series deals evaluated by Morningstar. These partial interest only loans include: four loans which have 12 months of interest only payments, 20 loans which provide for a 24 month interest only period, 10 loans which provide for a 36 month interest only period, two loans which provide for a 42 month interest only period, 11 loans which provide for a 48 month interest only period, and four loans which provide for an interest only period of 60 months.

- Twenty three of the loans, collectively representing approximately 35.5% of the portfolio by cut-off portfolio balance are secured by real properties constructed prior to 1980. The age of the properties may affect their competitive standing and potentially impact their ability to sustain existing cash flow levels. Of the portfolio, 21 loans (20.8% of the cut-off portfolio loan balance) were constructed between 1980 and 1989, 11 loans (12.8% of portfolio loan balance) were constructed between 1990 and 1999, 14 loans (20.9% of the portfolio loan balance) were constructed between 2000 and 2009, and only 4 loans (9.6% of portfolio loan balance) were constructed after 2009.

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

Loans of Particular Interest

- Cooperative Buildings – there are three loans representing 4.6% of the cut-off portfolio balance, which involve the ownership of a cooperative building. These loans include The Colony (the fifth largest loan representing 2.8% of the pool balance) and two smaller loans including Valley Park Estates and The Beresford which represent 1.0% and 0.9%, respectively, of the portfolio balance. The collateral for a cooperative loan involves the fee simple interest in a multifamily building which has, in turn, been leased to the individual cooperative apartment unit owners (technically the collateral for this loan is the leased fee interest). The apartment unit owners pay monthly maintenance charges which cover not only ongoing maintenance and operating of the public areas of the building, but also mortgage interest payments on the leased fee loan. Although each cooperative unit owner typically has debt on their unit, the mortgage debt on the individual units is fully subordinated to the debt on the leased fee interest. In the event of default the borrower may foreclose the entire building and convert cooperative units to rental apartments. Realistically in order to preserve the value of their collateral, the unit owners and their respective lenders are unlikely to allow the subject leased fee loan to go into default. Because the borrower could theoretically foreclose on the entire building, it is reasonable to evaluate the real estate as if it involved the full fee simple value; in order to do so we have estimated the NCF and market value of the asset as if it were a market-based rental community. As a result, the calculated leverage on these loans is much lower than that of typical apartments communities; the weighted average BLTV for the three assets is estimated to be 20.6% based upon the Morningstar value of the assets (as a market based rental community).

- The Point At Silver Spring, which is the largest loan in the portfolio representing 8.3% of the cut-off portfolio balance, has relatively high leverage and low amortizing coverage. Based upon the appraised value the leverage on this loan is 71.9%; based upon the more conservative Morningstar valuation this loan has a 99% LTV. Based upon the Morningstar estimate of net cash flow, the amortizing debt service coverage is low at 1.23x. The issuer has accounted for the low coverage by providing for a five year interest only period; during the interest only period, the Morningstar debt service coverage on the loan is equal to 1.89x. The lack of amortization during the first five years of the loan results in a higher ending LTV than other fully-amortizing loans; leverage at maturity is 88% based upon the Morningstar valuation.

- Carriage Hill Apartments, which represents 4.1% of the cut-off portfolio balance, was built in 1971 and the property condition report identified $1.56 mm of deferred maintenance items which would require immediate attention. The report identified repairs to site drainage, upgrades to asphalt and pedestrian pavement, repairs to exterior walls and entry doorways, replacement of damaged roof covering, repairs to window, balconies, and miscellaneous other items. The loan agreement accounted for this risk by providing for a $1.95 mm escrow at closing and requires that these repairs be completed within the first year of the loan term. In addition, an environmental assessment report noted in a previous report in 2006 that elevated concentrations of lead in drinking water were indicated. The consultant recommended further evaluation of the lead in drinking water at the site and the replacement of all faucets more than five years old as a business environmental risk issue. An additional reserve in the amount of $63,585, representing 125% of the estimated cost to replace those faucets was established.

- The leverage on the Millennium Waterway loan, which represents 3.8% of the cut-off portfolio balance, is relatively high at 80.0% based upon the appraised value and 98.1% LTV based upon the Morningstar valuation. With five years of interest only payments the ending LTV is also quite high at 88.6% based upon the Morningstar valuation. Similar to The Point At Silver Spring, the amortizing coverage on this loan is low at 1.23x based upon the Morningstar estimate of net cash flow; interest only coverage during the first five years is higher at 1.89x.

- Harrison Station is a Class A multifamily community located in a developing, but highly industrial area of northern, NJ just west of Jersey City and Manhattan. The property's location adjacent to a station on the PATH rail line connecting New Jersey and Manhattan combined with the high cost of housing in Manhattan are the primary sources of residential demand. The surrounding area is slowly being developed into commercial and residential uses; however, this transition is in the early stages. Additional development in the immediate and surrounding North Jersey communities many result in increased competition, resulting in less stable occupancy and rents. This loan, which represents 3.4% of the cut-off portfolio balance, is currently highly levered; the LTV based upon the appraised value is 69.4% while the leverage based upon the Morningstar valuation is much higher at 100.6%.

- Parkway Apartments, which represents 2.2% of the cut-off portfolio balance, is a garden-style apartment community located in Eden Prairie, MN. Leverage on this loan is high representing 74.3% LTV based upon the appraised value and 102.8% LTV based upon the Morningstar valuation. With four years of interest only debt service this loan will remain highly levered at maturity; based upon the Morningstar valuation, the ending LTV on this loan will be 90.6% at maturity.

Property Site Visits

Morningstar visited 28 properties securing 28 loans (60.8% by cut-off portfolio balance) and assigned property quality scores to all 74 properties in the trust. Morningstar uses a scale of 1 to 5, with "1" being the highest quality. Factors including the property's age, location, and condition are considered in assigning the quality score. After assigning a quality score to each property, Morningstar then factors each score into the assignment of our capitalization rates. There are a total of seven assets, representing a combined total of 18.3% of the portfolio, that were awarded a property score of "2" which rates the asset as good. A total of 62 assets, representing 74.5% of the portfolio, which were given a property score of "3", which is considered to be average or comparable to the competitive market. The remaining five assets were assigned a property score of "4" which is considered "fair". This analysis resulted in an overall weighted-average property score of 2.89 based on the cut-off portfolio balance. We provide our findings from the site visits in the individual asset summary reports of those properties we toured. We have also identified those properties we visited in the Loan Analysis Summary Table.

Credit Support Stresses

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

The metrics shown below highlight the magnitude of cash flow and value decline after applying all of the stresses at each rating category. These are provided separately for the term default and balloon default analyses. By way of example, in assigning a rating of "AAA" to the Class A-1 certificates, we subjected our concluded net cash flows to a weighted-average 19.4% decline and our concluded values to a weighted-average 39.1% decline in the term default analysis. In the balloon default analysis, these weighted-average declines were 9.1% and 29.3%, respectively. We should note that the balloon declines reflect the post-extension period improvement in those instances the stressed loan metrics allow for an extension at the balloon date. It should also be noted that these declines are applied to Morningstar's concluded net cash flow which in the overwhelming majority of cases is lower than the in-place net cash flow. These declines are weighted-average statistics. The declines applied to the individual properties differ and are a function of factors such as property type and concentration risks.

The resultant credit support levels based on these stresses are then compared to the levels of the actual capital structure to determine the appropriate rating level for each class of securities.

	AAA	AA	A
Morningstar NCF Decline (Term)	19.4%	17.7%	16.1%
Morningstar Value Decline (Term)	39.1%	34.3%	31.1%
Morningstar NCF Decline (Balloon)	9.1%	8.3%	7.6%
Morningstar Value Decline (Balloon)	29.3%	25.1%	22.2%

Morningstar Rating Characteristics

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

Transaction Comparison

The following table presents a summary of the characteristics and metrics of the subject transaction and compares this to the average of the seven FREMF K-Series 10 Year transactions rated at issuance by Morningstar from January 2010 and through January 2013.

	FREMF 2013-K24	FREMF K10 Year Series Average 2010-2013
Portfolio Characteristics		
Portfolio Balance (in $Millions)	$1,449.5	$1,264.3
Loan Count	74	76
Property Count	74	77
Number of Portfolio Loans	0	0
Top Loan (% of Portfolio)	8.3%	8.4%
Top 5 Loans (% of Portfolio)	22.5%	23.4%
Top 10 Loans (% of Portfolio)	35.3%	36.7%
WA Mortgage Rate	3.736%	4.638%
Loans With B-Notes (% of Portfolio)	0.0%	0.0%
Loans With Mezzanine Financing (% of Portfolio)	0.0%	0.0%
Loans Allowing for Future Supplemental Financing (% of Portfolio)	100.0%	100.0%
Full Term Interest Only Loans (% of Portfolio)	1.8%	5.6%
Partial Interest Only Loans (% of Portfolio)	74.2%	49.5%
Leverage Metrics *(See Note)*		
Morningstar Cash Flow Variance (%)	-1.6%	-4.0%
Morningstar average Cap Rate	6.97%	7.46%
Morningstar Value Variance (%)	-36.2%	-26.1%
Issuer average DSCR	1.60x	1.47x
Morningstar average DSCR	1.57x	1.42x
Issuer average BLTV	50.9%	63.9%
Issuer average ELTV	42.9%	54.1%
Morningstar average BLTV	79.8%	89.0%
Morningstar average ELTV	67.2%	75.5%
Capital Structure		
"AAA" Credit Support %	14.710%	13.6%
Class B Rating (10% Credit Support)	AA-	AA to AA-
Class C Rating (7.5% Credit Support)	A-	A+ to A-

Note: The leverage metrics presented for comparison purposes are the average numbers (total divided by total). Weighted averages as weighted by loan balance will differ. For example, the Issuer WA DSCR, BLTV and ELTV are 1.67x, 69.9% and 59.3%, respectively. Similarly, the Morningstar WA DSCR, BLTV and ELTV are 1.65x, 90.8% and 76.5% respectively.

The leverage on this portfolio is lower than the average of prior deals with a Morningstar beginning loan to value of 79.8% and an ending loan to value of 67.2%. This lower leverage is, however, skewed somewhat because three of the assets in the portfolio, representing 4.6% of the initial mortgage pool balance, involve the ownership of a cooperative building; as discussed on page on page 16 of this report, the NCF and value of cooperative properties are evaluated as if the asset were owned fee simple and operated as a market rental apartment community. Since the debt on cooperative buildings is much lower than that of typical apartment communities, these assets may tend to reduce the overall portfolio leverage and may also tend to increase the overall portfolio debt service coverage ratios. Because one of the cooperative loans in this portfolio is the fifth largest loan, it is likely that the overall portfolio leverage and DSCR have been affected.

Morningstar evaluated each of the 74 loans in the portfolio and based upon our evaluation the underwriting of the loan by the originators did not deviate significantly from the results of our evaluation. We estimated NCF to be 1.6% lower than that estimated by the originators. This variance is well below the variance of other FREMF K-Series 10 Year deals Morningstar has rated, which were on average 3.5% lower than the originator underwriting. Despite the fact that the average capitalization rate estimated for this portfolio was 6.97%, our estimate of market value was significantly below that of the appraisers. The Morningstar value was 36.2% lower than the conclusions contained within the appraisals; this is a higher variance than the average 26.1% variance for all deals.

Loan Portfolio Summary

General Loan Portfolio Characteristics

The primary assets of the trust are 74 fixed-rate loans secured by first liens on 74 multifamily properties. The loans are generally non-recourse, all of which were originated within the past nine months.

Loan Concentration

The portfolio consists of 74 mortgage loans. The largest loan exposure, The Point At Silver Spring, accounts for 8.3% of the cut-off portfolio balance and the second largest loan, Carriage Hill Apartments, represents 4.1%. All other loans represent less than 4.0% of the cut-off portfolio balance. The top ten loans, shown in the table below, make up approximately 35.3% of the portfolio by loan balance. The key metrics of these loans and all other loans are provided in the Loan Analysis Summary Table.

Loan Name	Cut-off Balance	% of Cut-off Portfolio Balance	Morningstar Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR	Morningstar BLTV	Morningstar ELTV
The Point At Silver Spring	$120,780,000	8.33%	6.58%	1.89 x	1.23 x	99.09%	88.32%
Carriage Hill Apartments	59,193,256	4.08%	7.87%	1.40 x	1.40 x	86.44%	68.23%
Millennium Waterway	55,584,000	3.83%	7.14%	1.88 x	1.28 x	98.08%	88.02%
Harrison Station	49,950,000	3.45%	6.95%	1.86 x	1.26 x	100.63%	83.28%
The Colony	40,000,000	2.76%	24.23%	8.02 x	4.80 x	28.90%	23.42%
Harbor Oaks Apartments	39,860,000	2.75%	7.05%	1.77 x	1.24 x	97.55%	80.83%
The Abbey On Lake Wyndemere Apartments	37,500,000	2.59%	7.18%	1.83 x	1.27 x	93.27%	79.77%
The Orsini Apartments - Phase III	36,836,000	2.54%	6.67%	1.89 x	1.24 x	89.98%	78.41%
The Vistas At Saddle Rock	36,083,000	2.49%	6.84%	1.81 x	1.23 x	94.73%	85.43%
Park Place Seniors Apartments	35,530,123	2.45%	7.35%	1.32 x	1.32 x	95.20%	75.06%
Subtotal Top 10 Loans	$511,316,379	35.28%	8.37%	2.11 x	1.53 x	80.84%	68.91%

Note: The Colony is a loan on the leased fee ownership of a cooperative building. For more information on the approach to underwriting of cooperative loans please see page 16 of this report.

Original Loan Terms

All loans have ten year terms with the exception of the loan secured by the Aspen Heights Phase II Student Apartments; this one loan has a term equivalent to 111 months.

Original Loan to Maturity / ARD (months)	% of Cut-off Portfolio Balance	# of Loans
120	98.3%	73
111	1.7%	1

Amortization Characteristics

All the trust loans are balloon loans. Two loans are interest only for the loan term including Stoneleigh At Valley Ranch and The Beresford which each represent only 0.9% of the cut-off portfolio balance. Amortizing balloon loans account for 21 loans (24.01% of the cut-off portfolio balance) and all but four loans are amortizing based upon a 30-year schedule throughout the loan term. The Barrington Apartments and Kenton Place properties are amortizing based upon a 25 year schedule and Dutch Village and Pleasantview Apartments are amortizing based upon a 27 year amortization schedule. The remaining 51 loans (74.18% of the cut-off portfolio balance) are interest only for a portion of the loan term. These partial interest only loans include four loans which have 12 months of interest only payments, twenty loans which provide for a 24 month interest only period, ten loans which provide for a 36 month interest only period, two loans which provides for a 42 month interest only period, eleven loans which provide for a 48 month interest only period, and four loans which provide for an interest only period of 60 months.

Amortization Type	% of Cut-off Portfolio Balance	# of Loans	Morningstar Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR	Morningstar BLTV	Morningstar ELTV
Full Interest Only	1.81%	2	35.4%	10.03 x	10.03 x	18.1%	18.1%
Partial Interest Only	74.18%	51	7.9%	2.07 x	1.41 x	88.3%	75.7%
Amortizing	24.01%	21	9.4%	1.67 x	1.67 x	76.8%	59.9%

Pari Passu Notes

There are no Pari Passu notes in this portfolio.

Originators

There were a total of 18 entities which originated loans for the portfolio. The following table highlights the contributions of the top five originators in the portfolio.

Originator	# of Mortgage Loans	% of Cut-off Portfolio Balance
CBRE Capital Markets, Inc.	13	19.7%
Beech Street Capital, LLC	7	10.2%
Wells Fargo Bank, National Association	6	9.2%
Berkeley Point Capital LLC	1	8.3%
Berkadia Commercial Mortgage LLC	10	8.2%

Loan Purpose

Fifty-one of the loans, representing 67.2% of the cut-off portfolio balance, were funded to refinance existing debt; the remaining balance of 23 loans provided the borrower with acquisition financing.

Related Borrowers

Certain groups of the underlying mortgage loans were made to the same borrower or to borrowers under common ownership. Mortgage loans with the same borrower or related borrower pose additional risks. For example, (i) financial difficulty at one property could cause the owner to defer maintenance at another property in order to cover expenses at the troubled property or (ii) the owner could attempt to avert foreclosure on one mortgaged property by filing a bankruptcy petition that might have the effect of interrupting monthly payments for an indefinite period on all related mortgage loans.

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

Mortgage loans for the five largest related borrower relationships are shown in the following table.

Loans with Common Borrower Ownership	Cut-off Balance	% of Cut-off Portfolio Balance
Carriage Hill Apartments	$59,193,256	4.1%
Charlesmont	$33,380,722	2.3%
Dutch Village	$32,925,000	2.3%
Pleasantview Apartments	$13,050,000	0.9%
Total	**$138,548,978**	**9.6%**
The Abbey On Lake Wyndemere Apartments	$37,500,000	2.6%
The Abbey At Grande Oaks Apartments	$26,500,000	1.8%
Total	**$64,000,000**	**4.4%**
Landmark At Woodlands	$24,396,130	1.7%
Landmark At Barker Cypress	$20,499,698	1.4%
Total	**$44,895,827**	**3.1%**
Sunset Canyon Apartments	$19,000,000	1.3%
Kenton Place	$10,299,952	0.7%
Peppermill	$9,825,000	0.7%
Total	**$39,124,952**	**2.7%**
The Enclave	$19,912,000	1.4%
The Zone	$18,356,000	1.3%
Total	**$38,268,000**	**2.6%**

Loan Portfolio Metrics

Portfolio Debt Service Coverage

Overall the portfolio reflects a current coverage (which includes some interest only payments) of 2.06x and an amortizing coverage of 1.57x based upon Morningstar's adjusted net cash flow estimate. The following table presents a summary of the portfolio stratification by tiers of debt service coverage. As illustrated, only two loans exhibit an amortizing coverage below 1.21x; 27 loans have a debt service coverage between 1.20x and 1.30x; 47.65% of the portfolio had current debt service coverage greater than 1.30x.

DSCR on Morningstar NCF	% of Cut-off Portfolio Balance	# Loans	Morningstar Debt Yield	Morningstar BLTV	Morningstar ELTV
Less than 1.00 x	0.00%	0	-	-	-
1.01 x – 1.10 x	0.00%	0	-	-	-
1.11 x – 1.20 x	1.18%	2	7.12%	90.46%	78.21%
1.21 – 1.30 x	50.30%	27	6.97%	97.17%	83.78%
131 x – 1.40 x	25.19%	20	7.66%	93.53%	75.89%
1.41 x – 1.50 x	5.28%	6	8.00%	92.49%	76.02%
>1.50 x	17.18%	18	13.01%	55.98%	45.87%

Portfolio Leverage

Overall the portfolio leverage is 79.8% based upon Morningstar's estimate of value. The following table presents a summary of the portfolio stratification by leverage point. As illustrated, 11 loans have a loan to value higher than 100%; 86.7% of the portfolio balance is for loans which have leverage of 100% or lower.

Leverage on Morningstar Value	% of Cut-off Portfolio Balance	# Loans	Morningstar Debt Yield	Morningstar Current DSCR	Morningstar Amortizing DSCR
Less than 70% LTV	6.35%	7	27.67%	6.77 x	5.57 x
70% - 75%	1.36%	2	9.22%	1.96 x	1.73 x
76% - 80%	1.90%	1	9.56%	1.77 x	1.77 x
81% - 85%	5.03%	5	7.88%	1.67 x	1.50 x
86% - 90%	10.69%	7	7.61%	1.69 x	1.36 x
91% - 95%	24.32%	21	7.54%	1.80 x	1.34 x
96% - 100%	37.02%	20	7.20%	1.75 x	1.29 x
101% - 105%	10.58%	7	7.04%	1.79 x	1.26 x
Greater than 105% LTV	2.74%	4	7.85%	1.64 x	1.33 x

Loan Structural Components

SPE and Bankruptcy Remoteness

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

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

With respect to The Colony, Valley Park Estates, Stoneleigh At Valley Ranch, and The Beresford, collectively representing 5.6% of the cut-off portfolio balance, no guarantees of the nonrecourse carveout provisions of the loan documents were obtained.

With respect to the underlying mortgage loans secured by the Dutch Village and Pleasantview Apartments, collectively representing 3.2% of the cut-off portfolio balance, one of the sponsors reported that it holds a preferred equity interest in each borrower and which preferred equity interests entitle the preferred equity holder to step in as managing member of the sponsor under certain circumstances.

Voluntary Prepayment and Defeasance

Seventy three of the loans provide for a prepayment lock-out and a defeasance period during which voluntary prepayments are prohibited; however, after a certain period, the related mortgage loans may be defeased without the payment of a yield maintenance or prepayment premium. For the assets in the mortgage portfolio, the lockout period ranges between 26 and 33 months with an average of 29 months. Thereafter, the loans provide for a defeasance period ranging between 81 and 88 months with an average of 87 months. Defeasance is a process whereby highly rated government securities replace the mortgage in a sufficient amount to continue the monthly payments. The defeasance period is followed by a four month period during which voluntary prepayments may be made without any restriction or prepayment premium.

One of the loans, Valley Park Estates, which represents 1.0% of the cut-off portfolio balance, restricts prepayments by requiring that any voluntary principal prepayment made during a specified period of time be accompanied by a static prepayment premium or yield maintenance charge, followed by an open prepayment period prior to maturity during which voluntary principal prepayments may be made without payment of any prepayment consideration.

Property Releases/Substitutions

Other than the defeasance described above, none of the properties provide for collateral release provisions or allow for substitutions.

Subordinated Debt

All loans are permitted to incur a limited amount of subordinate debt beginning 12 months after the mortgage loan origination date, subject to certain DSCR and LTV thresholds, and in some cases, EGI thresholds. The permitted second mortgage debt includes indebtedness secured by the property. The rights of the trust mortgage lender and junior lender will be governed by an intercreditor agreement, pursuant to which the holders of the junior interests will have certain rights including rights to cure defaults and rights to purchase the mortgage loan. Though the payments on the second mortgage debt are subordinated to the mortgage loan held by the trust, the presence of additional debt introduces risks to the senior debt including:

- Reduced borrower skin-in-the-game thereby removing incentives to maintain or improve the competitiveness of the property resulting in lower rental revenue. We believe limiting the combined LTV to the original senior loan LTV helps mitigate this concern.
- The presence of additional debt increases the difficulty of refinancing a mortgage loan at the maturity date; the LTV ceiling helps mitigate this risk.
- The filing of a petition in a bankruptcy by the borrower may stay the senior lienholder from taking enforcement action and/or receiving cashflows on the loan. This may expose the senior loan to higher losses. We believe this risk is partially mitigated by Freddie Mac serving as both the intended junior lender and as the guarantor of the Class A-1, Class A-2, Class X1, and Class X3 securities.

In the case of loans with subordinate debt, there may be an increase in the likelihood of default on the corresponding trust loan. Furthermore, while the subordinate debt holders typically enter into a co-lender agreement or intercreditor agreement with the holder of the senior debt to subordinate payments and allocate certain rights, it is not certain, upon a borrower bankruptcy, the impact of such subordinate debt (in particular, a two note structure) on the senior lender's rights in such bankruptcy. This may expose the trust loan to higher losses.

There is presently no existing subordinated debt in place on any of the loans securing the portfolio; however, all of the loans are permitted to incur an additional limited amount of subordinated debt beginning 12 months after the mortgage loan origination date subject to certain conditions including:

- Combined DSCR at 1.25x (subject to more stringent requirement in accordance with Freddie Mac's then current policies); and

- Maximum combined LTV generally equal to, or nominally higher than, the original senior loan LTV.

There are two loans, representing 1.5% of cut-off portfolio balance, which allow for a slight increase in leverage. The Beresford and La Tierra Apartments allow for an increase in leverage of 18.0 percentage points and 6.9 points, respectively. The risk associated with The Beresford is mitigated by the fact that loan on The Beresford (which is a loan secured by a cooperative building) currently represents leverage of only 2% on the appraised value of the fee simple interest in the community if valued as a market rental apartment complex; the loan allows for additional debt up to 20% leverage.

Loan Features / Concerns

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

Loans with a Morningstar LTV Greater than 100%

Based upon our Morningstar valuation, 11 loans have a loan to value higher than 100%; 86.7% of the cut-off portfolio balance is for loans which have leverage of 100% or lower.

Loans with a Morningstar DSCR Less than 1.00 x

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

Crossed Loans

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

Purchase Options

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

Repurchase Obligation

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

Sponsors with Past Bankruptcy, Foreclosure, or Default

The key principals or sponsors of the borrowers on certain loans in this portfolio have defaulted on one or more obligations in the past, which may mean they are more likely to declare default again in the future. With respect to the underlying mortgage loans secured by Carriage Hill Apartments, Harrison Station, and The Vistas At Saddle Rock, collectively representing 10.0% of the initial mortgage pool balance; each related sponsor reported at least one (1) current or recent default. There can be no assurance that such circumstances will not impact the sponsor's or borrower's ability to maintain the property or pay amounts due on the loan.

Sponsor or Borrower Litigation

There are three properties, comprising in aggregate 7.2% of the cut-off portfolio balance, for which the sponsors reported existing or past litigation. While mitigants were noted with respect to various claims such as insurance coverage or indication that the lawsuit will be dismissed, there is no assurance that such litigation will not impact the use, operation, value or cash flow of the property. The following summarizes these three issues.

- The sponsor associated with Millennium Waterway, representing 3.8% of the cut-off portfolio balance, disclosed being the defendant in a lawsuit alleging violation of the Deceptive Trade Practices Act, breach of warranty and breach of contractual obligations for negligently failing to act as a prudent developer before selling certain real estate otherwise unrelated to the property.

- The borrowing entity associated with The Colony, representing 2.8% of the cut-off portfolio balance, disclosed a pending lawsuit filed by a shareholder against the borrowing entity, which lawsuit alleges damages in the amount of $8,402.
- With respect to Timberline Apartments, representing 0.6% of the initial mortgage pool balance, the sponsor disclosed a pending lawsuit against himself and his construction company, which lawsuit alleges construction defects.

Properties Secured by a Leasehold Interest

There are no properties secured by a leasehold interest, under a ground lease, or under a sublease under all or a portion of the land on which the asset is located.

Rights of Subordinate Debtholders

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

Property / Collateral Summary

This section provides a portfolio level perspective on the properties backing the loans. Asset Summary Reports providing property details and Morningstar line item analysis are available for the top 19 loans. Asset Summary Reports for the top 10 loans are included in this presale report. In addition, an overview of Morningstar's analysis for each property including the final NCF, capitalization rate and value is available in Excel format. This Loan Collateral Summary Table along with all of the Asset Summary Reports can be accessed through Morningstar's website at http://ratingagency.morningstar.com, by going to the Ratings Report section.

Geographic Composition

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

State	% of Cut-off Portfolio Balance	# of Properties
Texas	21.05%	16
Maryland	17.89%	5
California	11.84%	9
New Jersey	7.68%	3
Colorado	6.89%	4

Morningstar Region	% of Cut-off Portfolio Balance	# of Properties
Mid-Atlantic Region	13.45%	8
Midwest, Eastern Region	5.46%	7
Midwest, Western Region	2.24%	1
New England Region	0.00%	0
Southern, Atlantic Region	23.24%	11
Southern, East Coast Region	10.07%	11
Southern, West Coast Region	21.05%	16
Western, Mountain Region	8.80%	7
Western, Northern Pacific	15.70%	13
Western, Southern Pacific	0.00%	0
Non-USA	0.00%	0

Property Quality

Morningstar visited 28 properties backing 74 loans (60.8% by cut-off portfolio balance) and assigned quality scores to each. Morningstar utilized a 1 to 5 quality score scale with "1" being the best rating and "5" the worst. Factors including age, location and condition are considered in assigning the quality score. The quality score is factored into the capitalization rate to derive our property valuation. The weighted-average quality score for the visited properties was 2.89.

Morningstar Property Score	Property Quality	# of Properties	% Cut-off Portfolio Balance
1	Excellent	0	0.0%
2	Good	7	18.3%
3	Average	62	74.5%
4	Fair	5	7.2%
5	Poor	0	0.0%

There are seven assets, representing 18.3% of the cut-off portfolio balance, which were awarded a property score of 2 which rates the quality as good. Of these loans six were within the Top 20 largest loans in the pool including Millennium Waterway, Harrison Station, The Abbey On Lake Wyndemere Apartments, The Orsini Apartments – Phase III, The Vistas At Saddle Rock, and The Abbey At Grande Oaks Apartments. There were five assets, representing 7.2% of the cut-off portfolio balance, which were given a property score of 4 which rates the quality of the asset as fair. Only two of these assets were included within the Top 20 largest loans including Charlesmont and Dutch Village.

Ownership Interest

The majority of the loans in the mortgage pool represent a fee simple interest in the apartment communities which are collateral for the respective loans; there are no leasehold loans in the pool.

Ownership Interest	% of Cut-off Portfolio Balance	# of Properties
Fee Simple	95.4%	71
Leasehold	0.0%	0
Leased Fee/Cooperative	4.6%	3

There are three loans representing 4.6% of the cut-off mortgage pool balance, which involve the ownership of a cooperating building. These loans include The Colony (the fifth largest loan representing 2.8% of the pool balance) and two smaller loans including Valley Park Estates and The Beresford. The collateral for a cooperative loan involves the fee simple interest in a multifamily building which has, in turn, been leased to the individual cooperative apartment unit owners (technically the collateral for this loan is the leased fee interest). The apartment unit owners pay monthly maintenance charges which cover not only ongoing maintenance and operating of the public areas of the building, but also mortgage interest payments on the leased fee loan. Although each cooperative unit owner typically has debt on their unit, the mortgage debt on the individual units is fully subordinated to the debt on the leased fee interest. In the event of default the borrower may foreclose the entire building and effectively convert cooperative units to rental apartments. Realistically in order to preserve the value of their collateral, the unit owners and their respective lenders are unlikely to allow the subject leased fee loan to go into default. Because the borrower could theoretically foreclose on the entire building, it is reasonable to evaluate the real estate as if it involved the full fee simple value; in order to do so we have estimated the NCF and market value of the asset as if it were a market-based rental community. As a result, the calculated leverage on these loans are much lower than that of typical apartment communities; the weighted average BLTV for the three assets is estimated to be 20.6% based upon the Morningstar value of the assets as a market based rental community. It is important to note that because the comparative loan amount on cooperating loans is low relative to the estimated value, the presence of such loans may tend to lower the overall perceived leverage of the portfolio. The following table presents a summary of the three cooperative loans and their relative leverage.

Asset Name	% of Cut-off Portfolio Balance	Cut-off Loan Amount	Actual NCF	Actual Amortizing DSCR	Morningstar NCF as Market Rental	Morningstar Valuation as Market Rental	Morningstar BLTV	Morningstar Amortizing DSCR
The Colony	2.8%	$40,000,000	$2,452,983	1.22 x	$9,691,685	$138,413,099	28.9%	4.80 x
Valley Park Estates	1.0%	$14,383,464	$1,528,434	2.03 x	$4,016,155	$57,373,638	25.1%	5.32 x
The Beresford	0.9%	$12,500,000	$348,551	0.81 x	$8,071,878	$128,125,055	9.8%	18.72 x

Note: The amortizing coverage presented on the Beresford loan appears to be below 1.00 x; however this is likely offset by an increase in maintenance charges to the unit owners during the current operating year in an amount sufficient to provide for the coverage on the debt service and other expenses. Typically leased fee loans are structured to have 1.00-1.15x debt service coverage.

The coverage on the leased fee loans is much higher than that of a typical loan on a standard apartment community as illustrated in the table above; for example the actual income at The Colony (which is effectively maintenance fees paid by the cooperative unit owners) was $2.45 million during the most recent trailing 12 month period. The interest only and amortizing DSCR on the loan if evaluated based upon the actual NCF would be 2.03x and 1.22x, respectively. Because the loan is being evaluated as a fee simple market rental apartment community, the estimated NCF is much higher which results in higher amortizing DSCR of 4.80x.

Collateral Features / Concerns

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

Risks Associated with Multifamily Properties

The short term nature of the rental leases in multifamily properties quickly and adversely affected their financial performance in the initial stages of the current deep recession. Renters are better able to relocate to another city or neighborhood upon the loss of a job. Renters can take on roommates, move to lower rent apartments or move in with family. The shadow supply of single-family houses for rent adds to the competition. These factors led to lower rents and higher vacancy rates in this property sector during 2009-2010. However, as the economy has begun to stabilize, fundamentals of the multifamily sector have shown a strong recovery. This recovery has spurred significant new construction in the multifamily sector which could limit future growth in the revenue of existing properties and introduce risks associated with overbuilding in specific markets.

Morningstar's net cash flow stresses in the CMBS Subordination Model are typically based on historically observed declines since the early 1980s. In the case of multifamily properties, however, such stresses are multiples of empirical findings and reflect Morningstar's view that the adverse effects of the recent deep recession exceed the experience of the past 30 years. Morningstar believes that multifamily properties exhibit lower net cash flow volatility than other property types such as offices, retail and hospitality. Accordingly, under our analytical approach multifamily properties are subjected to lower net cash flow stresses than those applied to other property types.

Risks Associated with Student Housing Properties

Eight loans, comprising 9.2% of the cut-off portfolio balance, are secured by real properties that have a significant number of units (20% of more of total tenancy) leased to college students. Such properties may be reliant on the financial well-being of the nearby college or university and could be adversely affected by new on-campus housing. Student tenants also have a higher turnover rate than other types of multifamily tenants and student leases could have terms shorter than 12 months. Furthermore, properties with student tenants are more susceptible to damage and everyday wear and tear.

Risks Associated with Properties Leased to Military Tenants

One loan, Preston Grove Apartments, comprising 0.98% of the cut-off portfolio balance, is secured by an asset that has approximately 44% of its units leased to military tenants. Base closings and the transient nature of military service may adversely affect the rental stream from these properties.

Risks Associated with Older Properties

Twenty three of the loans, collectively representing approximately 35.5% of the portfolio by cut-off portfolio balance are secured by real properties constructed prior to 1980. The age of the properties may affect their competitive standing and potentially impact their ability to sustain existing cash flow levels. Of the portfolio, 21 loans (20.8% of the cut-off portfolio loan balance) were constructed between 1980 and 1989, 11 loans (12.8% of portfolio loan balance) were constructed between 1990 and 1999, 14 loans (20.9% of the portfolio loan balance) were constructed between 2000 and 2009, and 4 loans (9.6% of portfolio loan balance) were constructed after 2009.

Tenants in Common

The loan secured by Chickasaw Crossing Apartments, which represents 1.1% of the cut-off portfolio balance, involves a tenants in common ownership structure. The borrower is two tenants-in-common ("TIC") comprised of Villabar Chickasaw, LP (66.7% interest) and Westdale Chickasaw Crossing, LP (33.3% interest).

Condominium Ownership

With respect to Harbor Oaks Apartments, representing 2.7% of the cut-off portfolio balance, 224 units located at the property are subject to a condominium regime and 250 units are not subject to any condominium regime. The borrower owns 100% of all condominium units and all common elements that are subject to the condominium regime.

With respect to Isola Bella Apartment Townhomes, representing 0.4% of the cut-off portfolio balance, the asset is subject to a condominium regime, and the borrower owns 100% of all condominium units and common elements.

Per information from the arranger, with respect to any asset subject to a condominium regime, each borrower generally agreed, among other things, (i) that all condominium documents are subordinated or subject to the loan documents; (ii) that, so long as the loan is outstanding, the condominium documents will not be modified or amended without the prior written consent of the lender; (iii) that no portion of the condominium units and no portion of the common elements have been sold or encumbered and/or that it will not sell or encumber any such portions without the express written consent of the lender; (iv) that it will operate the property solely as a rental apartment project and (v) that it will indemnify the lender from and against any and all losses or damages arising out of the failure of the borrower to comply with any laws or regulations related to the condominium. The absence of these mitigants could impact the property and or its cash flows.

Risks Associated with Income-Restricted Properties

There are a number of loans that have income restriction requirements or which receive subsidies or tax credits in turn for providing affordable housing. Limitations associated with this sector may constrain the ability of the properties to increase rental rates to cover rising operating expenses or limit the potential tenant base.

- Park Place Senior Apartments, representing 2.5% of the cut-off portfolio balance, is subject to a land use restriction agreement in favor of the Orange County Housing Authority, which requires that 20% of the units be leased to persons earning no more than 50% of the area median income. In addition, the asset is subject to a regulatory agreement in favor of the California Tax Credit Allocation Committee, which requires that 40% of the units be leased to persons earning no more than 60% of the area median income, and that sixty-seven (67) units be leased to persons earning no more than 50% of the area median income. The sponsor reported that the restrictions in this agreement are scheduled to expire in 2051.

- Summer Grove Apartments, representing 0.7% of the cut-off portfolio balance, is subject to a land use restriction agreement in favor of the Colorado Housing and Finance Authority, which requires that 131 of the 375 units at the property be leased to low to very low income families. The sponsor reported that the restrictions in the related agreement are scheduled to expire in 2033.

- Cherry Ridge Apartments, representing 0.4% of the cut-off portfolio balance, is subject to a land use restriction agreement in favor of the Oregon Housing and Community Services Department, which requires that 100.0% of the units be leased to tenants earning no more than 60.0% of the area median income. The restrictions in the agreement are scheduled to expire in 2026.

- There are six properties, collectively representing 16.7% of the cut-off portfolio balance, which utilize Section 8 vouchers. These assets include The Point At Silver Spring, Park Place Seniors Apartments, Parkway Apartments, Colby Creek Apartment Homes, The Barrington Apartments, and Kingswood. As a result, the borrowers may receive subsidies or other assistance from government programs. Generally, the mortgaged real property must satisfy certain requirements, the borrower must observe certain leasing practices and/or the tenant(s) must regularly meet certain income requirements.

Risks Associated with Tax Credits

There are a number of loans that benefit from tax credits or reduced tax payment schemes which may restrict use of the property during the term of the related agreements.

- Park Place Seniors Apartments and Cherry Ridge Apartments, collectively representing 2.9% of the cut-off portfolio balance, receive low-income housing tax credits pursuant to Code Section 42. Code Section 42 provides a tax credit for owners of multifamily rental properties meeting the definition of low income housing who have received a tax credit allocation from the state or local allocating agency. The total amount of tax credits to which the property owner is entitled is based upon the percentage of total units made available to qualified tenants.

- Harrison Station, representing 3.4% of the cut-off portfolio balance, benefits from a tax exemption and a PILOT Agreement which provides for an annual service charge in lieu of the real estate taxes. The sponsor reported that the PILOT agreement is scheduled to expire December 2041.

- Park Place Seniors Apartments, representing 2.5% of the cut-off portfolio balance, benefits from a 100% tax abatement which terminates in 2051. The sponsor reported that in connection with the tax abatement, the ownership structure of the property is required to include a non-profit social service organization with certain management authority responsibilities. In addition, the sponsor reported that in connection with the tax abatement, the property is required to be used exclusively for a qualifying purpose, including a designated use as affordable housing by recorded agreement.

- 65 Ainslie Street, representing 1.6% of the cut-off portfolio balance, benefits from a 421a tax exemption which commenced in 2011 and is scheduled to expire in 2036.

- 506 Washington Avenue, representing 0.4% of the cut-off portfolio balance, benefits from a 421a tax exemption which commenced in 2009 and is scheduled to expire in 2024. The sponsor reported that in connection with the tax exemption, the property is subject to rent stabilization guidelines until the tax benefits expire.

Property Type Composition

The following table presents a summary of those Top 20 loans which have exposure to specialty tenants; a number of smaller loans in the portfolio may also have a significant portion of specialty tenants.

Property Name	% Cut-off Portfolio Balance	Military Housing	Student Housing	Corporate Housing	Senior Housing
Millennium Waterway	3.83%	---	---	20.90%	---
Harbor Oaks Apartments	2.75%	5.00%	5.00%	4.00%	---
The Abbey On Lake Wyndemere Apartments	2.59%	1.00%	1.00%	---	---
The Orsini Apartments - Phase III	2.54%	---	35.00%	---	---
Park Place Seniors Apartments	2.45%	---	---	---	100.00%
Dutch Village	2.27%	---	2.00%	---	---
Colby Creek Apartment Homes	2.07%	10.00%	---	---	---
The Abbey At Grande Oaks Apartments	1.83%	5.00%	1.00%	---	---
Aspen Heights Phase II Student Apartments	1.70%	---	100.00%	---	---

Environmental Concerns

Phase I environmental site assessments ("ESAs") were prepared by independent third-party environmental consultants for all of the assets. All of the environmental reports were prepared within the past 12 months. These reports were reviewed as part of Morningstar's analysis for each of the properties. For several of the properties, the ESAs and other assessments recommend minor repairs, further investigation, requesting agency "no further action" determinations or cleanups. Significant environmental concerns raised by the ESAs, if any, for the top 20 loans are noted in the Asset Summary Reports specific to each property

- The Point At Silver Spring, representing 8.3% of the cut-off portfolio balance, has two (2) 30,000-gallon underground storage tanks ("USTs") which are located at the property for the storage of heating oil. In connection with the USTs, tightness testing was completed and electronic inventory equipment was repaired.

- Carriage Hill Apartments, representing 4.1% of the cut-off portfolio balance, has elevated levels of lead in the drinking water at the property due to lead-containing faucets and/or solder. The borrower is required to replace all faucets that are older than five years within ten months of closing.

- Harrison Station, representing 3.4% of the cut-off portfolio balance, is listed on a Brownfields database in connection with certain leaking USTs and related contamination to groundwater and soils by metals, poly-aromatic hydrocarbons and dissolved phase contaminants located at the property and certain adjacent parcels. The consultant reported that the mortgaged real property was remediated in accordance with a Phase I and II remedial action work plan, which was approved by the New Jersey Department of Environmental Protection, and the impacted soil was excavated for off-site disposal. The leaking USTs are an historical recognized environmental condition for the property. The environmental consultant required that an engineering cap and institutional controls be maintained at the mortgaged real property and that a groundwater remedial action work plan be prepared due to low levels of contaminants detected at the mortgaged real property. The borrower is required to comply with groundwater monitoring for a period of thirty (30) years.

- The Colony, representing 2.8% of the cut-off portfolio balance, has two (2) 5,000-gallon above ground storage tank ("ASTs") and one (1) 1,500-gallon diesel fuel tank that supplies fuel to the integrated emergency generator. The environmental consultant reported that no releases associated with the ASTs have been reported and no evidence of leakage was noted.

- Harbor Oaks Apartments, representing 2.7% of the cut-off portfolio balance, has a monitoring well installation permit for the property. The consultant reported that the monitoring wells were in place as part of a Phase II Environmental Site Assessment, which yielded no evidence of contamination at the mortgaged real property. The borrower is required to perform monitor well decommission.

- The Orsini Apartments – Phase III, representing 2.5% of the cut-off portfolio balance, has four (4) USTs formerly located at the mortgaged real property. Subsequent environmental investigations discovered a release of petroleum hydrocarbons to soil and groundwater, which was reported to the Los Angeles Regional Water Quality Control Board ("LARWQCB"). The environmental consultant reported that concentrations of petroleum hydrocarbon constituents were low to non-detectable in groundwater samples collected from monitoring wells located at the property and the LARWQCB granted closure in 2012.

- Charlesmont, representing 2.3% of the cut-off portfolio balance, is located down gradient from a gas station which is listed on certain UST, Oil Control Program Cases, Historic UST and Financial Assurance databases. The environmental consultant reported that (i) two (2) 8,000-gallon gasoline USTs and one (1) 6,000-gallon UST were removed from the gas station; (ii) nine (9) USTs are permanently out of use (iii) three (3)-10,000 gallon gasoline USTs are in service at the gas station. The environmental consultant reported that there are three (3) historical release cases and one (1) pending release case reported in connection with the gas station USTs and that a vapor problem exists in connection with a release of motor and/or lube oil. The consultant observed four (4) groundwater monitoring wells located at the northwestern corner of the subject property and reported that based on the up gradient location of the gas station, the presence of monitoring wells on the mortgaged property and the open regulatory status of the leaking UST case, the foregoing circumstances are considered to be a recognized environmental condition. The environmental consultant recommended that the borrower monitor the ongoing cleanup status of the open leaking UST case by routinely contacting the relevant environmental regulatory body.

- Parkway Apartments, representing 2.2% of the cut-off portfolio balance, the environmental consultant reported that the landscape contractor treated the mortgaged real property with an herbicide manufactured by DuPont known as Imprelis, which herbicide has since been discontinued due to damage caused to trees. The sponsor reported that impacted trees will be removed and replaced and paid for through a fund DuPont has established. Based on information provided by the EPA, the historical use of Imprelis does not appear to represent an environmental concern.

Seismic

Fourteen of the properties (16.5% of the cut-off portfolio balance) are in an earthquake-prone area (seismic zone 3 or 4) including California, Washington, Nevada, and Oregon. Probable Maximum Loss (PML) is used to characterize building damageability during a 475 year earthquake; if an asset has a PML of less than 20.0%, additional mitigation is not considered necessary. Seismic studies, conducted for all of these properties, concluded that none of the properties have a probable maximum loss (PML) of 20.0% or greater. There were two assets for which the PML was close to the 20% cut-off and these loans included the Emil Brown Lofts and the La Tierra Apartments both of which reported a PML of 19%. Earthquake insurance is not provided for the assets in this portfolio.

Flooding

There are eleven assets which have flood insurance of which two are in the Top 20 largest loans including Harrison Station and Harbor Oaks Apartments.

Windstorm

All of the assets carry windstorm insurance.

Notice of Insurance Termination

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

Securitization Trust Summary

Freddie Mac Series K-024 Structured Pass-Through Certificates (SPC K-024)

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

The following are certain structural risks related to the SPC certificates:

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

Priority of Payments on Trust Certificates

The priority of payments on the Trust Certificates generally follows a sequential-pay structure. The following is a quick synopsis of this priority.

(1) Interest on the Class A-1, Class A-2, Class X1, Class X2-A and Class X2-B Certificates, pro-rata .
(2) Principal paydown of the Class A-1 Certificates until paid in full, up to the Principal Distribution Amount (see note 1).
(3) Principal paydown of the Class A-2 Certificates until paid in full, up to the Principal Distribution Amount (see note 1).
(4) Unreimbursed realized loss amounts to the Class A-1 and Class A-2 Certificates, pro-rata.
(5) To the Guarantor, any guarantor reimbursement amounts relating to the Class A-1, Class A-2 and Class X1 Certificates.
(6) To the Guarantor, any guarantor timing reimbursement amounts relating to the Class A-1 and Class A-2 Certificates, not to exceed a certain limit.
(7) Interest on the Class B Certificates.
(8) Principal paydown of the Class B Certificates until paid in full, up to the Principal Distribution Amount and subject to certain limits.
(9) Unreimbursed realized loss amounts to the Class B Certificates.
(10) Interest on the Class C Certificates.
(11) Principal paydown of the Class C Certificates until paid in full, up to the Principal Distribution Amount.
(12) Unreimbursed realized loss amounts to the Class C Certificates.
(13) Interest on the Class X3 Certificates.
(14) To the Guarantor, any guarantor reimbursement amounts relating to the Class X3 Certificates.
(15) To the Guarantor, any guarantor reimbursement interest amounts relating to the Class A-1, Class A-2, Class X1 and Class X3 Certificates.
(16) Principal paydown of the Class D Certificates until paid in full, up to the Principal Distribution Amount.
(17) Unreimbursed realized loss amounts to the Class D Certificates.
(18) All remaining proceeds to the Class R Certificates.

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

Allocation of Losses on Trust Certificates

Losses on the Trust Certificates are generally allocated in a reverse sequential order:
(1) to the Class D Certificates,
(2) to the Class C Certificates,
(3) to the Class B Certificates, until the balance of those certificates have been reduced to zero,
(4) to the Class A-1 and Class A-2 Certificates, on a pro rata basis.

The Notional Amount of the Class X1 and Class X2-A Certificates will be reduced to reflect reductions in the Certificate Principal Amounts of the Class A-1 and Class A-2 Certificates resulting from allocations of realized losses. The Notional Amount of the Class X2-B and Class X3 Certificates will be reduced to reflect reductions in the Certificate Principal Amounts of the Class B, Class C and Class D Certificates resulting from allocations of realized losses.

Rated Final Distribution Date

The rated final distribution date of each class of certificates is the distribution date in November 2045. Morningstar's ratings on the certificates address the likelihood of the timely receipt by holders of all payments of interest to which they are entitled on each distribution date and the ultimate receipt by holders of all payments of principal to which they are entitled on or before the rated final distribution date.

Trust Structural Features / Concerns

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

Directing Certificateholder

The directing certificateholder initially will be the holder of a majority interest in the Class D certificates until the outstanding principal balance of such certificates is less than 25.0% of the initial principal balance of such class. Thereafter, the directing certificateholder will be the holder of a majority interest in the Class C certificates until the outstanding principal balance of such certificates is less than 25.0% of the initial principal balance of such class. Thereafter, the directing certificateholder will the holder of a majority interest in the Class B certificates until the outstanding principal balance of such certificates is less than 25.0% of the initial principal balance of such class. Thereafter, Freddie Mac, the holder of the underlying A-1 and A-2 certificates, will act as the directing certificateholder. It is anticipated that RFM Freddie K24, LLC will serve as the initial directing certificateholder. The directing certificateholder is granted certain rights and powers with respect to the mortgage pool including, but not limited to, the right to purchase defaulted loans, the right to replace the special servicer with or without cause, and consent rights with respect to various servicing matters.

Replacement of Special Servicer

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

Limited Rating Agency Confirmation/Notice

While many CMBS conduit deals provide for rating agency confirmation over certain material loan amendments, modifications and/or borrower requests and rating agency confirmation over certain material amendments to the pooling and servicing agreement, rating agency confirmation over loan and pooling and servicing agreement amendments are very narrow in this transaction. In addition, notice of such items may be provided to the rating agency after such items are effectuated. Because the rating agency may obtain knowledge of these various items later, surveillance activities and any related rating adjustments may occur later than if rating agency confirmation and/or prior notice of such items was provided. In addition to limited rating agency confirmation as noted above, prior notice of changes to the rating agencies and rating agency confirmation is not contemplated for any loans under $10 million. This could cause delays in receiving information and therefore, performing surveillance on such assets.

Repurchase Obligation

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

Conflicts of Interest

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

Transfer of Rights

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

Realization in Foreclosure

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

Freddie Servicing Guide

While the pooling and servicing agreement requires the servicers to comply with a typical CMBS servicing standard ("CMBS Servicing Standard"), the servicers are also required to comply with Freddie Mac's Multifamily Seller/Servicer Guide (the "Guide") with respect to loans other than REO loans, REO properties and specially serviced loans. If the CMBS Servicing Standard and the Guide conflict with respect to these loans, the servicers are requirement to comply with the

Guide. Morningstar prefers servicers to be required to comply, at a minimum, with the CMBS Servicing Standard. As the Guide is not static and can vary over time, there is no assurance that this Guide will hold servicers to a standard equal to or higher than a CMBS Servicing Standard. As a mitigant, per information provided by arranger, the Guide practices are often used by Freddie and others for multifamily loans and are generally consistent with common servicing practices related to similar multifamily mortgage loans. However, if the Guide standards are at any time lower than a CMBS Servicing Standard, such reduced standards may result in delays, waivers, amendments, actions, inaction, consent or a lack thereof that produce different results and adversely impact the borrower, property and/or the loan and may impact the ratings on the rated certificates.

Reserve Accounts

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

Real Estate Tax Escrows

All but three of the loans, representing 4.5% of the cut-off portfolio balance, provide for monthly or upfront escrows to cover property taxes on the properties. In the case of monthly escrows, the related borrower is generally required to deposit on a monthly basis an amount equal to one-twelfth of the annual real estate taxes and assessments. The escrows are under the control of the master servicer. The current balance of reserves in the escrow accounts will be $13.4 million at the trust closing date.

Insurance Escrows

Fifty seven loans, representing 72.4% of cut-off portfolio balance, provide for monthly or upfront escrows to cover insurance premiums on the properties. In the case of monthly escrows, the related borrower is generally required to deposit on a monthly basis an amount equal to one-twelfth of the annual premiums payable on the insurance policies that the borrower is required to maintain. The escrows are under the control of the master servicer. The current balance of reserves in the escrow accounts will be $2.8 million at the trust closing date.

Recurring Replacement Reserves

These accounts cover the costs of capital replacements and repairs during the calendar year to keep each property in condition consistent with other properties in their respective market segment and locations. The borrowers on certain mortgage loans are required to deposit funds into such accounts. Sixty seven loans, representing 93.4% of the cut-off portfolio balance, provide for monthly payments into reserve for replacement accounts. Disbursements from these accounts are made to the borrowers to cover the costs of replacements at the properties and are not for the costs of routine maintenance. The current balance of reserves in the escrow accounts will be $3.4 million at the trust closing date.

Engineering Reserves

These accounts cover the deferred maintenance items that were identified in the respective property condition assessment reports and required to be corrected within 12 months from loan origination. In a significant number of cases, the engineering reserve for a mortgaged property is less than the cost estimate in the related property condition report because the mortgage loan seller may not have considered various items cited in the report significant enough to require a reserve and/or various items have been corrected. In the case of several properties the engineering reserve was a significant amount and substantially in excess of the cost estimate set forth in the inspection report. Not all engineering reserves are required to be replenished. The current balance of reserves in the escrow account will be $9.6 million at the trust closing date.

Third Party Reports

Appraisals

Appraisal reports, prepared by an independent third-party appraisal firm were received and reviewed as part of Morningstar's analysis for all of the properties. All of the appraisal reports were prepared within the past thirteen months; the average age of the reports was eight months.

Property Condition

Property condition reports, prepared by an independent third-party engineer were received and reviewed as part of Morningstar's analysis for all of the properties. All of the engineering reports were completed within twelve months of the date of securitization. These reports identified deferred maintenance items as well as quantified long-term capital expenditure needs. Up-front reserves were required to be deposited into an Engineering Reserve Account on the loan origination date to cover any deferred maintenance items at the properties. In addition, 67 of the assets provide for a monthly replacement reserve account which can be used to repair and renovate the properties as needed.

Environmental

Phase I environmental site assessments ("ESAs") were prepared by independent third-party environmental consultants. All of the environmental reports were prepared within the past twelve months. These reports were reviewed as part of Morningstar's analysis for each of the properties. For several of the properties, the ESAs and other assessments recommend minor repairs, further investigation, requesting agency "no further action" determinations or cleanups. Significant environmental concerns raised by the ESAs, if any, are noted in the Asset Summary Reports specific to each property.

Scope of Analysis

In evaluating the properties and determining Morningstar cash flows and values, we reviewed the following materials to the extent we deemed necessary for our analysis and as provided on the arranger's website for this transaction as of December 28, 2012 for every property: the offering materials (as applicable), the historical financials (for the most recent three years unless the property did not have three years of operating history available), issuer's underwriting and supporting analysis and notes, most recent available rent rolls, Reis Reports (to the extent the property was within a covered market), appraisals, environmental site assessments, property condition assessments, and other market and property information as available. In certain cases, to the extent we deemed necessary for our analysis and as provided on the arranger's website for this transaction as of the date hereof, we also reviewed seismic reports, surveys, leasing brochures, photographs of the properties and maps of the surrounding areas. All of the third party reports were completed within 13 months of the securitization date.

Morningstar utilized external legal counsel to perform a legal review of certain items in the transaction relevant to Morningstar's ratings analysis. In this transaction, such counsel solely reviewed the following materials available on the arranger website as of December 28, 2012: (i) the December 28, 2012 posted draft information circular, (ii) the following for The Point at Silver Spring loan: (a) loan summary for The Point at Silver Spring loan, (b) limited liability company operating agreement of Georgian Investors LLC dated as of August 14, 2012, (c) amended and restated certificate of incorporation of Georgian Manager Corp. dated as of August 8, 2012, (d) opinion of Hyland Levin LLP dated August 14, 2012 regarding nonconsolidation, (e) opinions of Rosenberg Martin Greenberg, LLP regarding enforceability and other matters and (f) opinion of Hyland Levin LLP dated August 14, 2012 regarding power and authority and other matters, (iii) the following for the Carriage Hill loan: (a) loan summary for the Carriage Hill loan, (b) limited partnership agreement of Carriage Hill Investment Limited Partnership dated as of October 2000, as amended by first amendment to limited partnership agreement dated as of January 3, 2001, second amendment to limited partnership agreement dated as of December 22, 2006, third amendment to limited partnership agreement dated as of December 22, 2006 and fourth amendment to limited partnership agreement dated as of June 29, 2012, (c) amended and restated limited liability company agreement of RP Carriage Hill LLC and amended and restated limited liability company agreement of RP/SRH Carriage Hill Apartments, LLC, each dated as of June 29, 2012, (d) opinion of Winstead PC dated June 29, 2012 regarding nonconsolidation, (e) opinion of Saul Ewing dated June 29, 2012 regarding enforceability and other matters, (f) opinion of Sharma, Smith & Gray, P.C. dated June 29, 2012 regarding authority and other matters and (e) opinions Saul Ewing LLP dated June 29, 2012 regarding authority to file and DE LLC matters, (iv) the following for The Millennium Waterway loan: (a) loan summary for The Millennium Waterway loan, (b) the operating agreement of Waterway Ave Partners, L.L.C., (c) opinion of Richards, Layton & Finger, P.A. dated May 31, 2012 regarding nonconsolidation, (d) opinion of Haynes and Boone, LLP dated May 31, 2012 regarding enforceability and other matters and (e) opinion of Richards Layton & Finger, P.A. dated May 31, 2012 regarding DE LLC matters, (v) the following for the Harrison Station loan: (a) loan summary for the Harrison Station loan, (b) the amended and restated operating agreement of Harrison Building I Urban Renewal, L.L.C., (c) the limited liability company agreement of Harrison Building I SPE, LLC, (d) opinion of Gibbons, P.C. dated August 17, 2012 regarding nonconsolidation, (e) opinion of Gibbons, P.C. dated August 17, 2012 regarding enforceability and other matters, (f) opinion of Barbara Oif Stack, general counsel to InronState Holdings, LLC dated August 17, 2021 regarding enforceability and (g) opinion of Connell Foley LLP dated September 10, 2012 regarding zoning, (vi) the December 28, 2012 posted draft pooling and servicing agreement, and (vii) the December 28, 2012 posted draft mortgage loan purchase agreement. Certain groups of loans are under common ownership and/or control by related borrowers and certain of such loan groups exceed 5% of the balance of the pool on an aggregate basis by loan group. With respect to such loan groups, we have assumed that the nonconsolidation opinions, organizational structure and organizational documents related to such loan groups are in forms customary for a prudent lender.

In addition, legal counsel intends to review the following documents upon posting of such documents on the arranger website prior to issuance of the final ratings: (i) the K-024 SPC certificates terms supplement to pass-through certificates master trust agreement, (ii) the K-024 SPC master trust agreement which we are assuming will be the same as the June 1, 2010 master trust agreement used in connection with the K-021 SPCs, (iii) true sale opinion(s) for the sale of the loans to the depositor and the securitization trust and relating to the transfer of the K-024 SPC certificates into the master trust, (iv) corporate and enforceability opinions of the servicer, special servicer, trustee, certificate administrator, custodian, depositor and loan seller and the general deal level opinion related to certain tax matters, (v) the form intercreditor agreement related to future supplemental financing, which we assume will be on the same form as the form used in K21, (vi) the December 27, 2012 posted draft offering circular supplement regarding the K-024 SPCs and (vii) versions of the documents enumerated in the preceding paragraph posted as of the date of issuance of final ratings. Unless enumerated on the prior list, no external legal counsel review was performed with respect to such documents. Therefore, leases, hedges and related documents, contribution and/or allocation agreements, management agreements, estoppels, title reports, insurance contracts, environmental assessments, guarantees, indemnities, liens or related searches, financial statements, rent rolls, surveys, financing statements, easement agreements, intercreditor and subordination agreements (except as enumerated in the above paragraph), among others, were not reviewed by external legal counsel. As legal review of title policies was not performed, Morningstar has assumed such policies do not contain any judgments, tax liens, or other issues that would materially adversely affect any borrower, property owner, property or the mortgagee's lien and security interest in any collateral for the loans. In addition, as legal review of local law opinions for each property was not performed, Morningstar has assumed that local law opinions were (or will be) provided for all relevant jurisdictions, on customary forms and with rating agency reliance.

Morningstar Approach to Collateral Review

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

General Underwriting Approach

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

Third Party Data

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

Tenant Categorization

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

Rents and Vacancies

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

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

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

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

Historical Financial Statements

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

Fixed expenses (i.e., taxes, insurance, and ground rent) are underwritten to actual numbers whenever available, and to the most recent year with a 4% inflation factor, whenever actual numbers are not available.

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

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

Capital Reserve

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

Capitalization Rates

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

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

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

Other Items

Morningstar may consider reserves, legal issues and other special circumstances to determine whether additional adjustments are required. These adjustments will then be made and noted in the Asset Summary Report.

Morningstar Value

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

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

Morningstar Loan/Property Analysis Summaries

Asset summary reports (ASRs) are included with this presale report for top 19 loans and are available by accessing Morningstar's website, by going to the Ratings Report section. These reports provide the line-item analysis along with the related assumptions used by Morningstar.

The Point At Silver Spring

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

Property Summary		
Property Type	Multifamily/High-Rise	
Location	Silver Spring, MD	
Year Built/Renovated	1969/2011	
Multifamily Units	891	
Net Rentable Sq. Ft. (Other)	23,953	
Occupancy	93.90%	As of: 10/31/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$120,780,000	($135,556/unit)
Loan Amount (Cut-Off Balance)	$120,780,000	($135,556/unit)
Loan Term (months)	120	
I/O Period (months)	60	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	3.44000%	

Morningstar Analysis		
Current DSCR	1.89 x	
Amortizing DSCR	1.23 x	
Beginning LTV	99.09%	
Ending LTV	89.04%	
Capitalization Rate	6.50%	
Morningstar Occupancy	90.54%	
Net Operating Income	$8,205,744	
Net Cash Flow	$7,948,004	
Value	$121,892,159	($136,804/unit)
Debt Yield	6.58%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table						
Loan	**Balance**	**Interest Rate**	**Current DSCR**	**DSCR Amtz**	**BLTV**	**ELTV**
Mortgage Loan	$120,780,000	3.44000%	1.89 x	1.23 x	99.1%	89.0%
Total	**$120,780,000**	**3.44000%**	**1.89 x**	**1.23 x**	**99.1%**	**89.0%**

Morningstar Summary

Morningstar Perspective

This $120.78 million ($135,556 per unit) 10-year loan facilitated the acquisition of the property out of receivership in August 2012. The Point At Silver Spring, formerly known as The Georgian Apartments, is a well-located pair of high-rise apartment buildings situated around a central courtyard in Silver Spring, Maryland. Though completed in 1969, it is effectively much newer as at least $35 million was spent from 2004 to 2011 renovating 36% of the apartments and on replacements and upgrades on most major building systems. Silver Spring is an important close-in suburb of Washington, D.C., which contains a number of the U.S. government's agencies. Access to Washington is relatively easy with a Metro stop four blocks away, as are points northwest in Maryland with a MARC rail station two blocks away.

Morningstar's net cash flow is 4.9% lower than the first 10 months of 2012 annualized and is 1.6% lower than the estimate prepared by the Issuer. The variances are driven by both lower revenues as well as higher operating expenses. The loan has an interest only period of 60 months, and interest only DSCR is 1.89 times; amortizing debt service coverage is 1.23 times based upon Morningstar's estimate of net cash flow.

Leverage on the loan is moderate as the loan-to-value using the appraised value is 71.9%; based upon Morningstar's value the leverage is higher reflecting 99.1%. The largest portion of the variance in value is accounted for by the capitalization rates; the appraisal used a 5.25% capitalization rate while Morningstar used a more conservative 6.5% capitalization rate.

The Point At Silver Spring has been offering extensive concessions since 2010 in order to support occupancy. The underwritten rent used by the issuer is $1,841 per unit per month, though a total of $412 per unit per month is deducted for concessions and bad debt resulting in a net effective rent of $1,429 per month. There are 12 Section 8 low income units at the property. The appraisal's market rent was $1,899 per unit per month and factored in similar concessions of more than $400 per unit. The Reis submarket average asking rent is lower than the subject at $1,555 per unit per month as of third quarter 2012 but reflects much lower concessions of $73 per month resulting in an average effective rent of $1,482. The appraisal's rent comparables were mid-rise and high-rise properties which are superior to that of other garden style properties included in the wider Silver Spring submarket tracked by Reis.

The property appears to be well positioned to remain competitive in a healthy rental market where a relatively stable economic base fueled by government employment drives rental demand and supports rents which are significantly higher than the national average. An attractive amenities package, along with a very good location and rents that are reasonable for the local area make for a high likelihood of continued occupancy above 90%.

The Bears Say

- Leverage on the loan is moderate – the leverage on the loan is 71.9% based upon the appraised value and is 99.1% based upon the Morningstar valuation. The Morningstar ending loan-to-value of 89.0% is also high, as amortization is limited due to the loan's five-year interest only period.
- Amortizing coverage on the loan is low with a 1.23x based upon the Morningstar net cash flow. Interest only coverage is higher at 1.89x.
- The 43-year old property is at a competitive disadvantage compared to some newer buildings in the local submarket and as a result, the property's recent occupancy history has underperformed the submarket.
- According to Reis, Silver Spring submarket vacancy has increased slightly to 6.5% during the third quarter of 2012 due to the addition of two new properties which added 408 units to the competitive submarket during the first half of 2012. Market vacancy, which hit a low of 4.5% during the fourth quarter of 2011, is expected to remain in line with currently levels over the near term due to further additions to supply projected over the next several years.

The Bulls Say

- The property benefits from a location that is convenient to Washington, D.C., and many points of interest in suburban Maryland, as well as public transportation and the highway system. The Capital Beltway is just over one mile to the property's north.
- The property has been extensively renovated over the last eight years, including renovations to 36% of the apartments as well as upgrades or replacements of most of the building's mechanical and other systems. Issuer notes that the new ownership has plans to renovate more apartments over time; however no reserves have been set aside to fund these ongoing renovations.
- Ground level retail stores are situated on three sides of the building. It was noted that the previous owner did not make retail leasing a priority, and as a result, six of the retail units are currently vacant. With more aggressive marketing of the commercial retail space there may be some revenue upside which has not been factored into our analysis.

Property Description

The property is a two-building, 891-unit high-rise apartment complex completed in 1969 in Silver Spring, Maryland, on Georgia Avenue about 1.2 miles south of the Capital Beltway (I-495). The location is less than one mile from the northern corner of the District of Columbia, and about eight miles north of the District's core. The 15-story apartment buildings stand on 3.25 acres and include three levels of garage parking with a total of 601 spaces. There is a rooftop pool and deck, and several common spaces throughout the complex. The fitness room was renovated and expanded to 3,000 square feet in 2009. Other amenities include a business center, community room, laundry facility and 24-hour concierge service.

The renovation program under the previous ownership began in 2004 and was estimated to be in excess of $35 million. Major systems that were replaced include risers, chillers and roofs. Elevator cabs were refurbished, HVAC systems were repaired, common areas were renovated, including hallways, lobby and amenities. Facades and signage were also improved. A little more than one-third of the apartment units were renovated from 2007 to 2009, with high-end kitchen finishes including granite countertops, stainless steel appliances, cherry cabinets, frosted glass cabinets, recessed lighting, slate flooring in kitchens and bathrooms, and new bathroom fixtures. To date, 318 units (36%) have been renovated. Renovated units have a full size washer and dryer. According to information provided by the issuer, the new owner reportedly has plans to renovate an additional 330 units at a cost of about $6.5 million; funds for this continued renovation were not escrowed or required as part of this loan.

The commercial retail space at the subject has 16 stores with a total of 23,953 square feet. Five units with a total of 6,757 square feet are currently vacant, for a square foot vacancy of 28.2%. Another 4,541-square foot space to be vacated by the previous management is reported still in occupancy on the most recent rent roll provided, but the associated rent is not being included, so the economic vacancy is 47.2%. The largest tenants are 7-Eleven, which pays $31.00 per square foot and has been at the property since 1985; other tenants include a dental practice and a hair salon.

Morningstar visited the property on December 12, 2012. The property appeared to be in good condition, renovated units present a higher quality finish than other units and common spaces. The apartment units have ample closet space and the rooms are a comfortable size. The non-renovated units were modernized since 2000 and the kitchens are adequate. The lobby areas are bright and have well furnished sitting rooms off to the side, one of which has a large flat screen television. A spacious stone-paved and landscaped courtyard with two terrace levels overlooking sits between the buildings.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	220	24.7%	480
One Bedroom	502	56.3%	820
Two Bedroom	168	18.9%	1,203
Three Bedroom	1	0.1%	1,850
Total	**891**	**100.0%**	**809**

Market Overview

The Point At Silver Spring is in the Silver Spring submarket of the Suburban Maryland market, as defined by Reis. Within this submarket, the average asking rental rate was $1,555 per unit per month as of third quarter 2012 or a net effective rent of $1,482. The overall asking rate represents a decrease of 0.6% from the prior quarter and an increase of 1.4% from one year earlier. The in place rent at the subject is currently $1,841 per unit per month before concessions, and $1,453 after concessions which is in line with the Reis market average. Reis predicts that asking rents will increase at an average annual compound rate of 1.9% from 2013 through 2016.

Within this submarket, the overall vacancy rate was 6.5% as during the third quarter of 2012. The overall vacancy rate in this submarket was below 3% during 2008, but increased to 6.5% during the third quarter of 2012. This increase in market vacancy is due to the number of new additions in the submarket; since 2007 over 1,000 new apartment units were opened in the Silver Spring submarket increasing inventory by 11%. Reis forecasts the development of an additional 1,302 units over the next four years, which would represent an increase of 10% over the current inventory. As a result of continued development, Reis forecasts vacancy rates for the submarket to hover between 5.6% and 6.2% through 2016.

The appraisal identified a competitive set of five properties with a total of 2,772 units which present direct competition for the subject. The weighted average occupancy of these assets was 93.29% which is in line with the 93.9% reflected by the subject at the end of October 2012. Based upon a review of these comparable communities, the appraiser concluded a market rent of $1,899 per unit per month, before concessions which is in line with the current rent reflected on the rent roll.

Silver Spring's population peaked at just fewer than 77,500 in the 1970 U.S. Census, and was fairly stable in a range between 73,000 and 77,000 over the next 30 years. The population fell by 6.6% from 2000 to 2010, to just less than 71,500. The median value of a home or condominium unit was $442,100 in 2009, up from $183,300 in 2000. Although local home prices have retreated since 2009, they remain quite high compared to national standards and continue to keep home ownership out of the reach of many residents. While the median home price rose by a multiple of 2.4 times from 2000 to 2009, the average asking rent in Silver Spring increased by just 48% over the same period, according to Reis statistics. The property has been charging very high nominal rents in recent years, while giving back as much as 22% in concessions to align with the local market's effective rents.

Sponsorship/Management

The borrowing entity is a single-purpose limited liability corporation formed in Delaware. The property manager is an affiliate of the sponsor.

Environmental

The Phase I environmental report noted that there are two 30,000 gallon underground storage tanks for heating oil that were installed in 1996. The tanks serve as part of the back-up system for the boilers. The tanks have been tested; a letter from a consultant in July 2012 confirmed that a required repair of electronic inventory control equipment was completed. No further action is required, other than routine testing of tank tightness every three years under Freddie Mac guidelines.

Morningstar Analysis

	Morningstar	2010	2011	T10 10/31/12 annualized	Issuer Underwriting
Income					
Gross Potential Rent	$20,163,333	$20,054,721	$20,406,217	$20,524,431	
or					
Base Rent	0	0	0	0	
Laundry/Vending	54,386	11,836	73,371	58,484	
Expense Reimbursement	1,012,110	782,661	1,049,986	852,547	
Percentage Rent	0	0	0	0	
Parking Income	349,032	362,510	398,911	352,471	
Other Income	329,799	293,220	337,029	349,030	
Less: Vacancy Loss	-1,845,462	-2,543,938	-1,824,395	-1,934,897	
Less: Concessions & Collection Loss	-4,404,516	-3,612,915	-4,306,353	-4,213,225	
Effective Gross Income	**$15,658,682**	**$15,348,095**	**$16,134,767**	**$15,988,841**	**$15,666,614**
Expenses					
Real Estate Taxes	$1,727,135	$1,673,117	$1,524,539	$1,736,529	
Property Insurance	197,787	174,211	56,796	42,974	
Utilities	1,408,751	1,677,674	1,454,565	1,244,938	
Repairs and Maintenance	1,367,560	1,419,019	1,364,475	1,012,079	
Janitorial	0	0	0	0	
Management Fees	469,760	433,279	465,156	446,311	
Payroll & Benefits	1,663,731	1,888,197	1,977,706	2,139,725	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	310,880	360,831	343,708	282,504	
Professional Fees	39,133	24,981	59,732	31,780	
General and Administrative	244,260	306,133	225,840	237,729	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	23,941	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$7,452,939**	**$7,957,443**	**$7,472,515**	**$7,174,570**	**$7,369,066**
Net Operating Income	**$8,205,744**	**$7,390,652**	**$8,662,252**	**$8,814,271**	**$8,297,548**
Capital Items					
Leasing Commissions	$9,335	$0	$0	$0	
Tenant Improvements	9,335	0	0	0	
Capital Expenditures	239,069	288,763	422,212	458,602	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$257,740**	**$288,763**	**$422,212**	**$458,602**	**$222,750**
Net Cash Flow	**$7,948,004**	**$7,101,891**	**$8,240,039**	**$8,355,669**	**$8,074,798**

NOTE: Revenues, expenses and cash flow for the 10-month annualized most recent period do not match updated information provided in the tape.

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	$1,841
Vacancy (%)	9.5%

Rent was underwritten at $1,841 per unit per month which is in line with the in place rent and the appraiser estimate of market rent before concessions. However, adjusting for Morningstar's concessions and bad debt which total $412 per unit per month, the Morningstar effective underwritten rent is $1,429 per unit per month which is in line with the Reis market average of net effective rent of $1,482 per month. Vacancy was underwritten at 9.5%, which was a combination of the assumed minimum vacancy of 9% for apartments and the in-place retail vacancy of 28.2%. In-place apartment vacancy was 6.1% during October 2012 which is slightly lower than the Reis submarket vacancy of 6.5% and the vacancy at the comparable rental properties in the appraisal which reflected an average vacancy of 7.0% including the subject property.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Morningstar underwrote real estate taxes based on the actual taxes due for fiscal 2013. Morningstar underwrote management fees to 3% of effective gross income based on the historical expense and the appraisal. The actual contract rate with a borrower-related management company is 3%.

Capital Items

A reserve for future capital expenditures is underwritten at $348 per unit per year, a 10% increase over the engineer's recommended reserves. The $348 per unit per year is adjusted downward by $71,468 which represents one-tenth of the up-front capital expenditure reserve. The net result is a reserve of $268 per unit per year. Tenant improvements for retail and commercial space is underwritten to 40% of the Morningstar concluded base rent for new tenants and 20% for renewals. Leasing commissions are underwritten to 4% for new tenants and 2% for renewals. A renewal rate of 65% is assumed.

Valuation Drivers

The appraisal's capitalization rate analysis is based upon the rates of recent comparable apartment sales and market surveys. The appraisal concluded that the direct capitalization rate for the subject is 5.25%. The sales included in the appraisal's comparison resulted in an average 5.0% capitalization rate. Morningstar's base multifamily capitalization rate for Suburban Maryland is 6.8%. Morningstar made a downward adjustment of 30 basis points to the base capitalization rate given the property's location near Washington, D.C. and competitive amenities and the final concluded capitalization rate is 6.5%.

NOTE: An issuer tape dated December 27, 2012 updated the property's occupancy to 93.9% as of October 31, 2012, which was higher than the 92.1% used at the time of the analysis. The reported average rent was lowered to $1,758 per unit per month; an average rent of $1,841 was used at the time of the analysis.

Carriage Hill Apartments

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

Property Summary		
Property Type	Multifamily/Garden	
Location	Randallstown, MD	
Year Built/Renovated	1971/2011	
Multifamily Units	806	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	96.50%	As of: 9/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$59,708,000	($74,079/unit)
Loan Amount (Cut-Off Balance)	$59,193,256	($73,441/unit)
Loan Term (months)	120	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	6	
Interest Rate	3.79000%	

Morningstar Analysis		
Current DSCR	1.40 x	
Amortizing DSCR	1.40 x	
Beginning LTV	86.44%	
Ending LTV	68.73%	
Capitalization Rate	6.80%	
Morningstar Occupancy	94.00%	
Net Operating Income	$5,010,481	
Net Cash Flow	$4,656,326	
Value	$68,475,388	($84,957/unit)
Debt Yield	7.87%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$59,193,256	3.79000%	1.40 x	1.40 x	86.4%	68.7%
Total	**$59,193,256**	**3.79000%**	**1.40 x**	**1.40 x**	**86.4%**	**68.7%**

Morningstar Summary

Morningstar Perspective

The Carriage Hill Apartments loan is a ten-year, $59.7 million ($74,079 per unit) refinancing of an existing $54.5 million loan to purchase the property in 2006 for $65.0 million. The property was appraised for $82.8 million and the loan represents a 71.5% loan-to-appraised value ratio. The property is an 806-unit, garden-style apartment complex built between 1971 and 1974 in Randallstown, Maryland. Randallstown is located about 14 miles northwest of Baltimore in an area considered to be a relatively stable, middle income residential area. The property is currently 96.5% occupied as of the 9/30/12 rent roll, with average rents of $984 per unit per month. Historical occupancy has averaged 94.7% since 2010. Gross Potential Rent (GPR) continues to improve with average rents growing from $931 per month in 2010, to $933 in 2011 to $943 as of the most recent trailing twelve months ("TTM") ending 9/30/12. This growth has continued while slowly improving occupancy levels.

The property is part of a four-property, uncrossed portfolio, sponsored by Rockpoint Group with a combined 2,174 units. The other properties include Charlesmont Apartments located in Dundalk, Maryland and Dutch Village and Pleasantview, both located in Parkville, Maryland.

Older properties tend to have higher deferred maintenance issues. This property was no different. However, sufficient funds in the amount of 125% of the estimated repair cost were established in a deferred maintenance reserve to cover these concerns. The borrower also invested $4.6 million in capital improvements between 2007 and 2011. When the deferred maintenance concerns are completed, the property should compete well within the market. Also, the property has excellent access to major Interstate highways, close to downtown Baltimore and to employment centers. Overall, the loan has moderate leverage and strong coverage at 1.40x.

The Bears Say

- ❖ This is an older property, built between 1971 and 1974. The property engineering report recommended immediate repairs of $1.56 million, including landscaping and site drainage repairs, asphalt pavement repairs with sealcoat and restriping, repair of damaged sidewalks, exterior brick siding, and roof replacement among notable items. A deferred maintenance reserve was established in the amount of $1.95 million, representing 125% of the anticipated repair cost. In addition, an environmental assessment report noted in a previous report in 2006 that elevated concentrations of lead in drinking water were indicated. The consultant recommended further evaluation of the lead in drinking water at the site and the replacement of all faucets more than five years old as a business environmental risk issue. An additional reserve in the amount of $63,585, representing 125% of the estimated cost to replace those faucets was established.
- ❖ Baltimore is strongly affected by trends in federal spending, though not to the same extent as Washington. The upcoming fiscal cliff and the federal budget crisis in general could present some additional risk or lower stability.
- ❖ Reis projects a slight increase in vacancy as the market slowly absorbs some new units expected to be completed in 2013. The anticipated 30 bps increase is still relatively low in terms of the current market.

The Bulls Say

- ❖ Borrower invested $4.6 million in capital improvements between 2007 and 2011 after the purchase of the property in 2006 for $65.0 million.
- ❖ The subject property is located 14 miles northwest of Baltimore with excellent access to both Interstate 695, which is known as the Baltimore Beltway and circumvents the City, and Interstate 95, which runs the majority of the eastern seaboard.
- ❖ Baltimore has close proximity to Washington DC and has a large concentration of defense and life science facilities. Randallstown's proximity to employment centers, strong transportation links and cultural amenities makes this neighborhood a desirable yet relatively inexpensive area.
- ❖ The U.S. Bureau of Labor Statistics (BLS) reports a seasonally unadjusted unemployment rate of 7.0% in September 2012 for the Baltimore-Towson MSA, down from 7.4% a year earlier. The national unemployment rate was 7.8% in September 2012.
- ❖ Strong sponsors with substantial capital backing and experienced third-party management company with over 30 years in multifamily real estate.

Property Description

The subject property is an 806-unit, garden-style apartment complex in the city of Randallstown, Maryland, within the Baltimore-Towson metropolitan area. The property was built between 1971 and 1974 and consists of 41 three- and four-story buildings situated on 45.8 acres. Common area amenities include a swimming pool, wading pool, a clubhouse with fitness center, a business center and a conference room, tennis courts, basketball courts, three playgrounds, pet area, storage area and a gated access. The unit amenities include a standard kitchen with range/oven, microwave, garbage disposal, dishwasher, refrigerator, washer/dryers and a patio/balcony area.

The borrower invested $4.6 million in capital improvements between 2007 and 2011, or $5,695 per unit. The improvements included building repairs, clubhouse renovation, concrete repairs, electrical and plumbing upgrades, exterior painting, new exterior lighting, fitness center upgrades, gutter and downspout repairs, common area upgrades, leasing office renovations, roof replacement, new signage, water tank replacement, unit renovations with bathroom upgrades, new cabinets, countertops, new flooring, appliance replacement, electrical and plumbing upgrades, landscaping improvements, piping replacement, new playground equipment, new signage, and swimming pool and tennis court upgrades.

The property is located in a predominately middle income residential community. The property is near Liberty Plaza, Northwest Hospital & Medical Center and Randallstown Community Center. Liberty Plaza will soon be anchored by a Wal-Mart Supercenter. Owings Mills Mall is located three miles north of the property and anchored by Macy's and JC Penney. Northwest Hospital is located two miles east of the property and is the major employer within the corridor. Baltimore-Washington International Airport is located 15 miles southeast of the property.

Morningstar visited the property on December 11, 2012 in the afternoon. The entrance to the community has a security gate. The property presents well, with attractive landscaping and several amenities. Attached to the leasing office, there is a very large community room with a loft area and kitchen, and vaulted ceiling with wood beams. Business and fitness centers are also in the same building. Occupancy was reported to be 93.4% at the time of the visit, with a renewal rate estimated at 65%. Concessions are reported to be used only minimally as needed. HVAC units and water heaters are replaced as needed, and several are replaced every year. Some roofs were replaced during the past year, with the oldest reported to be about 10 to 15 years old. The tenant base includes some government workers, as well as a few employees of Fort Meade. Based on the overall condition of the property, Morningstar gave this property an Average property rating.

Unit Type Mix

The property consists of 806 total units with an average unit size of 1,112 square feet. The majority (47.8% of the units) are concentrated in two-bedroom floor plans ranging in size from 1,173 square feet to 1,313 square feet with an average size of 1,186 square feet. There are 304 (37.7%) one-bedroom units with an average of 921 square feet and 117 (14.5%) three-bedroom floor plans with an average of 1,363 square feet.

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	0	0.0%	0
One Bedroom	304	37.7%	921
Two Bedroom	385	47.8%	1,186
Three Bedroom	117	14.5%	1,363
Townhomes/Other	0	0.0%	0
Total	**806**	**100.0%**	**1,112**

Market Overview

Carriage Hill Apartments is located in the city of Randallstown, Maryland, Baltimore County, within the Baltimore-Towson MSA. The MSA is approximately 37 miles northwest of Washington DC.

The collateral property is located in the Pikesville/Randallstown/Owings Mills submarket, within the Baltimore metro market, according to Reis. Per Reis Q3/2012 data, the mean and median per unit asking rent for the submarket is $1,086 and $988, which is higher than in-place rent at the subject. As of this same time period, mean and median vacancy for the submarket is 4.5% and 4.0%, respectively. Class B/C type properties, according to Reis have an average market asking rent of $996 per unit with a market vacancy of 4.1%.

The appraisal identified four comparable properties, all located within six miles of Carriage Hill Apartments. Average comparable per unit rental rates ranged between $923 and $1,103. The appraiser estimated market rent for this property to be $1,010 per month with market vacancy of 6.0%. The appraisal reported comparable property occupancy levels between 89% and 100%, with an average of 95.7%.

For the purposes of estimating market rent and vacancy, Morningstar utilized Reis' submarket rent for Class B/C properties, which were $996 per month and vacancy of 6.0% based on the appraiser's estimate. Our estimate of market rent net of vacancy is greater than in-place economics as of the most recent rent roll and as a conservative measure we therefore underwrote to in-place rent and a 6% minimum vacancy.

Sponsorship/Management

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

The property management is JK2 Westminster LLC, a third party management company headquartered in New York City, an affiliate of The Kushner Companies. The contract fee is 3.0% of effective gross income.

Morningstar Analysis

	Morningstar	2010	2011	TTM 09/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$9,514,250	$9,005,553	$9,022,851	$9,226,152	
or					
Base Rent	0	0	0	0	
Laundry/Vending	13,548	8,085	12,344	21,125	
Expense Reimbursement	40,932	77	6,927	82,679	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	205,225	226,228	217,390	237,822	
Less: Vacancy Loss	-575,512	-693,057	-379,945	-376,610	
Less: Concessions & Collection Loss	-141,160	-230,843	-155,705	-133,888	
Effective Gross Income	**$9,057,283**	**$8,316,043**	**$8,723,862**	**$9,057,280**	**$8,930,319**
Expenses					
Real Estate Taxes	$465,280	$429,827	$439,432	$449,546	
Property Insurance	197,407	125,323	149,154	197,407	
Utilities	836,146	978,380	871,172	700,023	
Repairs and Maintenance	846,600	658,862	836,151	801,452	
Janitorial	0	0	0	0	
Management Fees	271,718	248,272	261,858	270,864	
Payroll & Benefits	1,190,554	954,707	1,046,751	1,090,449	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	68,768	66,684	69,726	65,067	
Professional Fees	37,014	69,318	70,595	0	
General and Administrative	133,313	129,817	50,854	142,118	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$4,046,801**	**$3,661,190**	**$3,795,693**	**$3,716,926**	**$3,934,694**
Net Operating Income	**$5,010,481**	**$4,654,853**	**$4,928,169**	**$5,340,354**	**$4,995,625**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	354,155	221,652	221,652	219,975	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$354,155**	**$221,652**	**$221,652**	**$219,975**	**$321,594**
Net Cash Flow	**$4,656,326**	**$4,433,201**	**$4,706,517**	**$5,120,379**	**$4,674,031**

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	$984
Vacancy (%)	6.00%

As of the 9/30/12 rent roll, average rents were $983.69 per unit and vacancy was 3.5%. Based on a review of the Reis submarket, the appraiser's rent conclusion and the appraiser's rent comparables, Morningstar determined the market rent to be consistent with the subject's in-place rent along with a minimum market vacancy at 6.0%.

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

Expenses

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

Real Estate Taxes were underwritten based on the most recent TTM ending 9/30/12, inflated 3.5%. The appraiser underwrote taxes at $440,633 and the borrower's budget had taxes at $446,124.

Insurance was underwritten based on the actual insurance premium, which is higher than the appraiser's estimate and borrower's budget. Property covered by blanket insurance policy.

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

Overall, expenses were 44.7% of effective gross income, which is slightly higher than the TTM ending 9/30/12 of 40.4% and the appraiser's estimate of 41.85%, but consistent with the issuer's underwriting of 44.1%.

Capital Items

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

Valuation Drivers

Morningstar's multifamily capitalization rate for Baltimore is 6.8%. There were no adjustments to the capitalization rate, property score or other special characteristics. This estimate is more conservative than the appraiser's capitalization rate of 6.0%, but consistent with capitalization rates from appraiser's sales comparables which averaged 6.8%.

Millennium Waterway

Analyst: David A. Sondesky 267-960-6042
Analytical Manager: Sheila Bjornstad 646-560-4511

Property Summary		
Property Type	Multifamily/Garden	
Location	The Woodlands, TX	
Year Built/Renovated	2010/N/A	
Multifamily Units	393	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	96.40%	As of: 9/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$55,584,000	($141,435/unit)
Loan Amount (Cut-Off Balance)	$55,584,000	($141,435/unit)
Loan Term (months)	120	
I/O Period (months)	60	
Amortization Term (months)	360	
Loan Seasoning (months)	7	
Interest Rate	3.75000%	

Morningstar Analysis		
Current DSCR	1.88 x	
Amortizing DSCR	1.28 x	
Beginning LTV	98.08%	
Ending LTV	88.63%	
Capitalization Rate	7.00%	
Morningstar Occupancy	93.50%	
Net Operating Income	$4,053,590	
Net Cash Flow	$3,967,130	
Value	$56,673,292	($144,207/unit)
Debt Yield	7.14%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Capital Structure Table						
Loan	**Balance**	**Interest Rate**	**Current DSCR**	**DSCR Amtz**	**BLTV**	**ELTV**
Mortgage Loan	$55,584,000	3.75000%	1.88 x	1.28 x	98.1%	88.6%
Total	**$55,584,000**	**3.75000%**	**1.88 x**	**1.28 x**	**98.1%**	**88.6%**

Morningstar Summary

Morningstar Perspective

The Millennium Waterway ("the Subject Property") loan is a ten-year, $55,584,000 ($141,435 per unit) loan which provided proceeds to refinance an existing loan of $47.2 million, to purchase the minority owner's interest, and provided cash out to the remaining partner of approximately $1,353,027. The loan represents an 80% loan-to-appraised value ratio. The borrower constructed the property in 2010 for $55.3 million and has no cash equity remaining in the transaction. The Subject Property is a LEED Silver Certified Green 393-unit multi-family garden property located at One Waterway Avenue in The Woodlands, roughly 30 miles north of Houston, Texas. Situated on a 6.7–acre site, the property consists of two four-story low-rise apartment buildings. As of the 9/30/12 rent roll, the property was 96.4% occupied and is considered to be in good overall condition.

Morningstar visited the property the morning of December 6, 2012. The Subject Property benefits from the combination of being located just blocks away from The Cynthia Woods Mitchell Pavilion, The Woodlands Mall and Market Street retail district, while still situated in a natural setting filled with parks, trails and wildlife. The property has a corporate tenant concentration of approximately 20%, of which there are three primary leasing companies - National Corporate Housing, Premier Corporate Housing, and Suite Relocations. The three major corporate tenants hold 9 units each, representing 14% of the corporate units or 2.3% of the total property units. Based on our visual inspection, we have assigned this asset a property score of 2 (Good).

Morningstar's analysis of the property resulted in a net cash flow ("NCF") of $3.97 million, which is 11.5% lower than the trailing-twelve-months ("TTM") ending June 30, 2012 figure of $4.1 million. The NCF decrease over the TTM statement is mainly attributable to an increase in real estate taxes as a result of the lease-up and stabilization of the property over the last 18 months[1]. Morningstar's effective gross income ("EGI") is 1.7% higher than the TTM which is driven by a lower vacancy rate due to the stabilization of the asset that occurred last year. We underwrote to an average rental rate of $1,650 per unit per month, which is slightly lower than the current average in-place rent of $1,654 per unit per month. The decrease is mainly driven by the appraiser's concluded average rent for the property of $1,644 per unit although it should be noted that the appraisal was completed in March 2012 and given the strength of the overall market, some rental growth over the last six months is to be expected. In comparing in-place rents to the overall submarket, in-place rents are considerably higher than the Reis data for properties of similar vintage of $1,158 per unit per month however it is important to keep in mind that the Subject Property is considered to be the nicest and newest asset in the submarket and offers best-in-class amenities and unit finishes. As support for the subject's in-place rents, there is one comp, Boardwalk at Town Center which is located within 1/2 mile and is also a 4-story high-end Class A property and most comparable to the Subject Property. Boardwalk at Town Center has an average rental rate of $1,662 per unit which is in line with the subject property's $1,644 per unit. On a unit type basis, the rent comparison is closer. The mid-to-large one bedroom units are $1.79 per square foot for Boardwalk at Town Center (Comp 3) and $1.74 per square foot for the subject. The larger two bedroom unit for Comp 3 is $1.67 and $1.66 per square foot and ranges from $1.72, $1.64 and $1.93 for the subject property. Therefore, for most of the various floor plans, the subject property and Comp 3 have similar rents and although the subject property leads the market in rental rates.

We have underwritten to a vacancy rate of 6.5% which exceeds the current vacancy rate of 3.6% (as of the 9/30/12 rent roll) although it is slightly lower than the Reis average vacancy for Class A units in the submarket of 8.1%. The appraiser's concluded vacancy rate was 6.0%. Morningstar's value for the property is $56.7 million ($144,207 per unit), an 18.4% variance from the appraised value of $69.5 million. The resulting Morningstar LTV and DSCR are 98% and 1.28x (amortizing), respectively. In-place revenues are considered sustainable as rents in the market are projected to grow over each of the next four years (per Reis).

The Bears Say

- Highly levered loan with the loan balance at cutoff representing an 80% loan-to-appraised value (98% based on Morningstar's concluded value). Additionally, the loan is structured with a five-year interest-only period.
- New product inventory entering the market that will pose added competition to Class-A properties in the submarket

The Bulls Say

- Strong market fundamentals with rent growth and positive absorption expected over each of the last five years.
- A major development in the area is planned to take place over the next several years involves ExxonMobil which is currently building their North American headquarters. The complex will be approximately three miles south of the subject at the intersection of I-45 and Hardy Toll and occupy approximately 385 acres. The new site is estimated to move 4,000 ExxonMobil employees to the area as well as make a wide economic impact to the community.

[1] Additional detail regarding underwritten real estate taxes is provided on the last page of this report.

- Built in 2010, the subject property is in good physical condition with stable and sustainable cash flows.
- Location – The Subject Property is located one mile West of Interstate 45 and a block north of Woodlands Parkway and one block south of The Woodlands Mall. The property is located in The Woodlands master-planned community, one of the fastest growing areas in the country.

Property Description

The subject consists of a 393-unit market-rate rental development situated on a 6.7-acre site in The Woodlands master-planned community. Common area amenities include a resort-style swimming pool, clubhouse with kitchen, game room, tanning booth and bar, fitness center, business center, outdoor kitchen, playground, pet park and picnic area. Unit amenities include 10' ceilings, fully-equipped kitchens with gas ranges, washer and dryers, granite counter tops, ceiling fans and patios/balconies. The project began leasing in June 2010 and stabilized in September 2011.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
One Bedroom	266	67.7%	759
Two Bedroom	119	30.3%	1,176
Three Bedroom	8	2.0%	1,476
Total	**393**	**100.0%**	**900**

Market Overview

The property is located with The Woodlands master-planned community, 30 miles north of Houston, Texas, which is a 43.9 square mile community with a population of 93,847 and is organized into eight villages. Primary access to the neighborhood is provided by I-45, which is located one mile east of the property. The Subject Property is located in the Village Grogan's Mill within the Town Center area, which is a primarily commercial development. The surrounding area consists of retail, housing and vacant land with the majority of the uses developed in the last ten years. The Woodlands is a mostly affluent area with houses selling from $100,000 to $3.5 million. The Woodlands Mall, located one block north of the property is a 160+ store (1.4 million square feet) regional mall anchored by Dillard's JCPenney, Macy's, and Sears. The Woodlands Mall is connected to a centralizing feature of The Woodlands called the Woodlands Waterway which is a 1.25 mile long waterway connecting The mall, The Woodlands Marriott Hotel & Convention Center, Waterway Square, and The Cynthia Woods Mitchell Pavilion. Waterway Square serves as the home for many of The Woodlands main employers including Anadarko Petroleum, Woodforest National Bank, U.S. Oncology and American Financial and Automotive Services. The Waterway district also serves as a venue for a variety of restaurants, shops, and entertainment. In turn, the Subject Property benefits greatly from being well located to all of these demand drivers and has a corporate rental concentration of approximately 20%.

As far as future demand goes, a major development in the area is planned to take place over the next several years involves ExxonMobil which is currently building their North American headquarters. The complex will be approximately three miles south of the subject at the intersection of I-45 and Hardy Toll and will occupy approximately 385 acres. The new site is estimated to move 4,000 ExxonMobil employees to the area as well as make a wide economic impact to the community. This should help ensure that occupancy and rental rate at the Subject Property is sustained as well as provide the needed demand for apartments that are projected to be added to the submarket inventory over the next four years (3,200 units as estimated by Reis). The Woodlands has consistently been top performing residential development in the Houston area and one of the fastest growing areas in the country.

According to Reis, the Subject Property is located in the Far NW/Montgomery County submarket of the greater Houston market. Vacancy in the Far NW/Montgomery County sub-market ranged from as high as 15.1% in early 2009 to a low of 7.9% which is the current vacancy rate. Although vacancy has varied considerably over the last few years, it is important to note that increases in year-over-year vacancy is directly driven by additions to supply in the sub-market and there has been positive absorption over each of the last five years. Over the next three-year period (2013 to 2015), according to Reis, the Far NW/Montgomery County sub-market vacancy rate is projected to progressively decrease to 6.6% by 2014. As for rents, average rental rates have increased each of the last five years and Reis projects that this trend in rental growth will continue through 2016. According to the appraisal, based on a survey of 2,428 units at seven multifamily rental developments (including the subject), vacancy rates at comparable developments ranged from 3.0% to 9.0% with an average vacancy rate for the surveyed properties of 5.4%.

Sponsorship/Management

The borrowing entity is Waterway Ave Partners, L.L.C., a recycled, single-purpose Delaware limited liability company. The property is managed by DMC-Management Co., Ltd, a third-party management company. The company is a subsidiary to The Dinerstein Companies, a professional property management group specializing in conventional apartment communities for 60 years. The Dinerstein Companies was the original developer and previous limited partner in the subject. It currently manages 17,000 units, with 800 units in the local area. The contract management fee is 3.0%.

Morningstar Analysis

	Morningstar	NAP	2011	TTM 9/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$7,785,350	$0	$7,611,248	$7,680,956	$7,754,112
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	119,485	0	96,036	121,499	
Percentage Rent	0	0	0	0	
Parking Income	11,441	0	43,479	13,034	
Other Income	175,472	0	125,952	171,304	
Less: Vacancy Loss	-482,077	0	-1,993,139	-450,037	
Less: Concessions & Collection Loss	-555,694	0	-740,632	-425,877	
Effective Gross Income	**$7,053,977**	**$0**	**$5,142,944**	**$7,110,879**	**$7,032,008**
Expenses					
Real Estate Taxes	$1,088,307	$0	$712,404	$578,238	
Property Insurance	140,353	0	121,250	137,184	
Utilities	295,277	0	289,190	205,558	
Repairs and Maintenance	222,344	0	169,987	193,283	
Janitorial	0	0	0	0	
Management Fees	211,619	0	210,072	254,752	
Payroll & Benefits	621,281	0	521,682	578,099	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	236,131	0	248,161	239,098	
Professional Fees	0	0	0	0	
General and Administrative	177,900	0	150,510	195,985	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	7,174	0	6,040	6,756	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$3,000,387**	**$0**	**$2,429,296**	**$2,388,953**	**$2,976,148**
Net Operating Income	**$4,053,590**	**$0**	**$2,713,648**	**$4,721,926**	**$4,055,860**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	86,460	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$86,460**	**$0**	**$0**	**$0**	**$80,565**
Net Cash Flow	**$3,967,130**	**$0**	**$2,713,648**	**$4,721,926**	**$3,975,295**

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	$1,650
Vacancy (%)	6.5%

Morningstar has estimated rent at $1,650 per unit per month which is slightly lower than the average in-place rents as of the September 30, 2012 rent roll. This slight mark-to-market is being driven by the appraiser's concluded average market rental rate per unit of $1,644. Rents at the subject property are generally higher than the market for properties of similar vintage as 84 units at the subject were recently constructed and command a higher rental rate.

The competitive forces in the submarket has resulted in rent concessions throughout all markets in the city. The concessions vary according to occupancy and demand of particular floor plans. The concessions have been prevalent in the market for some time due to continued new construction, and most leasing managers believe they will remain in the near future. Some complexes in the neighborhood are offering up to one month free on a 12 to 13 month lease, while others are offering reduced rents on selected units. Some complexes are not offering concessions because they are using the Yield Star program which factors in concessions and reflects effective rents. The subject's current concession is one month free on 12 month leases which matches Morningstar's underwritten concessions.

Expenses

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

Real Estate Taxes are underwritten based on the appraiser's estimate, which was based on the preliminary 2012 assessed value of $41,668,860. The 2011 assessment was $26,485,220, and the preliminary 2012 value represents a 57.3% increase. The appraiser's tax comparables ranged from $74,683/unit to $122,352/unit. The underwritten taxes represents 59.0% of the appraised value when assessed values in Texas usually fall between 75.0% and 90.0% of the market value. Increasing the assessed value to 75.0% of the market value would represent a 97.0% increase in taxes and would more than likely trigger a tax protest by the sponsor. The actual 2011 tax liability was $691,741.

Capital Items

A reserve for future capital expenditures is underwritten at $220 per unit per year, a 7.3% increase over the engineer's recommended reserves.

Valuation Drivers

The Morningstar base multifamily capitalization rate for the Houston MSA is 7.20%. We have then deducted 20 basis points from the base cap rate to account for our assigned Property Score of 2 (Good). The resulting Morningstar capitalization rate of 7.0% is 100 basis points higher than the appraisal capitalization rate of 6.00%.

Harrison Station

Analyst: Edward P Dittmer (267) 960-6043
Analytical Manager: Sheila Bjornstad (646) 560-4511

Property Summary		
Property Type	Multifamily/Mid-Rise	
Location	Harrison, NJ	
Year Built/Renovated	2011/N/A	
Multifamily Units	275	
Net Rentable Sq. Ft. (Other)	12,814	
Occupancy	100.00%	As of: 10/24/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$49,950,000	($181,636/unit)
Loan Amount (Cut-Off Balance)	$49,950,000	($181,636/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	3.69000%	

Morningstar Analysis		
Current DSCR	1.86 x	
Amortizing DSCR	1.26 x	
Beginning LTV	100.62%	
Ending LTV	84.01%	
Capitalization Rate	7.00%	
Morningstar Occupancy	94.64%	
Net Operating Income	$3,558,146	
Net Cash Flow	$3,473,058	
Value	$49,639,782	($180,508/unit)
Debt Yield	6.95%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Capital Structure Table						
Loan	**Balance**	**Interest Rate**	**Current DSCR**	**DSCR Amtz**	**BLTV**	**ELTV**
Mortgage Loan	$49,950,000	3.69000%	1.86 x	1.26 x	100.6%	84.0%
Total	**$49,950,000**	**3.69000%**	**1.86 x**	**1.26 x**	**100.6%**	**84.0%**

Morningstar Summary

Morningstar Perspective

Morningstar views the loan positively over the short run and more cautiously long term as new development comes into the market. The subject is a newly-constructed, 275-unit multifamily property in Harrison, New Jersey with approximately 12,800 square feet of ground floor retail. The property is adjacent to Harrison Station on the PATH rail line that runs from Newark to Manhattan and offers residents a 20-minute commute into New York City. The high cost of housing in New York as well as in Hoboken and Jersey City has encouraged developers to seek opportunities in other markets. Harrison, like many older industrial towns, has made redevelopment a priority and is seeking to leverage its access to New York to bring in new development. Much of the town, especially areas along the riverfront, has been re-zoned for residential, retail and office uses. In addition, the Red Bull Arena was completed in 2010 a five minute walk from the property and draws thousands of soccer fans to the area for each home game. As part of the redevelopment program, the property benefits from a PILOT (Payment in Lieu of Taxes) Agreement that will expire in 2041 effectively reducing the property taxes over the term of the loan.

Since the property was completed, lease-up has been relatively swift, indicating that there is demand for quality multifamily in this area. On a recent site visit, our analysts noted very strong traffic in the area to and from the train station. With the property now leased to capacity, all concessions have been withdrawn and few incentives, if any, are offered to prospective tenants.

We emphasize that the property is a high-quality asset that has leased successfully. And we believe that New York will continue to be a high-demand, high-dollar multifamily market. However, as one gets further from the city and its immediate suburbs, properties become less unique and there is not only competition from inside Harrison, but from development across Northern New Jersey and the Outer Boroughs of New York City. Long term, there is uncertainty with regard to the development pipeline in the area.

The sponsors have plans to build up to 2,600 units in Harrison that are both rentals and condominiums. Other developers are moving into the area with plans for new construction. At this time, we believe that demand is sufficient for the existing supply, with some absorption of new buildings. As more units are added, we cannot forecast the effect on rents and vacancy. Therefore our underwriting approach reflects this cautious viewpoint. Both multifamily and commercial rents were underwritten to in-place with no consideration for any upside. Morningstar's underwritten value of $49.6 million ($180,000 per unit) is 31.1% lower than the appraisal value based on a capitalization rate of 7.0%. The cap rate is higher than those of other New York-area properties and has been adjusted higher due to the uncertainty. As a result, Morningstar's underwritten loan-to-value is high at 100.6%.

The Bears Say

- Development risk in the area. Harrison has more recently attracted the attention of developers which could increase the supply significantly. We believe that the market could absorb small increases in the short term, but are concerned about the possible additions to supply over the loan term.
- The two-year interest only period reduces the deleveraging over the loan term.
- Morningstar has underwritten a high loan-to-value ratio of 100.6%.
- The property has a limited operating history; however our site visit indicates that the property has fully leased up and ceased the use of rental concessions.

The Bulls Say

- The property is adjacent to a PATH station with direct access to New York City.
- The property offers new units and a strong amenity package at a lower cost than in Hoboken and Jersey City.
- The submarket vacancy rate is less than five percent and Northern New Jersey has traditionally had very stable occupancy.

Property Description

Harrison Station is a class A, apartment building in Harrison, New Jersey that was completed in 2011. There are 275 residential units at the property and 10 parking spaces available for the use of the leasing office. An adjacent parking facility through a zoning regulation has 425 parking spaces that may be leased to tenants at $125 per month. Harrison is a town of 13,620 residents immediately across the Passaic River from the Ironbound district of Newark and 10 miles West of Manhattan. The subject is adjacent to a station on the PATH rail line, offering access to Manhattan in 20 minutes.

The property's immediate neighborhood is largely industrial but has experienced some growth and diversification over the past several years. Residents seeking more affordable housing than in Hoboken and Jersey City have found Harrison attractive. The construction of the Red Bull Arena in 2010 now attracts thousands of soccer fans to the area surrounding the property. In addition to the subject, the sponsors intend to develop an additional residential community with as many as 2,600 rental and for-sale housing units, 80,000 square feet of retail and a 140-key hotel.

The common area amenities include secured access, 24-hour front desk, club room with lounge, a swimming pool, sand volleyball court and fitness center. The unit amenities include dishwashers, microwaves, washers and dryers and walk-in closets. First floor units have a patio area and intrusion alarms.

The Engineer's Report did not recommend any immediate repairs. The reserve was estimated at 66,280 per year or $241 per unit per year. The Environmental Report did not identify any new Recognized Environmental Conditions. However, the site has historically had industrial uses through the 1990's that have resulted in contamination across the area. The New Jersey Department of Environmental Protection approved for this parcel a remediation plan in 2007 which included demolition of existing structures, cleanup of the soil, removal of contaminated soil and implementation of concrete and asphalt caps and a vapor barrier. The remediation has been approved by the NJDEP.

Morningstar visited the property on December 14, 2012. The property was in good condition and has an above average level of finish. We noted that there were high levels of traffic from the train station to the surrounding parking lots. Harrison itself is largely industrial with limited retail or entertainment options; however, the property manager pointed out that many residents work in Manhattan and will find entertainment and shopping there, prior to returning home. Management reported that the property was 98% occupied at the time of visit and that concessions are no longer employed by the leasing office. Two retail spaces are scheduled to open by year end, leaving only one vacant storefront at the property.

Management indicated that there is significant development coming to the area. In addition to the development planned by the sponsors, other developers are planning new units in the area. Immediately across the street, there is a property under development that is tentatively intended to be named Harrison Station, the same as the subject. The manager said that the sponsors may initiate legal action if this name is not changed. Morningstar has assigned a property score of "2" or good to this asset.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	46	16.7%	498
One Bedroom	155	56.4%	743
Two Bedroom	74	26.9%	1,045
Total	**275**	**100.0%**	**783**

Market Overview

The Northern New Jersey multifamily market is and has remained relatively stable for the past several years. The vacancy rate as of the third quarter of 2012 was 3.8%, with an average asking rent of $1,568 per month. Vacancy did not increase beyond 5.2% at the worst point of the recession and was below 5% for most of the 2008 through 2011 period. Despite declines in rent through that recessionary period, the subsequent recovery has resulted in rents that are 3.2% higher than in 2008. Asking rents for class A properties in Northern New Jersey was $2,003 month, higher than rents at the subject.

The subject is within the Reis Hudson County submarket and includes Hoboken, Jersey City, West New York and Bayonne. The submarket vacancy rate was 4.4% as of the third quarter of 2012 with an average asking rent of $2,646 per month. Rents in the submarket did not recover as strongly as in Northern New Jersey as a whole. The third quarter rent was less than 1.0% higher than in 2008. Owing to the very high cost of housing in Hoboken and Jersey City, class A rents in the submarket averaged $3,107 per month in the third quarter.

The appraiser identified five comparable properties with a total of 1,364 units. As Harrison is relatively new ground for multifamily developers, none of the comparable properties are in Harrison. The average rent for the comparable properties was $1,985 per month, higher than the subject, but includes assets in superior locations. Properties in Jersey City and Secaucus had shorter commutes to Manhattan while the Montclair and South Orange properties had superior surrounding uses. Several of the properties had superior levels of finish than the subject.

Sponsorship/Management

The borrowing entity is Harrison Building 1 Urban Renewal, L.L.C., a recycled, single-purpose, New Jersey limited-liability company.

The manager is Applied Property Management, a borrower-affiliated management company. The contractual management fee is 3.0%.

Morningstar Analysis

	Morningstar	2009	2010	T-10 Ann. 10/31/2012	Issuer Underwriting
Income					
Gross Potential Rent	$6,131,070	$0	$0	$5,584,058	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	0	0	0	0	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	40,810	0	0	61,138	
Less: Vacancy Loss	-330,653	0	0	-801,347	
Less: Concessions & Collection Loss	0	0	0	0	
Effective Gross Income	**$5,841,226**	**$0**	**$0**	**$4,843,849**	**$5,861,309**
Expenses					
Real Estate Taxes	$769,968	$0	$0	$798,850	
Property Insurance	159,587	0	0	154,190	
Utilities	244,750	0	0	280,255	
Repairs and Maintenance	389,918	0	0	383,132	
Janitorial	0	0	0	0	
Management Fees	175,237	0	0	149,723	
Payroll & Benefits	367,820	0	0	351,071	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	67,400	0	0	408,542	
Professional Fees	8,400	0	0	44,617	
General and Administrative	100,000	0	0	35,322	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,283,080**	**$0**	**$0**	**$2,605,703**	**$2,278,381**
Net Operating Income	**$3,558,146**	**$0**	**$0**	**$2,238,146**	**$3,582,928**
Capital Items					
Leasing Commissions	$6,090	$0	$0	$0	
Tenant Improvements	6,090	0	0	0	
Capital Expenditures	72,908	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$85,088**	**$0**	**$0**	**$0**	**$68,750**
Net Cash Flow	**$3,473,058**	**$0**	**$0**	**$2,238,146**	**$3,514,178**

Analytical Assumptions

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

Revenue Drivers

Rent Per Unit Per Month	$1,778
Vacancy (%)	5.0%

Morningstar's rent was underwritten to the in-place rent at the property. Although rents for some of the comparable assets were higher, we believe that those properties are in superior locations and can demand the higher rents. The retail rent of $20.33 per square foot is below the concluded market rent for similar space. Morningstar's underwritten vacancy is 5.0% a minimum underwriting level that is greater than the in-place vacancy.

Expenses

The property has limited historical operations and most expense items have been underwritten to the appraiser's concluded expense. Real estate taxes were underwritten to the PILOT, which expires in 2041.

Capital Items

A reserve for future capital expenditures is underwritten at $265 per unit per year, a 10% increase over the engineer's recommended reserves. Tenant improvements for retail and commercial space is underwritten to 40% of the Morningstar concluded base rent or $8.13 per square foot for new tenants and $4.07 per square foot for renewals. Leasing commissions are underwritten to 4% for new tenants and 2% for renewals. A renewal rate of 65% is assumed.

Valuation Drivers

Morningstar's market capitalization rate for multifamily properties in Northern New Jersey is 6.8%. We adjusted the rate 20 basis points higher to account for some risk of oversupply in the immediate area.

The Colony

Analyst: Matt Bendzlowicz (267) 960-6025
Analytical Manager: Sheila Bjornstad (646) 560-4511

Property Summary		
Property Type	Multifamily/Co-op	
Location	Fort Lee, NJ	
Year Built/Renovated	1972/2012	
Multifamily Units	482	
Net Rentable Sq. Ft. (Other)	14,994	
Occupancy Multifamily	100.00%	As of: 9/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$40,000,000	($82,988/unit)
Loan Amount (Cut-Off Balance)	$40,000,000	($82,988/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	2.98000%	

Morningstar Analysis		
Current DSCR	8.02 x	
Amortizing DSCR	4.80 x	
Beginning LTV	28.90%	
Ending LTV	23.62%	
Capitalization Rate	7.00%	
Morningstar Occupancy	94.85%	
Net Operating Income	$9,835,308	
Net Cash Flow	$9,691,685	
Value	$138,413,099	($287,164/unit)
Debt Yield	24.23%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$40,000,000	2.98000%	8.02 x	4.80 x	28.9%	23.6%
Total	**$40,000,000**	**2.98000%**	**8.02 x**	**4.80 x**	**28.9%**	**23.6%**

Morningstar Summary

Morningstar Perspective

The Colony loan is a 482-unit, high-rise complex located in Fort Lee, NJ that has been operated as a cooperative (co-op) since 1985. In addition, the property has 14,994 square feet of retail space that is currently 100% occupied. The collateral of the loan involves the fee simple interest in the multifamily building which has, in turn, been leased to the individual cooperative apartment unit owners (technically the collateral for this loan is the leased fee interest). The apartment units owners pay monthly maintenance charges which cover not only ongoing maintenance and operating of the public areas of the building, but also mortgage interest payments on the leased fee loan. Although each cooperative unit owner typically has debt on their units, the mortgage debt on the individual units is fully subordinated to the debt on the leased fee interest, and in the event of default the borrower may foreclose the entire building and convert cooperative units to rental apartments. Realistically in order to preserve the value of their collateral, the unit owners and their respective lenders will never allow the subject leased fee loan to go into default. Because the borrower could theoretically foreclose on the entire building, it is reasonable to evaluate the real estate as if it involved the full fee simple value; in order to do so we have estimated the NCF and market value of the asset as if it were a market-based rental community. Based upon this analysis, the loan has very low leverage with a loan to value of 18.2%, based upon the appraised value and a slightly higher loan to value of 28.9% based on the Morningstar value. The loan provides stable debt service coverage of 8.02 times on an interest only basis and 4.80 times on an amortizing basis, based on the Morningstar net cash flow and a 24.2% debt yield.

The property is less than one mile west of the George Washington Bridge and nine miles northwest of midtown Manhattan. The total population base within Fort Lee is approximately 37,096 with an average household income of $92,427. Furthermore, per Reis, the 3Q 2012 submarket vacancy rate was 3.0%. Reis forecasts the submarket vacancy rate to average 2.6% over the next five years. Asking rents within the submarket are projected to increase on average by 4.1% over the next five years.

The Colony has reported strong occupancy and operating history over the past several periods. From 2010 to the trailing twelve months ending May 31, 2012, vacancy was zero, respectively. We have estimated market rent for this community based upon a review market research provided by REIS and an evaluation of nearby rental communities that represent a similar quality level to that of the subject. We have estimated the market rent for the subject to be $2,925 per unit per month which is slightly lower than the estimate provided by the issuer. Morningstar has estimated a market vacancy of 5% for this analysis.
The property is well located within an area that generally reports high occupancy rates and above average demand. Given the occupancy characteristics of the competitive properties surveyed, as well as the current and historical occupancy at the subject, Morningstar believes this vacancy rate figure is well-supported. Our estimate of gross potential rent is below recent historical performance and the appraisal. Nominal new supply coupled with ample tenant demand, would allow for stable performance at the property if operated as a rental community.

The Bears Say

- The loan is interest-only for the first two years. This risk is somewhat mitigated by an interest only and amortizing DSCR of 8.02x and 4.80x, respectively on sustainable cash flow (as a rental property).
- The property was built in 1972. It has been well maintained by the owners as there are minimal immediate repairs recommended by the engineering report.
- Deferral of property taxes, insurance and replacement reserves is mitigated by the financial strength of the borrower, the overall good condition of the property, and the strong property management. Additionally, the borrower must provide the lender with all copies of invoices, notices, policies and proofs of payment for insurance and taxes on an ongoing basis. Replacement reserve escrow springs upon default, transfer or failure to maintain the property.

The Bulls Say

- The loan represents a 28.9% LTV based on Morningstar's rental-based valuation and 26.5% as a co-op based on the appraiser's gross sell-out value of $151,000,000, and 18.1% based upon the appraiser's estimate of value under the hypothetical rental based approach. Morningstar's amortizing DSCR of 4.77x based upon theoretical net cash flow if operated as a rental community.
- The property is managed by Taylor Management Company, a third-party management company. The principals of the management company have been in the real estate industry for over 38 years. Established in 1997, Taylor Management is a full service homeowners' management company (co-ops, condos), and currently manages 33,000 units in 151 properties in New Jersey.
- The subject is located in a growing market that consistently supports demand for multifamily housing. The property is less than one mile west of the Geogre Washington Bridge and nine miles northwest of midtown Manhattan. The total population base within Fort Lee is approximately 37,096 with an average household income of $92,427.
- The borrower invested $14,714,141 ($30,527/unit) in renovations between 2007 and 2012.

Property Description

The Colony is located in the city of Fort Lee, Bergen County, within the Northern New Jersey MSA. The property is improved with a 32-story apartment building over a five-level subterranean parking garage. Built in 1973, the property is a 482-unit, high-rise apartment complex, situated on 4.87 acres of land. The property offers 730 parking spaces, which includes 716 garage spaces. As indicated earlier, all of the units have been sold to third-party owners as cooperative apartments.

The borrower invested $14,714,141 ($30,527/unit) in renovations between 2007 and 2012, which included garage wall repairs, roof replacement, addition of tenant storage, sprinkler system upgrades, generator and boiler replacement, HVAC upgrades, drainage upgrades elevator upgrades, new security camera system, lobby renovation, landscaping improvements, pipe insulation, structural garage repairs, pool renovation, and addition of theater room. Planned capital improvements include upgrades of the building's electrical systems by 2014.

Morningstar visited the property on September 14, 2012. The property was in average condition. The immediate area consists of several apartment complexes and condominiums.

Common area amenities include secured access, indoor and outdoor swimming pools, health club, fitness center with sauna, pllayground, clubroom, theater room, basketball, dry cleaning service and garage parking. Unit amenities vary per unit dependent upon the resident's renovations.

The property is located in the Bergen County submarket, nine miles northwest of midtown Manhattan. The property is located on the east side of Palisade Avenue, just south of Whiteman Street and just north of Tom Hunter Road. Primary access to the neighborhood is provided by the New Jersey Turnpike (I-95) and I-80. The property is located less than one mile south of the George Washington Bridge, which provides convenient access into Manhattan. The Hudson River is located less than one mile east of the property. The Newark International Airport is located about 20 miles southwest of the property.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
One Bedroom	238	49.4%	1,147
Two Bedroom	210	43.6%	1,695
Three & Four Bedroom	34	7.1%	2,584
Total	**482**	**100.0%**	**1,487**

Market Overview

According to Reis, The Colony is in the Bergen County submarket. Within this submarket, the average asking rental rate was $1,627 per unit as of third quarter 2012. The overall average asking rental rate of $1,627 per unit represents a 1.1% increase from the prior quarter and a 2.4% increase from one year ago. Based upon analyzing the subject as a rental property, the weighted average rent at the subject was $2,929 per unit as of May 31, 2012. The appraiser concluded a market rent of $2,919 per unit on a rental basis. Morningstar underwrote rents based on the rate of $2,929 per unit and then marked towards the appraisal market level for a concluded underwritten rent of $2,925 per unit. Reis predicts rents will increase 3.5% by 2017.

Within this submarket, the vacancy rate was 3.4% as of third quarter 2012. Reis forecasts annualized vacancy rates for the next five year period at 3.0% for the submarket. The appraiser identified a competitive set of six properties with a weighted average occupancy of 95.6% compared to 100% at the subject. The appraiser concluded a market vacancy rate of 5.0%. Morningstar underwrote vacancy at the property based on a 5% minimum criterion.

Apartment construction has been present in the submarket, and the submarket has maintained balance between construction and absorption, to even a greater degree than the broader Northern New Jersey MSA.

Sponsorship/Management

The borrowing entity is 1530 Owners Corp., a recycled, single-purpose New Jersey cooperative housing corporation. The property is managed by Taylor Management Company, a third-party management company. The contractual management fee is $8,750 per month.

Morningstar Analysis

	Morningstar	2010	2011	T9 Annualized 9/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$17,414,748	$488,923	$499,422	$434,101	
or					
Base Rent	0	0	0	0	
Laundry/Vending	62,960	63,000	63,000	63,000	
Expense Reimbursement	50,721	0	0	0	
Percentage Rent	0	0	0	0	
Parking Income	651,044	681,008	704,509	689,713	
Other Income	160,951	10,319,820	10,308,223	9,786,753	
Less: Vacancy Loss	-946,626	0	0	0	
Less: Concessions & Collection Loss	0	0	0	0	
Effective Gross Income	**$17,393,799**	**$11,552,751**	**$11,575,154**	**$10,973,568**	**$17,404,737**
Expenses					
Real Estate Taxes	$2,420,000	$3,280,267	$3,349,343	$3,406,607	
Property Insurance	324,267	246,626	239,674	315,079	
Utilities	1,032,744	1,146,814	996,359	973,433	
Repairs and Maintenance	912,017	1,286,673	1,376,770	1,326,951	
Janitorial	0	0	0	0	
Management Fees	521,814	125,004	128,748	105,000	
Payroll & Benefits	1,923,918	1,838,085	1,913,652	1,986,829	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	290,217	0	0	0	
Professional Fees	66,423	71,943	79,306	67,764	
General and Administrative	67,090	102,489	95,703	72,653	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	241,404	243,781	266,269	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$7,558,490**	**$8,339,305**	**$8,423,336**	**$8,520,585**	**$7,184,442**
Net Operating Income	**$9,835,308**	**$3,213,446**	**$3,151,818**	**$2,452,983**	**$10,220,295**
Capital Items					
Leasing Commissions	$11,561	$0	$0	$0	
Tenant Improvements	11,561	0	0	0	
Capital Expenditures	120,500	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$143,622**	**$0**	**$0**	**$0**	**$120,500**
Net Cash Flow	**$9,691,686**	**$3,213,446**	**$3,151,818**	**$2,452,983**	**$10,099,795**

Note: *2010, 2011 and T9 period above reflect actual maintenance income and operating expenses of the cooperative. The Morningstar and Issuer's data above is estimated assuming that the property is operating as a rental community.*

Analytical Assumptions

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

Revenue Drivers

Rent Per Unit Per Month	$2,925
Vacancy (%)	5.1%

Morningstar's analysis of the subject as a rental property resulted in an NCF of $9.69 million, which is 4.0% lower than the issuer's underwritten NCF. Morningstar underwrote vacancy based on their 5% minimum criterion. Morningstar underwrote rents based on the property's average rate and then marked toward the appraiser's market conclusion. Morningstar's value for the property is $138.4 million, a 37.1% variance from the appraised value.

Expenses ($ per unit)

Morningstar underwrote real estate taxes based on the appraiser's estimate of taxes for the property if operated as a rental. Insurance was underwritten to the actual premium. Morningstar underwrote management fees to 3% of effective gross income as compared to the actual contract rate of $8,500 per month. The appraiser used a 3.0% management fee. All other expenses are based on historical levels.

Capital Items

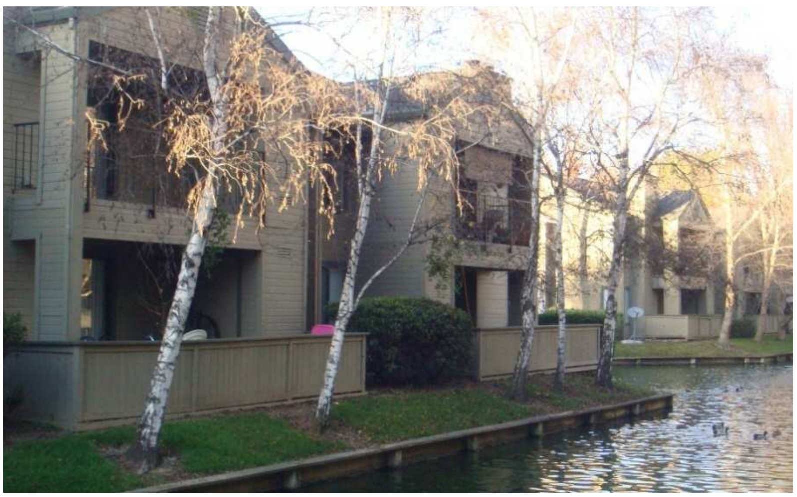
A reserve for future capital expenditures is underwritten at $250 per unit, which is the Morningstar minimum for rental communities and well above the recommended reserves in the property condition assessment. A reserve for tenant improvement and leasing commissions were underwritten on the commercial space.

Valuation Drivers

The appraiser's capitalization rate analysis is based upon the rates of recent comparable apartment sales and market surveys. The appraiser concluded that the estimated capitalization rate for the subject is 5.0%. The sales included in the comparison resulted in a 5.0% capitalization rate. Morningstar's base multifamily capitalization rate for the subject's Northern New Jersey market is 7.0%. Morningstar made no adjustments to the capitalization rate.

Harbor Oaks Apartments

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



Property Summary		
Property Type	Multifamily/Garden	
Location	Sacramento, CA	
Year Built/Renovated	1987/2004	
Multifamily Units	474	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	87.10%	As of: 9/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$39,860,000	($84,093/unit)
Loan Amount (Cut-Off Balance)	$39,860,000	($84,093/unit)
Loan Term (months)	120	
I/O Period (months)	24	
Amortization Term (months)	360	
Loan Seasoning (months)	5	
Interest Rate	3.94000%	

Morningstar Analysis		
Current DSCR	1.77 x	
Amortizing DSCR	1.24 x	
Beginning LTV	97.55%	
Ending LTV	82.04%	
Capitalization Rate	6.85%	
Morningstar Occupancy	87.10%	
Net Operating Income	$2,990,067	
Net Cash Flow	$2,810,426	
Value	$40,862,571	($86,208/unit)
Debt Yield	7.05%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$39,860,000	3.94000%	1.77 x	1.24 x	97.6%	82.0%
Total	**$39,860,000**	**3.94000%**	**1.77 x**	**1.24 x**	**97.6%**	**82.0%**

Morningstar Summary

Morningstar Perspective

The Harbor Oaks Apartments loan is a ten-year, $39.86 million ($84,093 per unit) refinancing of and existing $32.9 million loan used to purchase the property in 1999 for $37.75 million. The loan is interest only during the first two years, then amortizes over a 30-year term. The property was appraised for $52.45 million and the loan represents a 76.0% loan-to-appraised value ratio. The property is a 474-unit, garden-style apartment complex built in two phases in 1987 and 1989 in Sacramento, California. The property is currently 87.1% occupied as of the 9/30/12 rent roll, with average rents of $1,122 per unit per month. Historical occupancy has averaged 88.4% since 2010. However, Gross Potential Rent ("GPR") continues to improve with average rents growing from $1,067 per unit per month in 2010, to $1,088 in 2011 to $1,109 as of the most recent trailing twelve months ("TTM") ending 9/30/12. This growth has continued while maintaining much lower than market occupancy levels. Much of this can be attributed to capital improvements over the past several years. The borrower has invested $8.7 million in capital improvements ($18,259/unit) between 2002 and 2011, including the addition of garages, remodeling of the clubhouse, leasing office, fitness center and business center, new signage, landscaping improvements, exterior painting, siding replacement, swimming pool improvements, new security system, parking lot repairs, and air conditioner replacement. In addition 423 of the 474 units were renovated with new cabinets, countertops, vanities, flooring, doors, appliances, light fixtures and ceiling fans.

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

Overall, the property has excellent access to major Interstate highways and close to downtown Sacramento and to employment centers.

The Bears Say

- This is an older property, built in two phases in 1987 and 1989. The property engineering report recommended immediate repairs of $743,390, including fence repairs, asphalt overlay, with the majority of the repairs to replace wood rot and damaged siding. A deferred maintenance reserve was established in the amount of $929,238, representing 125% of the anticipated repair cost.
- Highly leveraged with a beginning loan-to-value of 97.6% based on Morningstar's calculated Net Cash Flow ("NCF") of $2.81 million. The loan is also interest-only for the first two-years. The risk is mitigated somewhat by the Morningstar interest only DSCR of 1.77x on sustainable cash flow that is 17.9% less than the TTM ending 9/30/12. Much of this difference is attributable to the underwriting of property insurance which now includes flood insurance which was not included historically. Morningstar's amortizing DSCR of 1.24x provides a relatively low level of support in the event of a downturn.
- Relatively high unemployment within the Sacramento MSA. The U.S. Bureau of Labor Statistics (BLS) reports a seasonally unadjusted unemployment rate of 10.3% in September 2012 for the Sacramento MSA, down from 11.4% a year earlier. The national unemployment rate was 7.8% in September 2012. Estimates indicate that the unemployment rate will remain above 10% through 2013.

The Bulls Say

- Borrower invested $8.7 million in capital improvements between 2002 and 2011 after the purchase of the property in 1999 for $37.75 million.
- The subject property is located five miles north of downtown Sacramento. In addition to the state capital of California, Sacramento serves as the financial, communication, cultural and transportation hub of California's expansive Central Valley.
- Rent levels are anticipated to increase about 3% annually over the next several years according to Reis. Demand is expected to remain stable in the subject's immediate market area based upon the general location in North Sacramento which provides additional strength for the multi-family market.
- The property is ideally located about one mile from both Interstate 5 and Interstate 80. These freeways provide access to the San Francisco Bay Area to the west, Southern California to the south, Oregon and Washington to the north, and Nevada to the east.
- Government is the driving force of the Sacramento MSA's economy. Federal, state and local government remain the largest employers in the Sacramento area, although agriculture, education and healthcare are prominent work force industries within the counties that comprise the MSA.
- Well established and experienced owners.

Property Description

The subject property is a 474-unit, garden-style apartment complex in the city of Sacramento, the state capital for California. The property was built in two phases in 1987 and 1989 and consists of 58 two-story buildings on 31.62 acres. Common area amenities include a clubhouse with community room, business center, fitness center, two swimming pools and spas, basketball court, BBQ and picnic area, car care center, a lake and garage and covered parking. The unit amenities include a standard kitchen, washer/dryers, ceiling fans, fireplaces and a patio/balcony area. The property includes 843 parking spaces, including 222 garage spaces and 308 carport spaces.

The borrower invested $8.7 million in capital improvements between 2002 and 2011, or $18,259/unit. The improvements included addition of garages, remodel of clubhouse, leasing office, fitness center and business center, new signage, landscaping improvements, exterior painting, siding replacement, swimming pool improvements, new security system, parking lot repairs, and air conditioner replacement. Units were renovated with new cabinets, countertops, vanities, flooring, doors, appliances, light fixtures, and ceiling fans.

The property is located in a suburb of Sacramento known as South Natomas, five miles north of downtown Sacramento. There are a number of parks, golf courses and other recreational facilities located within two miles of the property. The property is located one mile south of the Sacramento Gateway Mall, a shopping center anchored by Target, Wal-Mart, a 16 screen theater and over 20 other retail stores and restaurants. It is also nearby Power Balance Pavilion, the home of the Sacramento Kings ice hockey team. Sacramento International Airport is located 12 miles southwest of the property.

Morningstar visited the property on 12/12/12, however because of unexpected circumstances, was not provided access to any of the interior units. Morningstar was able to walk the property and do a thorough exterior inspection. Harbor Oaks is in Sacramento approximately five miles from the CBD. The property is easily accessed via I-80 or I-5 and is located on nearby River Plaza Drive. The common area amenities such as the clubhouse, business center, fitness room and pool were all in good condition and appeared to have been well maintained or recently improved. The property's positioning on River Plaza Drive gives Harbor Oaks somewhat of a competitive advantage as Harbor Oaks offers a quieter, more serene setting than the competition which is closer to I-80 and I-5. Harbor Oaks waterways, centrally located water fountain and lush trees provide good ambiance. However, the flowerbeds are in need of sprucing up. The site is well supported by nearby office, retail and industrial facilities. The nearest large employer is Sutter Health Corporate Center – one of northern California's largest healthcare providers. The campus is directly across the street from the subject. Also the NW California Law School is less than a mile away. The nearest retail is Stone Creek Center approximately two miles north of the subject. Management recognizes the substantial amount of repairs needed to bring the property to a level where it can compete with the comparable set and indicated that a program is in place to address and repair damaged and rotted wood siding, repair garage doors and/or paint, update landscaping and clean roofs and indicated that street and driveway asphalt repairs are currently in process. Overall, the property was considered acceptable considering the deferred maintenance program in place and therefore gave this property an Average property rating.

Unit Type Mix

The property consists of 474 total units with an average unit size of 948 square feet. The majority (76.4% of the units) are concentrated in two-bedroom floor plans representing 362 units, ranging from 964 square feet to 1,042 square feet with an average size of 1,015 square feet. The balance of the property is comprised of 112 (23.6%) one-bedroom units ranging from 724 square feet to 738 square feet with an average of 730 square feet.

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	0	0.0%	0
One Bedroom	112	23.6%	730
Two Bedroom	362	76.4%	1,015
Three Bedroom	0	0.0%	0
Townhomes/Other	0	0.0%	0
Total	**474**	**100.0%**	**948**

Market Overview

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

The collateral property is located in the North Sacramento submarket, within the Sacramento metro market, according to Reis. Per Reis Q3/2012 data, the mean and median per unit asking rent for the submarket is $1,030 and $977, respectively. As of this same time period, mean and median vacancy for the submarket is 4.0% and 3.7%, respectively. Properties of similar vintage (1980-1989) were reporting average asking rents of $920 with vacancy of 5.0%.

The appraisal identified six comparable properties located in the subject's market. Average comparable per unit rental rates ranged between $933 and $1,313. The appraiser estimated market rents of $1,055 per month with market vacancy of 11.0%. The appraisal reported comparable property occupancy levels between 94.0% and 97.0%, with an average of 95.0%.

For the purposes of estimating market rent and vacancy, Morningstar utilized Reis' submarket mean rent of $1,030 per month and vacancy of 4.0%. Our estimate of market rent net of vacancy is greater than in-place economics as of the most recent rent roll and as a conservative measure we therefore underwrote to in-place rent and the subject's current vacancy.

Sponsorship/Management

The borrowing entity is a private recycled single-purpose, California limited partnership.

The property management is a private borrrower affiliated property management company. Management fees were underwritten to a minimum fee of 3.0%.

Morningstar Analysis

	Morningstar	2010	2011	TTM 09/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$6,379,831	$6,069,933	$6,189,249	$6,306,375	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	161,089	108,636	152,573	164,930	
Percentage Rent	0	0	0	0	
Parking Income	108,413	118,384	116,618	99,257	
Other Income	137,104	153,966	134,018	133,175	
Less: Vacancy Loss	-842,695	-762,194	-679,860	-741,836	
Less: Concessions & Collection Loss	-92,827	-122,375	-76,089	0	
Effective Gross Income	**$5,850,915**	**$5,566,351**	**$5,836,509**	**$5,961,901**	**$5,854,058**
Expenses					
Real Estate Taxes	$621,515	$577,078	$621,967	$601,279	
Property Insurance	303,972	212,697	165,902	127,004	
Utilities	483,734	458,265	456,962	475,815	
Repairs and Maintenance	350,716	390,566	342,377	315,161	
Janitorial	0	0	0	0	
Management Fees	175,527	74,544	0	116,257	
Payroll & Benefits	702,861	634,136	672,296	706,318	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	110,993	122,528	114,360	104,573	
Professional Fees	20,889	23,233	19,264	14,175	
General and Administrative	86,854	71,001	74,257	76,126	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	3,787	3,063	4,023	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,860,848**	**$2,567,111**	**$2,471,408**	**$2,536,708**	**$2,854,255**
Net Operating Income	**$2,990,067**	**$2,999,240**	**$3,365,101**	**$3,425,193**	**$2,999,803**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	179,641	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$179,641**	**$0**	**$0**	**$0**	**$165,900**
Net Cash Flow	**$2,810,426**	**$2,999,240**	**$3,365,101**	**$3,425,193**	**$2,833,903**

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	$1,122
Vacancy (%)	12.90%

As of the 9/30/12 rent roll, average rents were $1,122 per unit per month with vacancy of 12.9%. Based on a review of the Reis submarket, the appraiser's rent conclusion and the appraiser's rent comparables, Morningstar determined the market rent to be consistent with the subject's in-place rent and vacancy originally underwritten at the time.

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

Expenses

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

The property is a refinance and located in California and subject to Proposition 13 guidelines. Real Estate Taxes were underwritten based on the prior year's tax liability of $609,328 and inflated 2%. The most recent TTM ending 9/30/12, indicates taxes of $601,279 which may have included discounts for early payment. The borrower's budget is $612,000 and the appraiser's estimate was $704,560, which assumes property taxes for the subject are estimated by applying the current tax rate to the concluded value.

Insurance was underwritten based on the actual insurance premium inflated by 2%, which is greater than the appraiser's estimate and borrower's budget. The actual insurance premium is $298,012. The underwritten expense includes flood insurance, which was not included historically.

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

Overall, expenses were 48.9% of effective gross income, which is higher than the TTM ending 9/30/12 of 42.6% and the appraiser's estimate of 44.0%, but consistent with the issuer's underwriting of 48.8%. Much of the increase over TTM was due to the higher insurance expense and management fees.

Capital Items

The borrower deposited $360,0000 into the replacement reserve escrow to reduce the underwritten reserves. Morningstar gave credit of $36,000 per year for the reserve. A reserve for future capital expenditures is underwritten at $455 per unit, a 10% increase over the engineer's recommended reserves, less $35 per unit credit for the reserves.

Valuation Drivers

Morningstar's multifamily capitalization rate for Sacramento is 6.6%. There was an adjustment of 25 bps for higher vacancy risk than market and no additional adjustment for property score or other special characteristics. This estimate is more conservative than the appraiser's capitalization rate of 6.0% and capitalization rates from appraiser's sales comparables which averaged 5.9%.

The Abbey On Lake Wyndemere Apartments

Analyst: Matt Bendzlowicz (267) 960-6025
Analytical Manager: Sheila Bjornstad (646) 560-4511

Property Summary		
Property Type	Multifamily/Garden	
Location	The Woodlands, TX	
Year Built/Renovated	2008/N/A	
Multifamily Units	360	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	97.2%	As of: 9/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$37,500,000	($104,167/unit)
Loan Amount (Cut-Off Balance)	$37,500,000	($104,167/unit)
Loan Term (months)	120	
I/O Period (months)	36	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	3.87000%	

Morningstar Analysis		
Current DSCR	1.83 x	
Amortizing DSCR	1.27 x	
Beginning LTV	93.27%	
Ending LTV	80.42%	
Capitalization Rate	6.70%	
Morningstar Occupancy	93.50%	
Net Operating Income	$2,783,928	
Net Cash Flow	$2,693,928	
Value	$40,207,883	($111,689/unit)
Debt Yield	7.18%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$37,500,000	3.87000%	1.83 x	1.27 x	93.3%	80.4%
Total	**$37,500,000**	**3.87000%**	**1.83 x**	**1.27 x**	**93.3%**	**80.4%**

Morningstar Summary

Morningstar Perspective

The Abbey On Lake Wyndemere Apartments loan is a 360-unit, garden-style apartment complex located in The Woodlands, TX. The loan has moderate leverage with a loan to value of 73% based upon the appraised value but an elevated loan to value of 93.3% based on the Morningstar value. The loan provides stable debt service coverage of 1.83 times on an interest only basis and 1.27 times on an amortizing basis based on the Morningstar net cash flow and a 7.2% debt yield.

The Abbey On Lake Wyndemere Apartments has reported occupancy and an operating history that has stabilized since a low point in 2010. The property experienced the turnover of two property managers in 2010 which resulted in a spike during the transition. For 2010, 2011, and the trailing twelve months ending June 30, 2012, vacancy was 19.2%, 3.22% and 5.53%, respectively, and is 2.8% as of the 9/30/12 rent roll. Morningstar has underwritten the gross potential rent to $1,115 per unit, reflecting slightly lower underwritten gross potential rent than the in-place rents and a minimum vacancy assumption of 6.5%. The property is well located within an area that generally reports high occupancy rates and above average demand. Given the occupancy characteristics of the competitive properties surveyed, as well as the current and historical occupancy at the subject, Morningstar believes this vacancy rate figure is well-supported. Our estimate of gross potential rent is in-line with recent historical performance, the appraisal and budget. The Morningstar underwritten NCF is 10.4% below the trailing twelve months ending June 30, 2012.

With year to date (as of 3Q 2012 per Reis) construction completions of 646 units being met with 2,249 units being absorbed the market looks to be healthy. The Reis five-year consruction forecast shows that this trend may slow to very slight negative absorption but very close to even. Vacancy should continue to trend down in the near term before Reis forecasts an uptick by 2015, thus, rent growth should continue in the near-term.

Nominal new supply, ample tenant demand, and gains in rental and occupancy rates will allow for improved performance at the property. Therefore, based on Morningstar's analysis and review of secondary market resources we believe The Abbey On Lake Wyndemere Apartments will improve on its historically stable performance (excluding property management turnover spike) and most likely experience better than average levels of demand.

The Bears Say

- The loan is interest-only for the first three years. This risk is mitigated by interest only and amortizing DSCRs of 1.83x and 1.27x, respectively on sustainable cash flow that is 10.4% less than the trailing 12 months (TTM) ending 6/30/2012.
- Vacancy over the past two years has ranged from 3.2% to 19.2%. The vacancy issues were primarily related to the resignation of their onsite manager in 2010. The replacement on-site manager had personal health related issues and resigned shortly thereafter. Due to these factors there was a spike in vacancy between November 2011 and March 2012 where the property had an average vacancy rate of 8.7% during that period, while in comparison the average vacancy rate for the 8 months prior to November 2011 was 2.1%. The property has since rebounded and was 97.20% occupied as of 9/30/2012, outperforming the 2Q 2012 submarket occupancy of 92.9%. A vacancy rate of 6.5% was underwritten, which is greater than the TTM ending 6/30/2012 vacancy rate of 5.5%.

The Bulls Say

- The property is managed by Abbey Residential Services, Inc., a borrower-controlled management company. Abbey Residential has been performing redevelopments on apartment homes since 1984. Abbey Residential currently manages 8,595 units in Alabama, Florida, Texas, Georgia, and South Carolina, with 3,054 units in the Houston MSA.
- Built in 2008, the subject property is in good physical condition. The PCA noted no deferred maintenance or immediate repair needs. Additionally, amenities such as gated access, clubhouse with resident's lounge and game room, cabana with grill and Wi-Fi, fitness center, business center with conference room, movie theater, indoor basketball court, and picnic areas enhance its competitiveness. Many of the buildings overlook Lake Wyndemere, which features a pier, paddle boats and fishing gear rental for residents.
- The property is located 25 miles north of the Houston CBD. The neighborhood is located in The Woodlands, which has consistently been a top performing residential development in the Houston area and one of the fastest growing areas in the country. The primary retail development in the area is The Woodlands Mall, which is one of the most successful regional malls in the Houston area. The mall is located along the Woodlands Waterway, which is a 1.25 mile long waterway that interconnects office buildings, retail, residential, restaurants, entertainment venues, and the Marriott Woodlands Waterway and Convention Center. Planned projects in the area include the development of the ExxonMobil North American headquarters. The complex is estimated to move 4,000 ExxonMobil employees to the area. Hewitt Associates, the world's largest management consulting firm, is developing a 77-acre campus in the city. I-45 is located 1.5 miles east of the property.

Property Description

The Abbey On Lake Wyndemere Apartments is located in the city of The Woodlands, Montgomery County, within the Houston MSA. The property is improved with one five-story apartment building, 17 two-story apartment buildings, and a leasing office/clubhouse building. Built in 2008, the property is a 360-unit, Class A garden-style apartment complex, situated on 24.89 acres of land. The property offers 734 parking spaces, which includes 66 carport spaces and 206 garage spaces.

Per the site inspection: The property has had some high vacancies in the past but according to the property manager, that was because of initial lease up and they have been over 90% occupied for a while now. They also have a waitlist for some of their townhouse type units (the property is a mix of townhouses and mid-rise units), which come with attached one- or two-car garages. The property shows really well and is very well maintained. In addition to the usual swimming pool and fitness center, the property has a half-court basketball court, a movie theater, a putting green and a lake which is stocked with fish and since it is private property, residents don't need licenses to fish (catch and release). There is a covered multi-level garage that provides parking access to the unit's floor, the town houses all have attached garages (one-car for 1 BR and two-car for 2BR) and some car port spaces. The property is fairly easily accessible and close to the Woodlands area of Houston, which is a big mixed use master plan development and has office, retail and residential uses. Major retail uses include the Woodland Mall and Woodland Square which is a lifestyle center.

Common area amenities include gated access, clubhouse with resident's lounge and game room, swimming pool and spa, cabana with grill and Wi-Fi, fitness center, business center with conference room, movie theater, indoor basketball court, and picnic areas. Unit amenities include a range/oven, refrigerator, dishwasher, microwave, garbage disposal, ceiling fans, washer and dryer connections, walk-in closets and a patio/balcony area. Select units feature a fireplace and attached garage. Many of the buildings overlook Lake Wyndemere, which features a pier, paddle boats and fishing gear rental for residents. The property has 1.0% student tenant concentration and a 1.0% military tenant concentration.

The property is located in Far NW/Montgomery County submarket, 25 miles north of the Houston CBD. Primary access to the neighborhood is provided by I-45, which is located 1.5 miles east of the property.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
One Bedroom	154	42.8%	995
Two Bedroom	206	57.2%	1,287
Total	**360**	**100.0%**	**1,162**

Market Overview

According to Reis, The Abbey On Lake Wyndemere Apartments is in the Far Northwest/Montgomery submarket. Within this submarket, the average asking rental rate was $990 per unit per month as of third quarter 2012 for properties of a similar age. The overall average asking rental rate of $890 per unit represents a 2% increase from the prior quarter and a 2.6% increase from one year ago. The weighted average rent at the subject was $1,131 per unit and as of 9/30/12. The appraiser concluded a market rent of $1,088 per unit. Morningstar underwrote rents based on the contract rate of $1,115 per unit and then marked towards the appraiser's concluded market rent. Reis predicts rents will increase 1.8% over the next three years and 2.8% over a five-year forecast.

Within this submarket, the vacancy rate was 6.5% as of third quarter 2012 for properties of a similar age. The annualized vacancy rate in this submarket has been 7.5% during the past 12 months. Reis forecasts annualized vacancy rates for the next five year period at 7.1% for the Far Northwest/Montgomery submarket. The appraiser identified a competitive set of five properties with a weighted average occupancy of 94.1% compared to 97.2% at the subject. The appraiser concluded a market vacancy rate of 5.3%. Morningstar underwrote vacancy at the property to 6.5% taking the appraisal and Reis into consideration.

Apartment construction has been modest in the submarket during the past twelve months with 288 units built and 279 absorbed. The five-year construction forecast has about 800 units coming to market with only slight negative absorption forecast.

Sponsorship/Management

The borrowing entity is Abbey-Wyndemere, LLC, a single-purpose, Texas limited liability company. The property is managed by Abbey Residential Services, Inc., a borrower-controlled management company. The actual contract rate of management fee is 2.5%.

Morningstar Analysis

	Morningstar	2010	2011	TTM 9/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$4,816,260	$4,830,565	$4,598,484	$4,741,006	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	309,103	253,804	307,696	291,637	
Percentage Rent	0	0	0	0	
Parking Income	0	0	0	0	
Other Income	133,441	134,172	143,928	156,125	
Less: Vacancy Loss	-321,037	-894,371	-147,621	-289,083	
Less: Concessions & Collection Loss	-10,671	-175,087	-12,142	-1,655	
Effective Gross Income	**$4,927,096**	**$4,149,083**	**$4,890,346**	**$4,898,030**	**$4,881,915**
Expenses					
Real Estate Taxes	$867,734	$833,772	$720,590	$626,767	
Property Insurance	69,059	78,551	71,726	62,676	
Utilities	285,730	291,685	269,660	266,311	
Repairs and Maintenance	282,469	225,105	261,110	263,742	
Janitorial	0	0	0	0	
Management Fees	147,813	95,367	113,045	113,866	
Payroll & Benefits	349,130	331,134	333,655	364,056	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	54,372	89,080	58,062	44,906	
Professional Fees	2,355	1,132	1,247	3,215	
General and Administrative	83,192	66,337	63,559	62,853	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	1,314	1,461	1,212	1,228	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$2,143,167**	**$2,013,625**	**$1,893,864**	**$1,809,620**	**$2,107,557**
Net Operating Income	**$2,783,928**	**$2,135,458**	**$2,996,482**	**$3,088,410**	**$2,774,358**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	90,000	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$90,000**	**$0**	**$0**	**$0**	**$90,000**
Net Cash Flow	**$2,693,928**	**$2,135,458**	**$2,996,482**	**$3,088,410**	**$2,684,358**

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	$1,115
Vacancy (%)	6.5%

Morningstar's analysis of the property resulted in an NCF of $2.69 million, which is 0.4% higher than the issuer's underwritten NCF. Morningstar underwrote vacancy to a minimum of 6.5% based on market conditions. Morningstar underwrote rents based on the contract rate at the property and then marked toward market rent resulting in a rental rate of $1,115 per unit from the current in-place level of $1,131. Morningstar's value for the property is $37.4 million, a 26.9% variance from the appraised value.

Expenses ($ per unit)

Morningstar underwrote real estate taxes based on the appraiser's estimate of real estate taxes, which was based on the 2012 preliminary assessed value of $30,084,720 and the 2011 tax rate. The property can be subject to assessments from The Woodlands, however, this would be included in the Montgomery County real estate tax bill, and would not be a separate bill from The Woodlands Township. The 2012 final assessment was $25,860,000. Morningstar underwrote management fees to 3% of effective gross income which is the Morningstar criteria. The actual contract rate with a borrower-related management company is 2.5%. The appraiser used a 3.0% management fee. All other expenses are based on historical rates.

Capital Items

A reserve for future capital expenditures is underwritten at $250 per unit, which is the Morningstar minimum. The property condition assessment recommended $200 per unit.

Valuation Drivers

The appraiser's capitalization rate analysis is based upon the rates of recent comparable apartment sales and market surveys. The appraiser concluded that the estimated capitalization rate for the subject is 5.3%. The sales included in the comparison resulted in a 5.3% capitalization rate. Morningstar's base multifamily capitalization rate for the subject's Houston market is 7.20%. Morningstar made a 50 basis point downward adjustment for a Property Score of 2 (Good) for a concluded capitalization rate of 6.7%.

FREMF 2013-K24 Mortgage Trust,
Multifamily Mortgage Pass-Through Certificates,
Series 2013-K24

The Orsini Apartments – Phase III

Analyst: Ed Barrett (267) 960-0530
Analytical Manager: Sheila Bjornstad (646) 560-4511

Property Summary		
Property Type	Multifamily/Mid-Rise	
Location	Los Angeles, CA	
Year Built/Renovated	2009/N/A	
Multifamily Units	210	
Net Rentable Sq. Ft. (Other)	10,333	
Occupancy	94.30%	As of: 9/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$36,836,000	($175,410/unit)
Loan Amount (Cut-Off Balance)	$36,836,000	($175,410/unit)
Loan Term (months)	120	
I/O Period (months)	48	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	3.48000%	

Morningstar Analysis		
Current DSCR	1.89 x	
Amortizing DSCR	1.24 x	
Beginning LTV	89.98%	
Ending LTV	78.90%	
Capitalization Rate	6.00%	
Morningstar Occupancy	92.00%	
Net Operating Income	$2,498,297	
Net Cash Flow	$2,456,297	
Value	$40,938,286	($194,944/unit)
Debt Yield	6.67%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$36,836,000	3.48000%	1.89 x	1.24 x	90.0%	78.9%
Total	**$36,836,000**	**3.48000%**	**1.89 x**	**1.24 x**	**90.0%**	**78.9%**

Morningstar Summary

Morningstar Perspective

Over the past year, the Los Angeles area apartment market and the subject's Downtown submarket have shown signs of improvement and are exhibiting strong occupancy levels and upward trending rental rates, while posting positive net absorption. Considering the recent trends in absorption and the balanced prospects for new construction, the local market area and the subject should be able to maintain a stabilized occupancy rate inline with current levels, if not improve them slightly. The subject is the final phase of a three phase development and has gone through a period of fluctuating rental rates during lease-up. Management operates the three phases as a single property and have implemented a strategy of adjusting rents to reduce or eliminate concessions. Hence, over the past two quarters rental rates have stabilized at a sustainable level and operating statements show concessions dropping off with the subject maintaining stabilized occupancy without offering concessions. The market's growth has begun to garner the interest of builders and new construction is expected to gain traction. However, the subject's Downtown submarket has limited land available for future development. The near-term addition of new product to the market is not expected to create downward pressure on occupancy, however, it may slow effective rental rate increases to a more moderate pace, but rate growth will remain positive. We get comfortable with this perspective as Reis has indicated that supply and demand are in balance and expect positive absorption into 2016. Local market sources confirm Reis' data, as they indicate that the long-term projection for the property's submarket is for continued growth. Additionally, Morningstar's analysis resulted in a 90% LTV with an Interest Only DSCR of 1.89x and a 6.7% debt yield leading us to consider that this high quality asset has slightly lower risk than its competitive set. We believe Orsini III is well located within the market and is in reasonable proximity to both major employment centers and major roadways, thus allowing the asset to experience better than average levels of demand. Based upon our analysis, the property should continue to maintain their strong market fundamentals.

As expected, property NOI has improved year over year since opening in 2010 and has reached stabilization as of August 2011. The subject has reached what is believed to be sustainable occupancy and income levels with potential for future growth. Historical NCF levels have been reported at $(206,609), $1.58 million and $2.57 for 2010, 2011 and T12 as of September 30, 2012, respectively. The issuer underwrote NCF to $2.47 million and Morningstar modeled to $2.45 million, or a 0.8% haircut to issuer underwriting. Morningstar's variance to the issuer is due to overall higher expenses. Over the past year, management has refined its marketing approach by reducing concessions, lowering rents and driving higher occupancy levels. As a result the property has been experiencing vacancy rates of approximately 8.0%, which was slightly higher than the competitive set at 6.6% and the Reis Q3 2012 Class A submarket at 7.2%. Morningstar marked in-place vacancy inline with the property's average resulting in a 8.0% vacancy rate. Based on our analysis we estimate DSCR, LTV and value of 1.92x (IO), 89.9% and $40.9 million ($194,944 per unit), respectively. Our estimated value is 33.6% less than the appraised value of $61.7 million ($293,810 per unit).

The Bears Say

- Four-Year interest Only Period: The loan is interest-only for the first four years. Morningstar's interest only and amortizing DSCRs were 1.89x and 1.24x, respectively, on cash flow that is 3.0% less than TTM ending September 30, 2012.
- Vacant Retail: The property contains 10,333 SF of ground level retail space that has been vacant since constructed. No retail income was underwritten and the vacant space is not inhibiting leasing.
- Student Leasing: The property contains approximately 35.0% exposure to student leasing. Parental guarantees are required for all students who do not qualify on their own income. Student tenants sign 10 and 12-month leases. The subject is located approximately 5 miles south of the University of Southern California.

The Bulls Say

- Strong Fundamentals: Morningstar's analysis resulted in the loan having an Interest Only DSCR of 1.92x based on an underwritten NOI that is 3.0% less than TTM ending September 30, 2012. The subject is 94.3% occupied as of the September 30, 2012 rent roll. Orsini I is currently 94.3% occupied and Orsini II is currently 97.3% occupied as of September 30, 2012.
- Strong Market Occupancy: According to Reis, properties of the same vintage as the subject in the submarket of Downtown Los Angeles reported an occupancy rate of 92.8% during the third quarter of 2012.
- Improving Rent Trend: According to Reis, the submarket of Downtown Los Angeles as of the end of Q3 2012 reported a 1.7% increase in asking rates.
- Well Located: The property is located close to major roadways that provide excellent access to the central business district.
- Desirable Amenity Package: The property offers residents the use of an indoor full court basketball court, virtual golf, virtual bowling, karaoke lounge, screening room, steam room/dry sauna, outdoor putting green, and outdoor fireplace, jogging track, library and sand volleyball court. All amenities that are unique to the subject and enhance its competitiveness.

Property Description

The property is a seven-story luxury apartment complex with 10,333 square feet of ground floor retail space and a three-story parking garage. There are a total of 210-apartment units consisting of (15) studio units, (90) one bedroom units, and (105) two bedroom units. The subject is one of the newest multifamily developments in the immediate area, built in 2009. The property is located within the Civic Center/Little Tokyo District bordering the Pueblo/Chinatown District of downtown Los Angeles. The Pueblo region has undergone numerous renovations in the recent past with the most prominent modern features located around Olvera Street, Chinatown, and Union Station. Parking is included in the rent with one space for one bedroom units and two spaces for two and three bedroom units.

Entry to the property is gated with security at the main entrances and secured entry to parking garages. Unit interiors are at a high level of finish and there is a strong amenity package with a park-like setting that is uncommon for properties in the Los Angeles CBD.

Included in the property's unique amenities are fully landscaped courtyards, junior Olympic-size swimming pools, 24-hour security, gardens fountains and barbecue areas. Additional amenities available to tenants located on the premises of Orsini II include (two resort-style swimming pools (one outdoor, one rooftop), spa, sundeck, clubhouse lounge, three individual computer rooms, sand volleyball court, virtual bowling, virtual golf, karaoke lounge, 1/8 mile track, library, screening room, steam room, smart key access, high-speed internet access, concierge service, fitness center, property surveillance cameras, guarded gate, and security personnel on-site. In addition, there is a health spa located on the first floor. The day health spa offers a steam room, sauna, massage table, and tanning bed.

Unit amenities include granite countertops, stackable washer and dryer, crown molding, vertical blinds, and a patio or balcony.

Unit Type Mix

Property Unit Type Overview

Unit Type	# of Units	% Total	Avg. Unit Size (Sq. Ft.)
Studio/Efficiency	15	7.1%	519
One Bedroom	90	42.9%	662
Two Bedroom	105	50.0%	997
Total	**210**	**100.0%**	**819**

Market Overview

The Orsini Apartments – Phase III is located in an established area of Los Angeles. The property has an excellent location with respect to commercial services, thoroughfares, public transportation, and community services. The condition and appeal of the area is considered to be good to excellent. The Orsini Apartments – Phase III is located in Reis's Downtown Los Angeles metro area market. As of 3Q 2012, Reis reported mean, median and vintage rents of $1,891 per unit, per month, $1,801 per unit and $2,038 per unit, respectively. Mean, median and vintage vacancy was reported to be 7.1%, 5.2% and 5.2%, respectively. As of September 30, 2012, the quoted rental rates and vacancy for the property were $1,878 per unit and 5.7%. Minimal inventory of 208 units was added through Q3 2012 and minimal new inventory is currently under construction, Reis has indicated that supply and demand are in balance and expect positive absorption into 2016. The appraisal concluded rental rates of $1,908 per unit for the subject. The appraisal's concluded rental rates were higher than immediate market rent comparables and the Reis average rate. The appraisal concluded 6.0% vacancy for the collateral property, while a comparable property set was provided that indicated 6.9% vacancy.

Historically, the property has exhibited a long lease-up period due to management's prior preference for maintaining higher rental rates by foregoing occupancy. . Property management has instituted a new strategy that employs reducing rents to eliminate the use of concessions. Over the past three years management was cross managing two borrower owned properties and then the leasing of a newly constructed third borrower owned property, The Orsini Apartments – Phase III, that started leasing in summer 2010, collectively known as Orsini. Management has stabilized all three properties. Data obtained during Morningstar's site inspection in February 2012 indicates that all three phases were reportedly at or above 95% occupied. Management also reported that effective rents were approximately 10% lower than asking. However, with 94.3% occupancy, management feels that it may be possible to push the rents and trim concessions.

Concessions are offered by a few of the competitors and overall demand is considered to be adequate. Demand is expected to continue to remain stable in the subject's immediate market area in the near future. Additionally, with the opening of the Expo Line of the Los Angeles Metro Rail, the downtown area may become more attractive to students as the area will now have a direct route to USC.

Sponsorship/Management

The borrowing entity is Palmer Boston Street Properties III, a single-purpose, California limited liability company. The property is managed by GHP Management Corporation, a borrower-controlled management company under a management fee of 1.625%. The management fee is fully subordinate to the mortgage.

Morningstar Analysis

	Morningstar	2010	2011	TTM 09/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$4,734,475	$3,386,290	$4,990,991	$4,632,666	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	0	
Expense Reimbursement	55,154	5,008	37,360	66,668	
Percentage Rent	0	0	0	0	
Parking Income	1,485	0	2,475	634	
Other Income	85,734	6,952	80,224	87,784	
Less: Vacancy Loss	-428,628	-2,852,275	-1,790,756	-295,080	
Less: Concessions & Collection Loss	-153,276	-194,161	-295,431	-153,276	
Effective Gross Income	**$4,294,945**	**$351,814**	**$3,024,863**	**$4,339,396**	**$4,243,595**
Expenses					
Real Estate Taxes	$745,014	$220,139	$426,870	$750,925	
Property Insurance	47,991	26,646	46,515	47,991	
Utilities	186,844	97,546	172,116	186,844	
Repairs and Maintenance	114,774	20,131	87,098	114,774	
Janitorial	0	0	0	0	
Management Fees	107,374	5,585	48,056	69,143	
Payroll & Benefits	436,944	72,092	392,443	436,944	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	103,172	108,062	181,946	103,172	
Professional Fees	33,810	3,230	35,690	33,810	
General and Administrative	20,725	4,992	46,540	20,725	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$1,796,648**	**$558,423**	**$1,437,274**	**$1,764,328**	**$1,736,674**
Net Operating Income	**$2,498,297**	**-$206,609**	**$1,587,589**	**$2,575,068**	**$2,506,921**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	42,000	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$42,000**	**$0**	**$0**	**$0**	**$31,920**
Net Cash Flow	**$2,456,297**	**-$206,609**	**$1,587,589**	**$2,575,068**	**$2,475,001**

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	$1,878
Vacancy (%)	8.0%

Morningstar has estimated rent at $1,878 per unit, which is the in-place rent from the current rent roll. This estimate is lower than the appraiser's estimate and Reis Class A rents in the market. We have estimated vacancy at 8.0%, which is higher than the current vacancy of 5.7% but is in line with that reflected by apartment communities constructed between 2000 and 2009, according to Reis.

Expenses ($ per unit)

Expenses are underwritten in-line with historicals unless otherwise noted. RE Taxes were underwritten based on actual taxes of $730,406 plus an inflation factor of 2%, inline with California's Prop 13. Insurance was underwritten based on the actual premium, which is slightly higher than historical expense but lower than the appraiser's estimate.

Capital Items

A reserve for future capital expenditures is underwritten at $200 per sq. ft., a significant increase over the engineer's recommended reserves of $152 per sq. ft.. No tenant improvements or leasing commissions were expensed as no revenue from the retail portion of the property was underwritten.

Valuation Drivers

The appraiser's capitalization rate analysis is based upon the rates of recent comparable apartment sales. The appraiser concluded that the estimated capitalization rate for the subject is 4.7% with a direct capitalization rate of 5.0%. The sales included in the comparison resulted in a 4.42% capitalization rate. Morningstar's base multifamily capitalization rate for the subject's Downtown Los Angeles market is 5.90%. Morningstar made positive and negative adjustments to the capitalization rate.

The capitalization rate was decreased by 50 basis points in recognition of the property's location, newer construction and superior amenity package. The capitalization rate was increased by 60 basis points to reflect the risk of student leasing exposure and the interest only component of the loan. Morningstar's capitalization rate was 6.0%

The Vistas At Saddle Rock

Analyst: Ed Barrett 267-960-0530
Analytical Manager: Sheila Bjornstad 646-560-4511

Property Summary		
Property Type	Multifamily/Garden	
Location	Aurora, CO	
Year Built/Renovated	2001/2010	
Multifamily Units	320	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	91.90%	As of: 9/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$36,083,000	($112,759/unit)
Loan Amount (Cut-Off Balance)	$36,083,000	($112,759/unit)
Loan Term (months)	120	
I/O Period (months)	60	
Amortization Term (months)	360	
Loan Seasoning (months)	4	
Interest Rate	3.73000%	

Morningstar Analysis		
Current DSCR	1.81 x	
Amortizing DSCR	1.23 x	
Beginning LTV	94.73%	
Ending LTV	85.56%	
Capitalization Rate	6.50%	
Morningstar Occupancy	91.23%	
Net Operating Income	$2,576,594	
Net Cash Flow	$2,467,025	
Value	$38,092,229	($119,038/unit)
Debt Yield	6.84%	
Morningstar Site Visit	Yes	
Property Score	2 (Good)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$36,083,000	3.73000%	1.81 x	1.23 x	94.7%	85.6%
Total	**$36,083,000**	**3.73000%**	**1.81 x**	**1.23 x**	**94.7%**	**85.6%**

Morningstar Summary

Morningstar Perspective

The Vista At Saddle Rock loan is secured by the fee simple interest in a 320-unit, Class A garden-style apartment complex located in Aurora, Colorado. At origination, the 10-year, $36.0 million ($112,759 per unit) partial-term interest-only loan provided acquisition financing of the property at a purchase price of $45,250,000 ($141,406 per unit) in June 2012. The borrower contributed $9,167,000 as part of this transaction. The property was 91.9% occupied as of 9/30/2012.

Sustainable and ongoing growth in effective rent and sub 5% vacancy rates continue to make Aurora one of the better performing multifamily markets in the country, according to research provided by Reis. Effective rents in the market continue their year-over-year positive growth while vacancy rates remain low and are expected to stay low into the foreseeable future. Denver's rent growth and low vacancy is a function of economic growth, strong demand and cautious development. That said, an abundance of vacant land and these positive trends will in all likelihood trigger an increase in development and we caution that the possibility of a new round of increased supply could exists within the next few years.

In the interim, however, the market continues to display strength. Demand has been running well ahead of new supply, vacancy has remained well below 5.0%, and rent growth has been markedly positive. Local market sources and Reis seem to be confident that the market will do well in absorbing the expected new supply. Additionally, the markets favorable rate of job creation and high population growth will contribute to the strong demand. Therefore, Morningstar's expectation is that the markets strength will remain intact and Vistas at Saddle Rock will benefit while the market continues to enjoy strong performance.

Morningstar's analysis resulted in a beginning and ending loan-to-value of 94.7% and 85.6%, respectively. The property's cash flow resulted in an Interest Only DSCR of 1.81x an amortizing DSCR of 1.23x and a 6.84% debt yield. An adequate ending loan-to-value combined with stable debt service coverage ratios derived from sustainable cash flows and a market with favorable market metrics leads us to consider that The Vistas at Saddle Rock presents no more risk than its competitive set. We believe The Vistas At Saddle Rock is well located within the market and is in reasonable proximity to both major employment centers and major roadways, thus allowing the property to capture a reasonable market share of Reis' expected increased level of demand. Based upon our analysis, the property should continue to maintain market fundamentals.

The Bears Say

- The loan is interest-only for the first five years. Morningstar's Interest Only and amortizing DSCRs were 1.81x and 1.23x, respectively on sustainable cash flow.
- Vacancy at the property has ranged from 10.1% to 16.9% over the past three years of operations. The former management company was replaced in February 2010. Under the current management, occupancy has improved steadily over the past 18 months. The property was 91.9% occupied as of September 30, 2012.
- The property is located in a competitive submarket and an abundance of vacant land and improved market fundaments have led to new construction. Reis expects annual completion totals to rise each year through 2014 but noted that demand is leading the market not speculation.
- The sponsor disclosed a maturity default loan and a foreclosure. The maturity default was paid in full while the foreclosure took place after a discounted payoff negotiation fell through.

The Bulls Say

- In-migration to the market will be strong due to the plentiful employment opportunities, supporting strong long-term growth.
- The vacancy rate for the Aurora submarket is currently 4.5% and with a new owner and management team in place the property should continue to experience improvements in occupancy rates.
- The property was renovated in 2010 to better compete with new properties in the market.
- Rental income is on the rise due to strong demand growth.

Property Description

Vistas At Saddle Rock is a 320-unit multi-family garden style property located in Aurora, Colorado. The unit mix consists of 96-one bedroom units, 116- two bedroom units, 88- three bedroom units and 20- four bedroom units. The units are housed in 13 three-story apartment buildings and a clubhouse building is available to tenants. The improvements were constructed in 2001, renovated in 2010 and are situated on a 23-acre site. As of September 30, 2012, the property is 91.9% occupied and is considered to be in good overall condition.

Land use within the neighborhood consists of residential and retail uses. Commercial development is primarily concentrated within the vicinity of E-470 and Smoky Hill Road. Primary access to the property's neighborhood is provided by I-470, which is located less than one mile east of the property. The neighborhood is bounded by Quincy Avenue to the north, County Line Road to the south, the Aurora Reservoir to the east and County Road 67 to the west. The property is 15 minutes from the Southeast Business Corridor, which is the largest employment center in metro Denver and consists of over 40 million square feet of office space with approximately 150,000 workers. The property is approximately ten minutes from Southlands Lifestyle Center, Aurora's first large scale regional lifestyle center. The center is located at the intersection of Smoky Hill Road and the E-470 tollway.

There have been several large subdivisions developed recently to the west of the property. Adjacent land uses include single-family to the north and the west, retail to the south and an elementary school to the east. The site is well located and afforded average access and visibility from roadway frontage.

The property was recently acquired by the borrower and is managed by Advenir Real Estate Management, Inc., a borrower-controlled management company. Prior to acquisition, vacancy at the property ranged from 10.1% to 16.9% over the past three years. The former management company was replaced in February 2010. Under the current management, occupancy and net operating income have improved steadily over the past 18 months. The property was 91.9% occupied as of September 30, 2012 while net operating income has increased by 3.8% since year-end 2011. In addition, the property manager has 16 years of experience with 796 units under management in the property's market.

In-place rent and vacancy as of the September 2012 rent roll were $1,182 per unit and 8.1%. As of the May 2012 rent roll, rent and vacancy were $1,088 per unit and 4.4%. GPR for the year-end 2010, 2011 and trailing twelve month periods ending September 2012 ranged between $1,070 and $1,125 per unit. Vacancy for the year-end 2010, 2011 and trailing twelve month periods ending September 2012 ranged between 8.02% and 10.5%. Morningstar underwrote rent and vacancy to $1,132 per unit and 8.75%.

The change in management and improvements in property fundamentals combined with the positive near and mid-term outlook for the local apartment market indicate that The Vistas At Saddle Rock will likely provide for stable performance throughout the loan term.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
One Bedroom	96	30.0%	855
Two Bedroom	116	36.3%	1,102
Three Bedroom	88	27.5%	1,263
Townhomes/Other	20	6.3%	1,481
Total	**320**	**100.0%**	**1,096**

Market Overview

The subject is located in the Aurora South submarket within Arapahoe County, approximately 22 miles southeast of the Denver CBD. Denver and the surrounding communities continue to add jobs at a good pace as the gap between pre-recession and post-recession employment levels tighten. According to economists, job growth will outpace that of the U.S. this year, but the unemployment rate will be pinned near 7.5% before falling in late 2013.The broad base of the local economy, supported by technology and energy, including green energy, has been a major factor in the rebound. Additionally, industrial diversity and a well-educated workforce provide for added growth. In-migration will be strong due to the plentiful employment opportunities, supporting strong long-term growth.

According to Reis, the Aurora submarket recorded a 4.5% vacancy rate for the third quarter 2012, down 0.01% from the quarter before and down 170 basis points year-over-year. A decline to 4.0% is anticipated for year-end. Reis' current analysis calls for an increase in vacancy in 2014 due to the increasing supply; it is not expected to be substantial. Third quarter vacancy rates for the Class A and B/C segments were 4.3% and 4.9%, respectively, and increase of 20 basis points and down 60 basis points from the quarter before.

According to Reis' mid-September Denver report on individual construction projects, 6,419 market-rate units were underway metro wide. Demand, meanwhile, has been driving the market. The 3,173 market-rate apartments that completed construction over the two-year span 2010- 2011 were drowned out by the 10,348 units of positive net absorption achieved over the same span. The 604 units of new supply added during the first six months of 2012 were roughly doubled by the same-period absorption total. Furthermore, the year-end counts are expected to show an excess of demand over supply at more than a thousand units. Reis expects annual completion totals to rise each year through 2014. Thus, while Reis expects net absorption totals to remain substantially positive, the wide gap seen over same-term new supply will be reduced this year and effectively eliminated in 2013 and 2014 as the market swings into balance.

As of the third quarter 2012, asking and effective rent averages were $1,105 and $991 per unit per month, up 0.3% and 0.4% for the period and were up 1.6% and 2.4% since year-end following gains of 3.3% and 2.9% in 2011. Respective rent gains of 2.6% and 3.6% are projected for 2012.

At $1,198 and $932 per unit, respective third quarter Class A and B/C asking averages were up 0.5% and 2.2% for the period. Marcus and Millichap is reporting that concessions have contracted by nearly three days of free rent and that additional reductions in concessions are expected.

The appraisal identified six comparable properties, all of which immediately surround the subject property. Average comparable rental rates for one -, two-, three-, and four-bedroom units were $917, $1,117, $1,364, and $1,656 per unit per month, respectively. The comparables reflect a weighted average monthly rental rate of $1,206 per unit when applied to the subject's unit mix. The appraisal concluded a weighted average rental rate of $1,049 per unit per month. The appraisal reported comparable property vacancy of 4.4%. The appraisal concluded a 8.1% vacancy rate for the subject property.

Sponsorship/Management

The borrowing entity is Advenir@Saddle Rock, LLC; DIH Vistas at Saddle Rock, LLC; Advenir@Saddle Rock GP, Inc; DIH II, LLC; Block Investment Group, LLC;, and Stephen L. Vecchitto. The property is managed by Advenir Real Estate Management, Inc., a borrower-controlled management company with a management fee of 3%. Advenir is headquartered in Aventura, FL, and has been managing apartment communities since 1996. Advenir currently manages 6,448 units in North Carolina, Texas, and Florida. It currently manages 1,504 units in Florida, with 796 units in the local area.

Morningstar Analysis

	Morningstar	2010	2011	TTM 09/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$4,347,024	$4,320,777	$4,109,586	$4,168,991	
or					
Base Rent	0	0	0	0	
Laundry/Vending	0	0	0	44	
Expense Reimbursement	343,654	228,692	289,009	315,363	
Percentage Rent	0	0	0	0	
Parking Income	116,472	101,692	118,180	108,857	
Other Income	266,872	154,819	232,416	266,872	
Less: Vacancy Loss	-390,810	-377,391	-383,429	-355,551	
Less: Concessions & Collection Loss	-273,344	-856,672	-339,133	-273,344	
Effective Gross Income	**$4,409,869**	**$3,571,917**	**$4,026,629**	**$4,231,232**	**$4,331,126**
Expenses					
Real Estate Taxes	$483,446	$338,346	$347,423	$341,451	
Property Insurance	73,600	83,809	87,611	98,331	
Utilities	335,319	348,592	319,765	341,798	
Repairs and Maintenance	277,426	156,996	214,671	285,832	
Janitorial	0	0	0	0	
Management Fees	132,296	87,839	82,775	87,676	
Payroll & Benefits	347,625	416,473	366,251	341,356	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	118,400	101,682	119,251	154,819	
Professional Fees	0	15,943	19,914	16,047	
General and Administrative	65,164	56,988	48,264	47,336	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	0	0	0	0	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$1,833,275**	**$1,606,668**	**$1,605,925**	**$1,714,647**	**$1,692,472**
Net Operating Income	**$2,576,594**	**$1,965,249**	**$2,420,704**	**$2,516,584**	**$2,638,653**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	109,569	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$109,569**	**$0**	**$0**	**$0**	**$99,520**
Net Cash Flow	**$2,467,025**	**$1,965,249**	**$2,420,704**	**$2,516,584**	**$2,539,133**

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	$1,132
Vacancy (%)	8.75%

The vacancy rate for the Aurora submarket is currently 4.5%. We have concluded a stabilized vacancy rate of 8.75% for the property. This is in line with the historical property performance but higher than the historical submarket average and comparable properties.

Concessions were underwritten to the Trailing Twelve Months ending September 30, 2012. Concessions are currently offered at the subject equivalent to one month of free rent up front on a 2BR unit and $500 off the first month on a 3BR and 4BR unit. No concessions are offered on the 1BR units. Rent concessions are currently not prevalent in the local market. Concessions for the month of September 2012 were $29,602.

Expenses

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

In Colorado, property values are not assessed upon sale, rather, they are reassessed in odd-numbered years based on the market valuation from the previous year. The appraiser estimated the 2012/2013 tax bill to be $345,580 and the 2013/2014 tax bill, valued at 100% of the sales price, to be $483,446. Colorado's assessment system provided for a low tax assessment in 2012 but will increase significantly with the 2013 tax bill due in 2014, therefore, Morningstar underwrote the tax bill to reflect the higher appraiser concluded tax amount.

Real estate taxes were underwritten to the appraiser's estimate of the stabilized tax bill. The apprasier's estimate was $483,446 for the 2013 assessment due in 2014 and 2015. The subject will have a below stabilized tax burden for one year's savings of approximately $138,000, which has been added back to the value of the property.

Capital Items

A reserve for future capital expenditures is underwritten at $342 per unit, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

The appraiser's capitalization rate analysis is based upon the rates of recent comparable apartment sales. The appraiser concluded that the estimated capitalization rate for the subject is 5.50% with a direct capitalization rate of 5.50%. The sales included in the comparison resulted in a 5.45% capitalization rate. Morningstar's base multifamily capitalization rate for the subject's Denver market is 6.80%. Morningstar made adjustments to the capitalization rate.

The capitalization rate was decreased by 50 basis points in recognition of the properties condition and amenity package. The capitalization rate was increased by 20 basis points to reflect the suburban location of the property. Morningstar's capitalization rate was 6.50%

Park Place Seniors Apartments

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

Property Summary		
Property Type	Multifamily/Senior	
Location	Stanton, CA	
Year Built/Renovated	1996/N/A	
Multifamily Units	335	
Net Rentable Sq. Ft. (Other)	n/a	
Occupancy	96.10%	As of: 9/30/12
Ownership	Fee Simple	

Loan Summary		
Loan Amount (Original Balance)	$35,900,000	($107,164/unit)
Loan Amount (Cut-Off Balance)	$35,530,123	($106,060/unit)
Loan Term (months)	120	
I/O Period (months)	0	
Amortization Term (months)	360	
Loan Seasoning (months)	7	
Interest Rate	3.71000%	

Morningstar Analysis		
Current DSCR	1.32 x	
Amortizing DSCR	1.32 x	
Beginning LTV	95.20%	
Ending LTV	75.60%	
Capitalization Rate	7.00%	
Morningstar Occupancy	95.00%	
Net Operating Income	$2,704,453	
Net Cash Flow	$2,612,530	
Value	$37,321,861	($111,409/unit)
Debt Yield	7.35%	
Morningstar Site Visit	Yes	
Property Score	3 (Average)	

Capital Structure Table

Capital Structure Table

Loan	Balance	Interest Rate	Current DSCR	DSCR Amtz	BLTV	ELTV
Mortgage Loan	$35,530,123	3.71000%	1.32 x	1.32 x	95.2%	75.6%
Total	**$35,530,123**	**3.71000%**	**1.32 x**	**1.32 x**	**95.2%**	**75.6%**

Morningstar Summary

Morningstar Perspective

This $35.9 million ($107,164 per unit) 10-year loan refinanced the property in May 2012. Park Place Seniors Apartments is a well-located age-restricted and income-restricted community on Katella Avenue in Stanton, California, in Orange County. The property was completed in 1996, and has been an affordable housing community since it opened. The 55 minimum age for all units is perpetual under the terms of the November 1989 grant deed between the borrower and the Stanton Redevelopment Agency, though the Agency's income restrictions are scheduled to expire in 2021. The income restrictions have various expirations that are associated with specific restrictions with different agencies, such as the percentage of units that must be leased to tenants under a particular income level. Stanton has a fairly large industrial area to the south of the property, while residential areas are concentrated to the west and north. Retail and commercial uses are to the immediate east. Disneyland is five miles to the east.

Stanton is a small city in western Orange County, near Anaheim. It is in the South Anaheim submarket, according to Reis. Stanton's population was just less than 38,200 in the 2010 U.S. Census, up 2.1% from ten years earlier. The median value of a home or condominium unit in Stanton was $313,476 in 2009, up from $140,200 in 2000. Although local home prices have retreated since 2009, they remain somewhat high by national standards and continue to keep home ownership out of the reach of a good number of residents. While the median home price rose by a multiple of 2.2 times from 2000 to 2009, the average asking rent in the South Anaheim submarket increased by just 44% over the same period, according to Reis statistics. Because of the property's charter as a provider of affordable housing, its rents are roughly 25% below the Reis submarket average for generic apartment complexes. With rental housing being increasingly more affordable than home ownership over the years, the below-market rents of this property should make it especially attractive to senior citizens on limited incomes.

Morningstar's net cash flow is lower than the 12 months ended in September 2012 by 6.9%, with roughly one half of the difference coming from Morningstar's higher operating expenses and the other half from higher capital expenditures. Morningstar's amortizing debt service coverage is sound at 1.32 times, and LTV is 95.2%.

The property appears to be well positioned to remain competitive in a limited market segment, restricted to low income seniors. To qualify for the tax exemption, the ownership must include a non-profit social service organization with sufficient management authority, and the property must be used exclusively for a qualifying purpose, which can be operation of affordable housing. Renewal of the tax exemption is not automatic, but is granted as long as the affordable housing status is maintained and the managing general partner is a non-profit organization. The tax exemption terminates in 2051.

The Bears Say

- The property is subject to land use restrictions pertaining to age and income which limit the pool of available tenants.
- Eligibility under the California Property Tax Welfare Exemption must be resubmitted every year. Renewal of the exemption is not automatic, but is usually not a problem as long as the managing general partner remains a non-profit organization and the property remains as affordable housing.

The Bulls Say

- The five-mile radius area around the property is expected to see a 16% increase in its age 55 to 74 population by 2016, which mitigates the effect of the age restriction.
- The property is the only senior affordable housing property in Stanton.
- Occupancy has been maintained at a level of 95% to 97% in the past three years.

Property Description

The property is a 335-unit mid-rise income-restricted senior apartment complex completed in 1996 in Stanton, California, on Katella Avenue, roughly midway between I-5 and I-405 in Orange County. The location is about five miles west of Anaheim and 25 miles southeast of Los Angeles. The three and four-story building stands on 3.15 acres and includes garage parking with a total of 364 spaces. Other amenities include a business center, fitness center, swimming pool and spa, three community rooms, laundry facility and gated access. Apartment units have standard kitchen appliances, formica countertops and a balcony area. Bedrooms and bathrooms are designed for seniors with safety bars in the showers, and emergency call buttons in bathrooms and bedrooms.

The rents paid at the property are governed by various land use restriction agreements between the ownership and three different entities; the Stanton Redevelopment Agency, the Orange County Housing Authority (OCHA) and the California Tax Credit Allocation Committee (CTCAC). Tenant income is measured against Area Median Income (AMI) for purposes of allocation of units among varying income levels. The property's agreements require that at least 20% of units must be leased to persons with income no greater than 50% of AMI (OCHA and CTCAC), and at least 40% of units must be leased to persons with income no greater than 60% of AMI (CTCAC). All of the income restrictions in the agreements with OCHA and CTCAC are scheduled to expire in 2051. The property also has tenants with Section 8 vouchers; as of the Sept. 30, 2012 rent roll, 172 of the 322 tenants have Section 8 vouchers.

Morningstar visited the property on December 10, 2012 and found the subject to be in average condition. The management is completing a light renovation program including new flooring and some improvements to the common areas. Other capital expenditure includes items mandated by the PCA and are all nearly completed. The property offers amenities geared towards the over-55 tenancy including a recreation room on every floor, regular activities including bingo, casino bus trips and a beauty salon.

Management reported that the property was nearly 100% full. Approximately 60% of the residents had "Section 8" low income housing vouchers. Demand has been steady recently, although there were dips in occupancy during the recession when retirees in Orange County were unable to sell their homes during the housing crisis.

Unit Type Mix

Property Unit Type Overview			
Unit Type	**# of Units**	**% Total**	**Avg. Unit Size (Sq. Ft.)**
Studio/Efficiency	44	13.1%	541
One Bedroom	250	74.6%	600
Two Bedroom	41	12.2%	848
Total	**335**	**100.0%**	**623**

Market Overview

Park Place Seniors Apartments is in the South Anaheim submarket of the Orange County market, as defined by Reis. The market rents and vacancies quoted in this section pertain to generic apartment inventory. Within this submarket, the average asking rental rate was $1,418 per unit per month as of third quarter 2012. The overall asking rate represents an increase of 0.3% from the prior quarter and an increase of 2.6% from one year earlier. Reis predicts that asking rents in the submarket will increase at an average annual compound rate of 3.9% from 2013 through 2016. The weighted average rent at the subject was $1,060 per unit per month. The appraisal identified six local assets which were used as a competitive set, of which five did not have restrictions for age or income. The appraisal concluded a market rent of $1,030 per unit per month, after making adjustments for the restrictions; the average rent for the comparable properties used was $1,292 per unit per month. Morningstar underwrote rents at $1,049 per unit per month.

Within this submarket, the overall vacancy rate was 4.3% as of third quarter 2012. The overall vacancy rate in this submarket is currently at a cyclical low, having improved steadily since peaking at 9.4% in the first quarter of 2010. Reis forecasts vacancy rates for the submarket to remain between 3.4% and 6.1% through 2016. The appraisal identified a competitive set of six properties with a weighted average occupancy of 97.2% compared to 94.6% at the subject. However, the appraisal's comparable properties were mostly generic apartments, so the comparison is not as direct as it would be if the subject property was a market rate complex without age restrictions. The appraisal concluded a market vacancy of 4.0%. Morningstar underwrote vacancy at 5.0%.

According to Reis, 2,458 units were added in the submarket from 2005 through 2011, an inventory increase of 24.7% over the seven-year period. The forecast calls for 919 units over the next four years, which would represent an additional increase of 7.2% over the current inventory. Despite the relatively large past and expected future increases in the overall apartment inventory since 2005, there should be relatively little impact on the property due to its combination of age and income restrictions.

Sponsorship/Management

The borrowing entity is a recycled single-purpose California limited partnership. The property manager is a borrower-related management company.

Morningstar Analysis

	Morningstar	2010	2011	TTM 09/30/12	Issuer Underwriting
Income					
Gross Potential Rent	$4,215,269	$4,065,873	$4,218,727	$4,154,760	
or					
Base Rent	0	0	0	0	
Laundry/Vending	13,933	10,483	11,872	20,133	
Expense Reimbursement	0	0	0	24	
Percentage Rent	0	0	0	0	
Parking Income	5,093	0	5,238	6,768	
Other Income	76,733	39,011	78,606	89,288	
Less: Vacancy Loss	-200,651	-196,529	-132,906	-157,393	
Less: Concessions & Collection Loss	-298,007	-65,457	-303,475	-292,538	
Effective Gross Income	**$3,812,370**	**$3,853,381**	**$3,878,062**	**$3,821,042**	**$3,726,983**
Expenses					
Real Estate Taxes	$84,399	$71,866	$80,474	$88,875	
Property Insurance	81,335	97,369	76,004	70,633	
Utilities	125,776	107,908	119,378	101,755	
Repairs and Maintenance	173,294	162,861	141,103	182,056	
Janitorial	0	0	0	0	
Management Fees	152,495	191,932	176,327	189,877	
Payroll & Benefits	411,241	456,326	389,445	306,706	
Common Area Maintenance	0	0	0	0	
Advertising & Marketing	19,560	14,532	28,924	15,407	
Professional Fees	18,314	11,757	12,961	24,312	
General and Administrative	29,347	27,916	23,686	25,495	
Non-Reimbursable Expenses	0	0	0	0	
Other Expenses	12,155	0	800	10,932	
Ground Rent	0	0	0	0	
Market Expense Adjustment	0	0	0	0	
Total Operating Expenses	**$1,107,917**	**$1,142,467**	**$1,049,102**	**$1,016,048**	**$1,047,459**
Net Operating Income	**$2,704,453**	**$2,710,914**	**$2,828,960**	**$2,804,994**	**$2,679,524**
Capital Items					
Leasing Commissions	$0	$0	$0	$0	
Tenant Improvements	0	0	0	0	
Capital Expenditures	91,923	0	0	0	
Extraordinary Capital Expenditures	0	0	0	0	
Total Capital Items	**$91,923**	**$0**	**$0**	**$0**	**$83,750**
Net Cash Flow	**$2,612,530**	**$2,710,914**	**$2,828,960**	**$2,804,994**	**$2,595,774**

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	$1,049
Vacancy (%)	5.0%

Rent was underwritten at $1,049 per unit per month, the result of using the $1,060 average rent from the July 2012 rent roll, and moving it lower toward the appraisal's market rent of $1,030 per unit per month. Morningstar's concessions and bad debt was $74 per unit per month. The Reis submarket average asking rent was $1,418 per unit per month, though this is of limited value due to the property's status as age and income restricted. Vacancy was underwritten at 5.0%. In-place vacancy was 5.4%. The Reis submarket vacancy was 4.3%, and the appraisal comparable properties had vacancy of 3.4% including the subject property.

Expenses

Expenses are underwritten in-line with historicals unless otherwise noted. Morningstar underwrote real estate taxes based on the appraisal's estimate of special assessments, which are not exempt from taxation on tax-exempt properties. Morningstar underwrote management fees to 4% of effective gross income based on the historical expense. The actual contract rate with a borrower-related management company is 2%.

Capital Items

A reserve for future capital expenditures is underwritten at $274 per unit per year, a 10% increase over the engineer's recommended reserves.

Valuation Drivers

The appraisal's capitalization rate analysis is based upon the rates of recent comparable apartment sales and market surveys. The appraisal concluded that the direct capitalization rate for the subject is 5.5%. The sales included in the appraisal's comparison resulted in an average 5.7% capitalization rate. Morningstar's base multifamily cap rate for Orange County is 6.5%. Morningstar made an upward adjustment of 50 basis points to the base capitalization rate given the property's low-income tenant restrictions and age 55 and over restrictions. The final Morningstar cap rate is 7.0%.

NOTE: The issuer's tape dated December 27, 2012 updated occupancy to 96.1% as of September 30, 2012. The Morningstar analysis used an earlier occupancy of 94.6% as of July 25, 2012. The update also increased the average in-place rent to $1,075 per unit per month; the Morningstar analysis used an average in-place rent of $1,060 per unit per month.

Appendix A: Morningstar CMBS Subordination Model

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

Overview

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

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

Each set of stresses include:

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

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

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

Term Default Analysis

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

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

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

> Lost principal is calculated as the difference between the outstanding loan balance at the time of default and the stressed property value. The model computes the loan balance based on empirically-based time-to-default assumptions and the terms of the loan. The stressed property value is arrived at using the stressed NCF and a ratings adjusted cap rate.
>
> Special servicer costs include the fees earned by the special servicer while the loan is specially-serviced, interest on any P&I advances that the servicer makes, and the liquidation fees due the special servicer for selling the foreclosed property. The special servicer fee is dependent upon the period of time the loan is specially serviced. The model uses assumptions of this time period tiered by rating category.

Balloon Default

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

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

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

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

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

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

Appendix B: Morningstar Rating Surveillance

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

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

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

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

Appendix C: Morningstar Rating Characteristics

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

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

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

As indicated herein, the Class X certificates consist only of interest. If the underlying mortgage loans were to prepay in the initial month, with the result that the holders of the Class X certificates receive only a single month's interest and therefore, suffer a nearly complete loss of their investment, all amounts "due" to such holders will nevertheless have been paid, and such result is consistent with the rating received on the Class X certificates. The notional amounts of the Class X certificates on which interest is calculated may be reduced by the allocation of realized losses and prepayments, whether voluntary or involuntary, to the classes of series 2012-K24 principal balance certificates from which their respective notional amounts are derived. The ratings do not address the timing or magnitude of reductions of such notional amounts, but only the obligation to pay interest timely on the notional amounts as so reduced from time to time. Therefore, the ratings of the Class X certificates should be evaluated independently from similar ratings on other types of securities.

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