# COMM 2012-LTRT
# Commercial Mortgage Pass-Through Certificates

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## PRELIMINARY RATINGS (AS OF: 9/10/12)

| CLASS | BALANCE/ NOTIONAL AMT | PRELIMINARY RATINGS | MORNINGSTAR DSC | MORNINGSTAR BLTV | CREDIT SUPPORT LEVELS |
|---|---|---|---|---|---|
| Class A-1 | $49,141,000 | AAA | 2.33x | 60.80% | 30.5019% |
| Class A-2 | $130,859,000 | AAA | 2.33x | 60.80% | 30.5019% |
| Class X-A[1] | $180,000,000 | AAA | N/A | N/A | N/A |
| Class X-B[1] | $79,000,000 | NR | N/A | N/A | N/A |
| Class B | $28,423,000 | AA+ | 2.18x | 65.00% | 19.5278% |
| Class C | $25,303,000 | A | 2.00x | 71.10% | 9.7583% |
| Class D | $13,488,000 | BBB+ | 1.86x | 76.10% | 4.5506% |
| Class E | $11,786,000 | BBB | 1.81x | 78.20% | 0.0000% |
| Class R | N/A | NR | N/A | N/A | N/A |
| Class LR | N/A | NR | N/A | N/A | N/A |

*In determining the preliminary ratings on each class of securities issued by the Trust, Morningstar analyzed the property securing the loan as enumerated herein to determine its stabilized as-is net cash flow (NCF) and values based primarily on the direct capitalization approach. The loan along with its corresponding as-is NCF and property values were then subjected to a series of economic and lending environment stresses in our proprietary CMBS Subordination Model to estimate its expected loss at each rating category. A description of this model is attached as Appendix A to this report. Note (1): The Class X-A and Class X-B 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. NR – Not Rated; N/A – Not applicable.*

***Estimated Closing Date: October 4, 2012***

*Solely to the extent and subject to the scope of review enumerated herein, this report and the preliminary ratings noted above address certain credit risks and the extent to which the payment stream of the collateral is adequate to make payments required under the certificates based on information identified as subject to review herein and to the extent provided to Morningstar on the arranger's website for this transaction as of September 10, 2012 The below analysis, as well as Morningstar's ratings characteristics as described in Appendix C, further reflect the ratings analysis related to these preliminary ratings. Investors should be aware that the proposed transaction and certain documents related thereto are not finalized. Following Morningstar's receipt of final information and documentation, and the completion of Morningstar's review of such information and documentation, Morningstar may issue final ratings to certain subscribers. Such final ratings may differ from the preliminary ratings enumerated herein. Any final ratings will solely be available to Morningstar subscribers on a subscription basis. The preliminary ratings are provided on an arranger pay basis while any related surveillance and analysis is provided to subscribers on a subscription pay basis. For the avoidance of doubt, your receipt of this report does not, in and of itself, make recipient a subscriber of Morningstar. For further information on Morningstar's subscription service, please contact Joe Petro pursuant to the contact information above.*

***Ongoing Surveillance Statement***

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

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

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

## TRANSACTION SPOTLIGHT

| | | | |
|---|---|---|---|
| **Collateral** | Two fixed-rate loans secured by two super-regional malls. | **Mortgage Loan Seller** | German American Capital Corporation |
| **Notional Balance** | $259,000,000 | **Depositor** | Deutsche Mortgage & Asset Receiving Corporation |
| **Structure** | Sequential pay | **Lead Manager** | Deutsche Bank Securities Inc. |
| **Morningstar U/W Current DSCR** | 1.81x | **Trustee** | U.S. Bank National Association |
| **Morningstar U/W Amortizing DSCR** | 1.81x | **Certificate Administrator** | Deutsche Bank Trust Company Americas |
| **Morningstar U/W BLTV** | 78.2% | **Master Servicer** | KeyCorp Real Estate Capital Markets, Inc. |
| **Morningstar U/W ELTV** | 62.0% | **Special Servicer** | KeyCorp Real Estate Capital Markets, Inc. |

# Overview

COMM 2012-LTRT is a $259 million transaction secured by two 10-year, fixed-rate, first-lien mortgage loans on two super-regional shopping malls. Both loans are non-recourse and are evidenced by single promissory notes. The loans are not cross-collateralized or cross-defaulted. The Westroads Mall loan has an original principal balance of $140.70 million and is secured by the fee interests in 540,304 square feet of the 1.07 million-square-foot Westroads Mall in Omaha, Neb. The Oaks Mall loan has an original principal balance of $118.30 million and is secured by the fee interests in 581,849 square feet of the 906,349-square-foot Oaks Mall in Gainesville, Fla. Both of the mortgaged properties are under common management and common ownership of General Growth Properties, Inc., or its affiliates. The borrowers of each loan have pledged 100% of their ownership interest to secure mezzanine loans. The mezzanine loans to the Westroads Mall and Oaks Mall borrowers are $16.3 million and $20.7 million, respectively.

| Propety Name | Location | Collateral Square Footage | Trust Debt | Trust Loan PSF | Mezz Debt | Total Loan PSF | Loan Term (Months) | Interest Rate | Amorti-zation (Months) |
|---|---|---|---|---|---|---|---|---|---|
| Westroads Mall | Omaha, NE | 540,304 | $140.7 | $260 | $16.3 | $291 | 120 | 4.295% | 360 |
| Oaks Mall | Gainesville, FL | 581,849 | $118.3 | $203 | $20.7 | $239 | 120 | 4.121% | 360 |
| **Totals** | | **1,122,153** | **$259.0** | **$231** | **$37.0** | **$264** | **120** | **4.216%** | **360** |

Morningstar determined the preliminary ratings for each class of COMM 2012-LTRT certificates by analyzing the loans and related collateral properties, and subjecting the aggregate net cash flow and capitalization rates to a variety of stresses in our proprietary CMBS Subordination Model. Several important factors figured prominently in our loan and property analysis. First, both malls are dominant in their respective trade areas. In the case of Westroads Mall, its more than one million square feet of leasable area makes it one of the largest shopping destinations in the Omaha area. While Westroads competes against several other malls or shopping centers located nearby, it has an attractive line-up of tenants and is very well located along West Dodge Road in one of Omaha's major retail and commercial corridors. The Oaks Mall, at just under one million square feet, is not only the dominant shopping mall in the Gainesville area, it's the only mall for nearly 40 miles. It also benefits from its location less than five miles west of the 2,000-acre campus of the University of Florida, where nearly 50,000 students attend classes each year.

Second, both malls have been able to maintain relatively stable occupancy over the last several years and both exhibit positive sales trends. Whereas in-line sales at The Oaks Mall grew modestly in 2011 and in the trailing 12 months ended June at 4.1% and 0.5%, Westroads's sales jumped by 14.4% and 7.0% over the same period. Moreover, we have some level of confidence that the property managers at each mall will be able to effectively manage the lease rollover over the next five years.

Third, stable cash flows and strong amortizing DSCRs (on the trust debt) raise the likelihood that the loans will reach maturity. Morningstar's loan and property analysis yielded aggregate net cash flow of $27.56 million and a weighted average DSCR of 1.81x on the combined trust debt amount of $259 million. Morningstar's NCF DSCRs for the Westroads Mall and The Oaks Mall loans are both strong at 1.75x and 1.88x, respectively, providing a sizeable cushion against future cash flow volatility. Fourth, principal amortization will result in the loans de-leveraging over time, increasing the likelihood that the sponsor will successfully refinance the loans at maturity. And although our beginning LTVs are higher than those in other recent large-loan/single-borrower transactions we analyzed, our ending LTVs are substantially lower at 63.5% for Westroads and 60.4% for Oaks, which will help mitigate refinance risk.

| Morningstar Property Cashflows & Values | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Propety Name | Morningstar NCF ($MM) | Morningstar Trust Debt DSCR | Morningstar Total Debt DSCR | Morningstar Cap Rate | Morningtar Value ($MM) | Morningstar Value PSF | Appraised Value ($MM) | Appraised Value PSF | Morningstar Value Variance | Morningstar Trust Debt BLTV | Morningstar Trust Debt ELTV |
| Westroads Mall | $14.62 | 1.75x | 1.52x | 8.30% | $176.1 | $326 | $242.0 | $448 | -27.2% | 79.9% | 63.5% |
| Oaks Mall | $12.94 | 1.88x | 1.53x | 8.35% | $155.0 | $266 | $227.0 | $390 | -31.7% | 76.3% | 60.4% |
| **Totals/WA Avg.** | **$27.56** | **1.81x** | **1.52x** | **8.32%** | **$331.1** | **$298** | **$469.0** | **$418** | **-29.0%** | **78.2%** | **62.0%** |

Finally, while we did not afford any additional credit in our property analysis or subordination levels for GGP's sponsorship, we view the experienced ownership and property management of GGP and its long-term ownership of the properties as beneficial for the transaction. GPP acquired a majority interest in both properties in 1997, and has been managing them ever since.

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.

**Credit Support Stresses**

Morningstar's final net cash flow and capitalization rates for the properties 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 properties' cash flow to address the concentration risks inherent in a two-loan securitization. This is done separately to gauge the credit-worthiness of the loans during their terms and at the balloon date. In the case of the latter, Morningstar additionally stresses the ability of the borrowers to refinance the loans at a higher loan constant. 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 certificates, we subjected our concluded net cash flow to a weighted-average 36.0% decline and our concluded value to a weighted-average 54.8% decline in the term default analysis. In the balloon default analysis, these weighted-average declines were 36.0% and 52.9%, respectively.

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

| | AAA | AA | A | BBB | BB | B |
|---|---|---|---|---|---|---|
| Morningstar NCF Decline (Term) | 36.0% | 33.0% | 30.0% | 25.0% | N/A | N/A |
| Morningstar Value Decline (Term) | 54.8% | 48.2% | 44.6% | 34.8% | N/A | N/A |
| Morningstar NCF Decline (Balloon) | 36.0% | 33.0% | 30.0% | 25.0% | N/A | N/A |
| Morningstar Value Decline (Balloon) | 52.9% | 47.0% | 43.3% | 34.8% | N/A | N/A |

**Scope of Analysis**

In evaluating the properties and determining Morningstar concluded 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 September 10, 2012 for the property: the offering materials (as applicable), the historical financial statements (for the most recent three years unless the property did not have three years of operating history available), issuer's underwriting and supporting analysis and notes, most recent available rent roll, the appraisal, environmental site assessment, property condition assessment, 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 photographs of the properties and maps of the surrounding areas.

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 9-10-12 (except as otherwise specified in this paragraph): (i) the 9-10-12 draft offering circular, (ii) the loan agreements dated as of 9-4-12, (iii) the cash management agreements dated as of 9-4-12, (iv), the Amended and Restated Operating Agreement of Oaks Mall, LLC, dated as of September 4, 2012 and Third Amended and Restated Operating Agreement of Westroads Mall L.L.C., dated as of September 4, 2012, (v) opinions of Wachtel Masyr & Missry LLP, dated September 4, 2012 regarding nonconsolidation (relating to the mortgage borrowers), (vi) opinions of Richards, Layton & Finger, P.A., dated September 4, 2012 regarding authority to file bankruptcy and Delaware LLC matters (relating to the mortgage borrowers), (vii) the intercreditor agreements dated as of 9-4-12, (viii) the 9-6-12 posted draft mortgage loan purchase agreement and (ix) the 9-6-12 posted draft pooling and servicing agreement.

In addition, legal counsel intends to review the following documents upon posting of such documents on the arranger website prior to issuance of the final ratings: (i) true sale opinions for the sale of the loans from the seller to the depositor and from the depositor to the securitization trust, (ii) corporate and enforceability opinions of the borrowers, servicer, special servicer, trustee, certificate administrator, depositor and loan seller and the general deal level opinion related to certain tax matters, (iii) the mortgages, (iv) the notes and (v) versions of the documents enumerated in the preceding paragraph posted as of the date of issuance of final ratings. Unless enumerated on the prior list, no external legal counsel review was performed with respect to any documents. Therefore, leases, including ground 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 or subordination agreements (except as enumerated in the preceding 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, the property or the mortgagee's lien and security interest in any collateral for the loan. As legal review of local law opinions was not performed, Morningstar has assumed that local law opinion(s) were provided for all relevant jurisdictions, on customary forms and with rating agency reliance.

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

A more detailed description of Morningstar's collateral analysis approach is discussed below.

**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.

# Loan 1: Westroads Mall

***Morningstar Perspective***

Westroads Mall is a 1.07 million-square-foot regional shopping mall in Omaha, Nebraska. The collateral for the loan is 540,304 square feet which excludes the three department store anchors, Von Maur, Younker's and JC Penney, and one outparcel belonging to First Westroads Bank. The mall was built in 1968 and renovated and/or expanded in 1990, 1995, 1999, and 2003. General Growth Properties, Inc. owns the mall.

Morningstar considers the Westroads Mall to be the dominant retail center in its trade area and expects it to be a consistent and stable performer over the term of the loan. We are encouraged by the improving sales performance of the property as well as the good tenant mix and the good economic fundamentals in Omaha. The location is an established commercial and retail area and recent changes in the competitive landscape have allowed the mall to emerge as the strongest property in Omaha. We have some concerns over the relatively high beginning loan to value, and the upcoming lease rollover. However, for the next several years, we consider the risks to be adequately mitigated, partly by the strong sales growth trends and the health of the local economy and retail market.

Morningstar's analysis resulted in a relatively high loan-to-value of 89.2% on the total debt amount of $157 million. On the trust debt ($140.7 million), however, the LTV is a more moderate 79.9%. In addition, Morningstar's debt service coverage ratio on the total debt is healthy at 1.52x, and 1.75x on the trust debt. Our net cash flow includes credit for contractual rent increases over the next 12 months and a modest haircut for in-line tenants with high occupancy costs. Although our underwritten net operating income is $370,000 higher than the reported NOI for the trailing 12 months ended June 2012, we note that our underwriting includes the expanded XXI Forever store that could increase revenue by up to $475,000.

The mall has maintained a relatively strong level of occupancy and sales despite the recent recession. In-line sales increased in each of the past three years and the occupancy did not fall below 93%. In-line sales are healthy at $458 per square foot and are 30% higher than in 2009. We reviewed sales for major tenants and found that many of the tenants including DSW, Victoria's Secret and Buckle all had sales above their respective chain averages. Management reported that Buckle's store was one of the best performing in the chain. Of the tenants with weaker sales numbers, we considered only Lane Bryant as a near-term risk to vacate. Other tenants with lower chain sales either do not have imminent lease expirations or are in renewal negotiations with the sponsor.

In 2013, the mall has 34 tenants with leases expiring totaling 77,016 square feet or 14.3% of the total space. Of this, we attributed 25,608 square feet to temporary tenants, meaning that the "rollover" will be an ongoing issue with these types of leases signed only for one to two years. Morningstar considers these tenants to be a relatively low risk as their rents are often below market and are often renewed on a rolling basis. Excluding the temporary tenants, lease rollover is 51,408 square feet or 9.5% of the total space. Of this, most of the tenants have sales that are at or above the averages for their respective chains, making them good renewal candidates.

Omaha's economy has performed better than the US economy as a whole. The area has a strong employment base in education and health services, plus Offutt Air Force Base is a consistent contributor to the local economy. The unemployment rate remained well below the national average during the recession and employment has largely returned to its pre-recession level.

The competitive landscape has changed significantly over the past few years, changes that, for the most part, have benefited Westroads Mall. Two regional malls, Crossroads Mall and Mall of the Bluffs, have experienced significant declines in occupancy and cash flow. The decline of Crossroads Mall, which was three miles east of Westroads Mall, has actually fueled sales growth at the subject and can be viewed as a positive factor. Two new lifestyle centers, Village Pointe and Shadow Lake Town Center are not direct competitors as their locations are more suburban in character. However, we note that the properties could be longer-term threats to the subject as the population continues to shift to the suburbs. The most competitive property, Oak View Mall, six miles southwest of the subject is also a GGP-owned regional mall. Although Oak View had been the dominant mall in the region, the sales per square foot surged at Westroads to $458, exceeding the $425 per square foot posted at Oak View Mall.

***The Bears Say - Westroads***

- Westroads is facing competition from new lifestyle centers that compete for higher end tenants; however, Westroads remains the dominant center in the trade area with sales of over $450 per square foot.
- Lease rollover: Leases on 14.3% of the space will expire in 2013. We note that more than a third of the rollover is from temporary tenants whose leases may renew each year on a rolling basis and that the true lease rollover is 9.5%. Many of the remaining tenants have strong sales and should renew their leases.

- The underwritten LTV on the total debt is 89.2%, although the LTV on the trust balance is lower at 79.9%.
- A number of the leases with respect to the property contain co-tenancy clauses that include termination rights. In addition to termination rights (and whether or not termination rights are included), a co-tenancy clause may provide other rights, such as to reduce rent or "go dark". A review of the "top 10" tenants (by percentage of base rent), as well as any other tenant with respect to 25,000 square feet or more did not appear to represent any material concern.
- The sponsor, GGP, filed for bankruptcy protection in 2009. As a result of the bankruptcy proceedings, the company was split and several properties were handed back to their respective lenders. The reorganized company has renegotiated debt on many of its assets and is in better financial condition today. Westroads Mall was excluded from the bankruptcy proceedings.

***The Bulls Say - Westroads***

- Westroads is the dominant mall in the Omaha trade area. Westroad Mall's sales of $458 per square foot exceed the $425 per square foot generated by Oak View Mall, its closest competitor. A representative of the property management reported that Village Pointe, a lifestyle center west of the property, has similar sales per square foot but Village Pointe also has an Apple store.
- A representative of the property management reported that the subject has had increasing sales in each of the past six years. In-line sales in 2010, 2011 and the trailing 12 months increased 11.6%, 14.4% and 7.0%, respectively.
- Lease rollover is generally low and management has been adept in backfilling vacant space.
- Morningstar's total debt DSCR is 1.52x and 1.75x on the trust debt, providing a cushion in the event of an unforeseen increase in vacancy.
- Expansion of the existing Forever 21 store, which will operate as a XXI Forever concept, could increase cash flow by up to $475,000.

# Property / Collateral Summary – Westroads Mall

**Westroads**

The property is a 1.07 million-square-foot, two- and three-story super-regional mall in Omaha, Nebraska, six miles west of the Omaha CBD. Only 540,304 square feet are collateral for the loan as the three department stores, Von Maur, Younker's and JC Penney, own their parcels. There are five outparcels; four are included in the collateral and the fifth is subject to a ground lease. The property has 4,809 parking spaces (4.50 spaces per 1,000 feet) nearly all of which are surface spaces. A small number of spaces are located in a single-story parking structure adjacent to JC Penney. Management noted that it would be possible to build additional levels on the parking structure if necessary.

The property is located along the West Dodge Corridor at the intersection with Interstate 680, giving it access to a large part of the Omaha trade area. West Dodge Road is the dominant commercial thoroughfare in Omaha, extending from the CBD into the western suburbs. Major submarkets along Dodge include Downtown Omaha, where the headquarters for ConAgra and Union Pacific are located, Midtown, which includes the headquarters for Berkshire Hathaway and Mutual of Omaha, and Old Mill, where TD Ameritrade recently completed its new complex. Some of Omaha's most affluent neighborhoods are along Dodge Road, including Regency, immediately to the south, and Dundee to the east.

There are three department store anchors at the property, JC Penney, Von Maur and Younkers, none of which is part of the loan collateral. In addition to the department store anchors, major tenants include Dick's Sporting Goods and Rave Cinemas, a 14-screen movie theater. Forever 21 recently executed a new lease to expand its space from 8,000 square feet to over 30,000 square feet on the main and lower levels. The new store will be rebranded under the XXI Forever concept. The mall's interior is organized with dual corridors running between JC Penney and Younkers with Von Maur situated in the center of the mall. Most of the property is two stories plus a small lower level area that includes the management office, storage and will include the lower level of Forever 21's new space (rebranded as XXI Forever).

Morningstar toured Westroads Mall on August 20, 2012. We found the property to be in good condition with any obvious deferred maintenance limited to the parking areas. The lower level is currently closed in order to accommodate the construction for the Forever 21 expansion. Primary access is via an interchange from West Dodge Road, which is a limited-access highway in this area. There are also ingress points from 96th and 102nd street. Based on our site visit, we have assigned a property score of "3" or average.

The Property Condition Assessment recommended $20,000 in immediate repairs, primarily for modernization of the elevators. The recommended replacement reserve was $2,169,400, inflated, which equates to $0.33 per square foot per year.

The Environmental Site Assessment noted one Recognized Environmental Condition due to leaking underground storage tanks at four areas of the property, three of which are the responsibility of the borrower. The storage tanks were used for fuel in connection with an electrical co-generation facility that was located at the property. The Nebraska Department of Environmental Quality designated the site as a low priority and backlogged the file. Should these files become active, remediation work would be necessary. The consultant has estimated those remediation costs at $75,000 to $300,000. The borrower is not required to establish a reserve or set aside any money for any future environmental remediation work or costs.

**Loan Collateral Summary – Westroads Mall[1]**

| | Total # Tenants | Total Mall Sq. Ft. | Collateral Sq. Ft. | % Owned | % Total Coll. Sq. Ft. | In-Place Rent | % Total Rent |
|---|---|---|---|---|---|---|---|
| Anchor[2] | 1 | 613,412 | 84,000 | 13.7% | 15.5% | $903,000 | 7.6% |
| Theater | 1 | 73,252 | 73,252 | 100% | 13.6% | $1,465,040 | 12.4% |
| Junior Anchor[3] | 3 | 59,961 | 59,961 | 100% | 11.1% | $1,324,325 | 11.2% |
| Outparcel | 5 | 35,916 | 34,166 | 95.1% | 6.3% | $707,318 | 6.0% |
| Temp/Percent in Lieu | 25 | 41,400 | 41,400 | 100% | 7.7% | $0* | 0.0% |
| In-Line (5,000-9,999 sq.ft.) | 15 | 101,390 | 101,390 | 100% | 18.8% | $2,635,944 | 22.2% |
| In-Line (3,500-4,999 sq.ft.) | 12 | 49,982 | 49,982 | 100% | 7.5% | $1,113,750 | 9.4% |
| In-Line (2,001-3,499 sq.ft.) | 11 | 30,552 | 30,552 | 100% | 5.2% | $838,135 | 7.1% |
| In-Line (1,201-2,000 sq.ft.) | 18 | 28,466 | 28,466 | 100% | 3.2% | $580,117 | 4.9% |
| In-Line (1-1200 sq.ft.) | 24 | 20,453 | 20,453 | 100% | 2.8% | $893,171 | 7.5% |
| Food Court | 13 | 7,885 | 7,885 | 100% | 1.3% | $585,129 | 4.9% |
| Jewelry | 5 | 8,327 | 8,327 | 100% | 1.5% | $685,342 | 5.8% |
| Kiosk | 2 | 470 | 470 | 100% | 0.1% | $98,488 | 0.8% |
| | | **1,071,456** | **540,304** | | | | |

[1]Revenue from temporary tenants and tenants paying a percentage of sales was included as specialty or percentage rent income and excluded from the rent roll.
[2]The sole tenant categorized as an anchor is Dick's Sporting Goods.
[3]Tenants categorized as junior anchors are XXI Forever, DSW Show Warehouse and Old Navy

## Tenant Overview

**Morningstar Collateral Tenant Overview Table (Top 10) – Westroads Mall**

| Tenant | Net Rentable Square Feet | % of Square Feet | Base Rent Amount | Base Rent $ Square Foot | % of Base Rent | Lease Expiration |
|---|---|---|---|---|---|---|
| Dick's Sporting Goods | 84,000 | 15.5% | $903,000 | $10.75 | 7.6% | Jan-19 |
| Rave Cinemas | 73,252 | 13.6% | $1,465,040 | $20.00 | 12.4% | Nov-23 |
| Forever 21 | 30,796 | 5.7% | $625,000 | $20.29 | 5.3% | Nov-22 |
| DSW Shoe Warehouse | 14,704 | 2.7% | $323,488 | $22.00 | 2.7% | Jan-18 |
| Old Navy | 14,461 | 2.7% | $375,986 | $26.00 | 3.2% | May-15 |
| The Cheesecake Factory | 10,209 | 1.9% | $357,315 | $35.00 | 3.0% | Jan-27 |
| Granite City Food Brewery | 10,155 | 1.9% | $105,000 | $10.34 | 0.9% | Feb-27 |
| Victoria's Secret | 9,780 | 1.8% | $264,060 | $27.00 | 2.2% | Jan-19 |
| Deb | 8,754 | 1.6% | $155,033 | $17.71 | 1.3% | Jan-18 |
| Buckle | 7,998 | 1.5% | $242,179 | $32.75 | 2.1% | Jul-19 |
| **Top 10 Subtotal** | **264,109** | **48.9%** | **$4,816,068** | **$18.24** | **40.6%** | |

The top five tenants represent 40.2% of the total collateral square footage and 31.1% of the base rent. Westroads Mall has three traditional department store anchors, none of which is collateral for this loan.

JC Penney is one of the largest department store chains in the United States with more than 1,100 stores in 49 states and Puerto Rico. The company was founded in 1902 and is based in Plano, Texas. JC Penney's stock is traded on the NYSE under the ticker symbol "JCP" and Morningstar, Inc. assigns a rating of BBB- (Morningstar, Inc. ratings are not NRSRO ratings). Sales at this location for the trailing 12 months ending June 2012 were estimated at $27.0 million ($152 per square foot).

Younkers, a department store subsidiary of The Bon Ton, has 49 stores in Illinois, Iowa, Michigan, Minnesota, Nebraska, South Dakota, Wisconsin and Wyoming. It is the company's second-largest brand after its eponymous Bon-Ton nameplate. Overall, The Bon Ton operates 272 stores in 23 states. The company trades on the NASDAQ exchange under the symbol "BONT". Sales at this location for the trailing 12 months ending June 2012 were estimated at $28.0 million ($168 per square foot).

Von Maur is a privately-held department store chain with 27 stores in 11 states. The company is headquartered in Davenport, Iowa. The chain is focused in the Midwest, but in 2010, expanded to Atlanta and in 2011, to New York State. For the trailing 12 months ending May 2012, the sales at this location were $42.2 million ($235 per square foot).

**Major Tenants**

Dick's Sporting Goods, Inc. is an authentic full-line sporting goods retailer offering a broad assortment of brand name sporting goods equipment, apparel and footwear in a specialty store environment. The company also owns and operates Golf Galaxy, LLC, a golf specialty retailer. As of January 28, 2012, the Company operated 480 Dick's Sporting Goods stores in 43 states, 81 Golf Galaxy stores in 30 states and e-commerce web sites and catalog operations for both Dick's Sporting Goods and Golf Galaxy. Dick's Sporting Goods, Inc. is traded on the NYSE under the ticker symbol "DKS" and is currently not rated by Morningstar, Inc.

Rave Cinemas, LLC is a privately held theater chain based in Dallas, Texas. The company has 62 theaters with 939 screens in 21 states. The Westroads cinema has 14 screens. For the trailing 12 months ending June 2012, sales for this location were $6.1 million ($436,865 per screen).

**Tenant Expiration and Lease Rollover**

Over the next four years, scheduled lease rollover is relatively low, with the exception of 2013. However it is important to note that a large percentage of the 2013 rollover includes temporary tenants whose leases will expire almost every year. Beyond 2013, lease rollover in each year will have a limited impact on the property and should afford management the time to backfill any vacant space. Of the anchor and junior anchor tenants, only Old Navy (14,461 SF) has a lease expiring prior to 2018. Von Maur, JC Penney and Younker's own their own improvements and parcels and are not subject to any ground leases.

| Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| | MTM | 2012 | 2013 | 2014 | 2015 | 2016 | After 2016 |
| Anchor | 0 | 0 | 0 | 0 | 0 | 0 | 84,000 |
| Theatre | 0 | 0 | 0 | 0 | 0 | 0 | 73,252 |
| Junior Anchor | 0 | 0 | 0 | 0 | 14,461 | 0 | 45,500 |
| Outparcel | 0 | 0 | 0 | 0 | 0 | 0 | 34,166 |
| Temp/Percent in Lieu | 0 | 3,232 | 30,318 | 1,196 | 6,654 | 0 | 0 |
| In-Line (5,000-9,999 sq.ft.) | 0 | 0 | 14,234 | 6,539 | 5,506 | 14,229 | 60,882 |
| In-Line (3,500-4,999 sq.ft.) | 0 | 0 | 15,253 | 0 | 0 | 0 | 25,300 |
| In-Line (2,001-3,499 sq.ft.) | 0 | 2,709 | 9,478 | 2,361 | 2,634 | 2,539 | 8,307 |
| In-Line (1,201-2,000 sq.ft.) | 0 | 0 | 1,745 | 1,375 | 3,279 | 1,315 | 9,387 |
| In-Line (1-1200 sq.ft.) | 0 | 1,015 | 1,885 | 5,434 | 1,115 | 1,690 | 3,785 |
| Food Court | 0 | 0 | 1,234 | 568 | 1,582 | 1,267 | 2,306 |
| Jewelry | 0 | 0 | 0 | 1,321 | 0 | 1,792 | 5,214 |
| Kiosk | 0 | 0 | 196 | 0 | 274 | 0 | 0 |
| Antenna/ATM | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **6,956** | **74,343** | **18,794** | **35,505** | **22,832** | **352,099** |
| **% Roll** | **0.0%** | **1.3%** | **13.8%** | **3.5%** | **6.6%** | **4.2%** | **65.2%** |

## Co-Tenancy Risk

Several tenants at Westroads Mall, including nine of the largest ten by square footage, have leases that contain co-tenancy clauses that include termination rights. In addition to termination rights (and whether or not termination rights are included), a co-tenancy clause may provide other rights, such as to reduce rent or "go dark". A review of the "top 10" tenants (by percentage of base rent), as well as any other tenant with respect to 25,000 square feet or more did not appear to represent any material concern. The nine largest tenants by square footage with early termination rights or co-tenancy provisions are as follows:

- Deb - tenant has the right to terminate the lease if (i) more than one anchor store is closed for more than 12 months, or (ii) less than 75% of the non-anchor gross leaseable area is occupied for a period of more than 30 days. In addition, if more than one anchor store is closed for more than 12 months, the tenant may have the right to pay substitute rent equal to 5% of net sales.

- Dick's Sporting Goods - if less than two department stores are operating in at least 80% of the floor area of each of their respective stores for 12 months or more and less than 65% of the floor area of the first and second levels at the shopping center are open for business for 12 months or more, the tenant may terminate the lease.

- DSW Shoe Warehouse - if less than 70% of the gross leaseable area is open and operating or JCPenney ceases to operate, the tenant may pay 50% of its base rent and 100% of its share of taxes as substitute rent. If the co-tenancy failure continues for a period of three months, the tenant may cease operating its business but must still pay rent. If the failure continues for 12 months, then the tenant may terminate the lease.

- XXI Forever - if (i) certain anchors cease operating or (ii) less than 80% of the gross leaseable area of the enclosed portion of the shopping center (excluding anchors) is open for business, the tenant may pay substitute rent in an amount equal to 9% of the tenant's net sales. If the operating failure has not been cured within a specified time, then tenant may have the right to terminate the lease.

- Victoria Secret - if (i) less than 70% of the gross leaseable area is occupied by tenants that are open or (ii) less than four anchors are open, then in either event the tenant may pay substitute rent equal to 5% of net sales (subject to a specified minimum). If, within 12 months following the date on which an operating failure has occurred, such operating failure has not been cured, the tenant may have the right to terminate the lease. The tenant also has the right to terminate its lease if the purpose for which it was opened is declared illegal by applicable state or local law.

- Cheesecake Factory - if (a) the total gross leaseable space occupied by certain tenants is less than 80% of the total gross leaseable space available for occupancy or any of the anchors ceases to operate and is not replaced within 12 months and (b) the tenant's net sales during the period decrease in excess of 5% less than the national average percentage increase in the tenant's menu prices, then the tenant will have the right to pay substitute rent equal to 2.5% of its net sales for any part of the first 10 years of the lease and 3% for the remainder. If the failures above continue for more than 18 months, the tenant may have the right to terminate its lease.

- Old Navy - if (i) the buildings doing business as Von Maur and JCPenney and one of the buildings doing business as Montgomery Ward or Yonkers (Key Store) are not open and (ii) 75% of the floor area of the shopping center, is not open and operating, the tenant has the option to close its store for business and pay a minimum rent or continue to operate, but pay a substitute rent equal to 2% of gross sales. If the failure is continuing for 18 months, the tenant may have the right to terminate the lease.

- Rave Theaters - if either or both of the following occurs: (i) less than two of the three anchor stores is open for business or (ii) less than 70% of the floor area of the mall stores is occupied by bona fide retail tenants under leases (provided that no more than 10% comprising such 70% may be occupied by tenants under leases with initial terms of less than two years), then the tenant has the right to: (a) if such failure continues for more than 180 days, pay substitute rent equal to the lesser of (i) 10% of the gross receipts made during the applicable period and (ii) 50% of the minimum annual rent); (b) If an anchor co-tenancy failure has not been cured on or before the 3rd anniversary of such failure, terminate the lease; (c) if a mall store co-tenancy failure has not been cured on or before the second anniversary of such failure, terminate the lease.

# Market Area Overview - Westroads

Omaha is the largest city in Nebraska and the major component of the Omaha – Council Bluffs MSA. According to the 2011 census, the population of the MSA is 877,110. Since 2000, population growth in the MSA has averaged 1.2% per year, a growth rate higher than the national average of 0.9%. The population within a one-, three- and five-mile radius was 88,619, 260,368 and 642,744, respectively.

| Summary of Demographic and Economic Trends | | | | | |
|---|---|---|---|---|---|
| | 2000 | 2012 | Forecast 2017 | Average Annual Growth Rate (%) (2000 – 2012) | (2012 – 2017) |
| **Population** | | | | | |
| Five-Mile Radius | 250,400 | 260,368 | 267,244 | 0.33% | 0.52% |
| Omaha MSA | 766,669 | 881,489 | 927,352 | 1.17% | 1.02% |
| State of Nebraska | 1,711,273 | 1,849,023 | 1,912,525 | 0.65% | 0.68% |
| United States | 281,421,906 | 313,095,504 | 325,256,835 | 0.89% | 0.77% |
| | | | | | |
| **Average Household Income** | | | | | |
| Five-Mile Radius | $61,556 | $64,429 | $64,518 | 0.38% | 0.03% |
| Omaha MSA | $56,440 | $66,704 | $68,504 | 1.40% | 0.53% |
| State of Nebraska | $49,616 | $59,679 | $61,491 | 1.55% | 0.60% |
| United States | $56,675 | $67,315 | $69,219 | 1.44% | 0.56% |
| | | | | | |
| **Retail Sales ($ millions)** | | | | | |
| Omaha MSA | | $13,392 | $14,812 | | 2.00% |
| State of Nebraska | | $27,819 | $30,124 | | 1.60% |
| United States | | $4,575,879 | $5,033,727 | | 1.90% |

Source: *Appraisal / Claritas*

Employment in the Omaha area is dominated by the Trade, Transportation and Utilities sector. Other major sectors include Education and Health Services and Professional and Business Services. The MSA is home to five companies in the Fortune 500: Berkshire Hathaway, Union Pacific Railroad, Kiewit Corporation, Mutual of Omaha and ConAgra Corporation. Other major private sector employers include grocery chain HyVee, Inc., First Data Corporation, First National Bank of Omaha and West Corporation. Major employers in Education and Health Services include Alegent Health, Nebraska Medical Center, Methodist Health, University of Nebraska Medical Center, Creighton University and the University of Nebraska at Omaha. The largest employer in the MSA is Offutt Air Force Base, which is the headquarters for the United States Strategic Command.

As of June 2012, total employment in Omaha was 448,696 and the unemployment rate was 4.4%, well below the national average of 8.6%. The local economy experienced a 2.5% decrease in employment in 2009 as the unemployment rate rose to 5.2%. The unemployment rate peaked in January 2011 at 5.8% before the economy entered a relatively robust recovery. By mid-2011, total employment returned to its pre-recession peak of 438,784.

Over the past five years, Omaha's retail market has been less tumultuous than markets in other Midwestern cities. The average community center vacancy rate of 7.4% compared quite favorably to the Midwestern average of 11.9% and the national average of 9.8%, according to Reis. The combined vacancy rate for neighborhood and community centers was 9.2%, 80 basis points higher than the average vacancy in pre-recession 2007. Over the course of the recession, vacancy did not increase more than 200 basis points. This is likely attributable to the stable employment situation in the metro area.

Retail construction came to a standstill in Omaha in 2009, and from 2010 to 2012, no new supply was delivered in the market. Reis reports that only one major property is under construction. Settlers Creek in Papillion will be a 250,000-square-foot community center in Papillion, Nebraska, 13 miles south of Westroads Mall. The developer, RED Development, is the developer of two successful lifestyle centers in the Omaha area, Village Pointe and Shadow Lake. Other new projects in Omaha have been limited mainly to single-tenant properties.

**Summary of Primary Retail Competition**

| Property | Location/Market | Distance from Subject | Mall Type | GLA | Anchors | Occupancy | Est. Mall Shop Sales/SF |
|---|---|---|---|---|---|---|---|
| Subject Center – Westroads Mall | Omaha, NE | - | Regional Mall | 1,071,456 SF | Von Maur, JC Penney, Younkers, Dick's, Rave Theaters | 94.5% | $458/SF |
| Oak View Mall | Omaha, NE | 6.5 miles | Regional Mall | 862,485 SF | Dillard's JC Penney, Sears, Younkers | 90% | $425/SF |
| Village Pointe | Omaha, NE | 7.0 miles | Lifestyle Center | 556,010 SF | Scheels, Village Pointe Cinema, Bed, Bath & Beyond, Best Buy | 98% | NAV |
| Shadow Lake Towne Center | Papillion, NE | 13.0 miles | Lifestyle Center | 739,154 SF | Dick's, Gordmans, JC Penney, Best Buy, Bed, Bath & Beyond | 94% | NAV |

Source: *Appraisal*

**Summary of Secondary Retail Competition**

| Property | Location/Market | Distance from Subject | Mall Type | GLA | Anchors | Occupancy | Est. Mall Shop Sales/SF |
|---|---|---|---|---|---|---|---|
| Regency Court | Omaha, NE | 0.5 miles | Community Center | 196,124 SF | Borsheim's Jewelry, Pottery Barn, Williams-Sonoma | 88% | NAV |
| One Pacific Place | Omaha, NE | 2.4 miles | Specialty Center | 92,000 SF | Trader Joes, Sur La Table, Banana Republic | 92% | NAV |
| Sorenson Park Plaza | Omaha, NE | 6.0 miles | Power Center | 804,350 SF | Target, Marshall's, OfficeMax | 94% | NAV |
| Eagle Run Shopping Center | Omaha, NE | 5.0 miles | Power Center | 375,923 SF | Kmart, Famous Footwear, Bakers | 99% | NAV |
| Mall of the Bluffs | Council Bluffs, IA | 18.0 miles | Regional Mall | 922,268 SF | Dillard's, Sears, Hy-Vee, Barnes & Noble | 75% | NAV |

Source: *Appraisal*

Looking at regional malls in the area, the last five years saw significant changes in the market with two malls undergoing sharp declines. Crossroads Mall, at one point the closest competitor to Westroads Mall, has all but closed down. Today its two anchors, Target and Sears, operate around a mostly empty interior core. Mall of the Bluffs, in Council Bluffs, Iowa, saw its anchors abandon the center for new centers, leaving the in-line space 75% occupied. The decline of these properties was less a function of the health of the overall market, and more a result of demographic shifts, disruption from new construction and retail consolidation.

The Crossroads Mall, three miles east of Westroads Mall, was once its closest competitor. The mall, once owned by Simon Properties and now owned by Century Development, is aptly named for its location at the key intersection of Dodge Road and 72nd Street. At one time this was the most centrally located mall in Omaha. However, the population began moving towards the suburbs over the last decade and the central location was no longer as advantageous as it had been. In 2005, Younkers shuttered its anchor store and Target opened in its place. We learned that the Target was not well integrated with the rest of the property and did not have the intended effect of increasing traffic into the mall. In 2007, Dillard's converted its anchor into a clearance store, which subsequently closed in 2008. The loss of anchor tenants may have been exacerbated by the addition of two new lifestyle centers, Village Pointe in 2004 and Shadow Lake Town Center in 2007. Set to the west and to the south of the metro area, these new centers were well positioned to capture the new population growth outside the city. In 2009, retailers began consolidating stores and Crossroads was vacated in quick succession by its in-line tenants. The mall was foreclosed and the property was sold for a fraction of the outstanding debt to a local developer. To date, the new owner has not unveiled plans for the property.

The Mall of the Bluffs was a victim of its community's desire for increased retail development. Council Bluffs, Iowa, a less affluent community than Omaha, took advantage of the money flowing into property development and offered tax increment financing to developers to build new community and power centers in the city. These centers were successful in attracting tenants; so successful in fact, that Target and JC Penney vacated the Mall of the Bluffs in order to take new space in nearby power centers. Barnes and Noble later vacated and Dillard's converted its store to a clearance store, a possible precursor to closing. The in-line tenancy has suffered, decreasing to about 75%. If Dillard's closes its store, we could expect a further exodus of in-line tenants going forward.

Oak View Mall, six miles southwest of the subject, is its closest competitor in terms of format and tenant mix. The property is also a GGP-owned, enclosed regional mall. Oak View is smaller than the subject and the in-line tenant mix is quite comparable. JC Penney and Younkers are shared by both properties. Westroads's management reported that for most of its history Oak View was considered the better of the two malls. Oak View was newer (built in 1991) and had a more favorable position in the growing suburbs of Omaha. However, over the last five years, sales at Westroads have surged ahead of its sister property with $458 per square foot compared to $425 per square foot at Oak View. The loss of the Crossroads Mall three miles away could be one of the biggest factors in this improvement. The occupancy at Oak View was reported to be 90% and rents are comparable with the subject.

Village Pointe is one of the newest retail centers in Omaha. This lifestyle center was built in 2004, seven miles west of the subject. The anchor tenants include Scheels, a sporting goods chain with 24 locations in the Upper Midwest, Village Pointe Cinema, Bed, Bath and Beyond and Best Buy. Village Pointe also has the only Apple retail store in Nebraska. The center does not compete directly with the subject, but there are common tenants such as DSW, American Eagle and Gap. Westroads's management reported that the sales for this center are comparable with the subject; however the sales at the Apple store likely skew Village Pointe's sales upward. Occupancy was reportedly 98%.

Shadow Lake Towne Center is a 739,154-square-foot lifestyle center 13 miles south of the subject in Papillion, Nebraska. The property was built in 2007 and shares common ownership with Village Pointe. The immediate neighborhood is one of the faster-growing suburbs in Omaha. The property combines a lifestyle component of small in-line shops and restaurants with a power center component that includes a HyVee grocery store, JC Penney, Gordmans and Best Buy. The center is superior in terms of age and condition, but the surrounding area has yet to reach a population density comparable to that of Westroads. The location also limits the direct competitiveness versus the subject and would more likely compete with Oak View Mall. The occupancy was reported at 94%.

Secondary competition includes Regency Court and One Pacific Place, both of which are part of the Regency neighborhood adjacent to the subject. The tenants at these centers may include some traditional mall in-line tenants, but some, like Fleming's Prime Steakhouse, L'Occitane and Sur La Table, are more upscale than one would expect in a property like the subject. These provide generally limited direct competition.

Local competition has presented a mixed picture from older failing malls to new and vibrant lifestyle centers. The loss of its closest competitor has strengthened Westroads's position as the dominant center in the market. The main threat lies in the same demographic shift that brought down Crossroads Mall. Our view is that such a migration is less likely given the presence of some of Omaha's more upscale neighborhoods surrounding the subject.

**Historical Sales**

In 2010 and 2011, total mall sales increased at rates of 7.9% and 9.2% respectively. For the trailing 12 months ended June 2012, the rate of growth moderated to 6.0%. The sales growth has been entirely driven by in-line tenants. In-line sales for the same periods increased 11.6%, 14.4% and 7.0%, respectively. Anchor sales were virtually flat over the period.

| Tenant Sales History – Westroads Mall | | | | |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | TTM June 2012 |
| In-Line Tenant Sales/SF | $335 | $361 | $428 | $458 |
| | | | | |

Source: *Appraisal*

# Third Party Reports – Westroads Mall

**Appraisals**

An appraisal report, prepared by an independent third-party appraisal firm (Cushman & Wakefield), was reviewed as part of Morningstar's analysis. The appraisal report for Westroads Mall, issued on August 16, 2012, indicated a value of $242 million ($448 per collateral square foot).

**Property Condition**

The Property Condition Assessment for Westroads Mall, prepared by AEI Consultants and dated August 9, 2012, recommended $20,000 in immediate repairs, primarily for modernization of the elevators. The recommended replacement reserve was $2,169,400, inflated, which equates to $0.33 per square foot per year.

**Environmental**

A Phase I Environmental Site Assessment ("ESA") for Westroads Mall, prepared by AEI Consultants and dated August 9, 2012, was reviewed as part of Morningstar's analysis. The assessment noted one Recognized Environmental Condition in the form of leaking underground storage tanks at four areas of the property, three of which are the responsibility of the borrower. The storage tanks were used for fuel in connection with an electrical co-generation facility that was located at the property. The Nebraska Department of Environmental Quality designated the site as a low priority and backlogged the file. Should these files become active, remediation work would be necessary. The consultant has estimated those costs at $75,000 to $300,000 if it becomes necessary to remediate the site. The borrower is not required to establish a reserve or set aside any money for any future environmental remediation work or costs.

**Seismic**

Not applicable.

# Morningstar Analysis – Westroads Mall

Morningstar evaluated the collateral's historical cash flow, occupancy levels, tenancy, and tenant improvement and leasing costs. Morningstar's estimates of revenue and expenses, as well as our analytical approach, are discussed below.

**Morningstar Estimates of Revenue**

Morningstar's *Gross Potential Rent* (GPR) revenue is based on leases signed as of August 30, 2012, and includes all contractual rent increases through August 2013. We calculated the base rent for Forever 21 (XXI Forever going forward) based on the tenant's new lease and expanded space. Our concluded market rents are based on an analysis of the appraiser's conclusions and recent leasing at the property. We also evaluated the occupancy costs within various tenant categories for reasonableness. An occupancy cost adjustment was taken as a separate line item under "Other Income".

| Summary of Rent and Vacancy in Tenant Space – Westroads Mall | | | | | | |
|---|---|---|---|---|---|---|
| | Rentable Area (Sq. Ft.) | | In-Place Rent Roll | | Morningstar Estimate | |
| | Collateral | % Total | Vacancy | Rent Per Sq. Ft. | Vacancy | Rent Per Sq. Ft. |
| Anchor[1] | 84,000 | 15.5% | 0.0% | $10.75 | 0.0% | $10.75 |
| Theatre | 73,252 | 13.6% | 0.0% | $20.00 | 0.0% | $20.00 |
| Junior Anchor[2] | 59,961 | 11.1% | 0.0% | $22.09 | 0.0% | $22.58 |
| Outparcel | 34,166 | 6.3% | 0.0% | $20.70 | 0.0% | $21.02 |
| Percentage Rent | 41,400 | 7.7% | 0.0% | $0.00 | 0.0% | $0.00 |
| In-Line (5,000-9,999 sq.ft.) | 101,390 | 18.8% | 0.0% | $26.00 | 0.0% | $24.79 |
| In-Line (3,500-4,999 sq.ft.) | 49,982 | 7.5% | 18.9% | $27.46 | 18.9% | $27.89 |
| In-Line (2,001-3,499 sq.ft.) | 30,552 | 5.2% | 8.3% | $29.90 | 8.3% | $30.31 |
| In-Line (1,201-2,000 sq.ft.) | 28,466 | 3.2% | 39.9% | $33.92 | 39.9% | $31.21 |
| In-Line (1-1200 sq.ft.) | 20,453 | 2.8% | 27.0% | $59.85 | 27.0% | $60.88 |
| Food Court | 7,885 | 1.3% | 11.8% | $87.56 | 11.8% | $89.64 |
| Jewelry | 8,327 | 1.5% | 0.0% | $82.30 | 0.0% | $84.32 |
| Kiosk | 470 | 0.1% | 0.0% | $209.55 | 0.0% | $214.61 |
| **Total** | **540,304** | **100.0%** | **5.5%** | **$23.22** | **5.5%** | **$23.86** |

[1]The sole tenant categorized as an anchor is Dick's Sporting Goods.

[2]Tenants categorized as junior anchors are XXI Forever, DSW Shoe Warehouse and Old Navy

*Expense Reimbursement* – Calculated based on a weighted average of historical reimbursement numbers as related to expenses (recovery ratios). This is consistent with the most recent rent roll indicating scheduled reimbursements totaling $7.79 million based on the tenants in-place and then adjusted for the projected increase in expenses.

*Overage / Percentage Rent* – Percentage Rent reflects tenants which pay percentage rent in lieu of base rent. Underwritten percentage rent income assumes breakpoints effective as of 2012 and each tenant's sales for the trailing 12 months ended June 2012.

*Specialty/Temporary/Kiosk Income* – Includes rental income from short-term specialty/temporary tenants with license agreements with terms between 13-35 months (these spaces are included in the rent roll as occupied but not paying rent). Income has been underwritten based upon the most recent trailing 12 month period (June 30, 2012).

*Other Income* – Other Income reflects Miscellaneous Income. Underwritten Other Income is based upon the borrower provided pro-forma and is consistent with historical operating statements.

*Occupancy Cost* – Occupancy cost adjustments are taken for in-line tenants with an occupancy cost greater than 18%. Consideration was given in cases where tenant sales exceeded certain thresholds.

**Morningstar Estimates of Expenses**

Morningstar's expenses are underwritten in-line with historical expenses unless otherwise noted.

*Real Estate Tax* – Real Estate Tax expenses are based upon a projected inflationary increase in taxes over the trailing 12 months.

*Insurance* – Insurance is based upon a projected inflationary increase in insurance premiums over the trailing 12 months.

*Management Fees* – Management Fees are underwritten to 3.5% of Effective Gross Income based on historical cash flows. The property is self-managed by an affiliate of the borrower. No management contract is in place and no fee is charged back to the property. The assumed management fee is a market-rate charge cited in the appraisal.

*Utilities* – Utility Expense is based upon the borrower's 2012 forecast.

*Other Expenses* – Includes expenses related to specialty leasing as well as legal and professional, administrative, and marketing and advertising fees.

*Tenant Improvements & Leasing Commissions* – No tenant improvements were assessed on anchor space. Tenant improvements for the theater, junior anchor and in-line tenants over 5,000 square feet were $15.00 for new tenants and $5.00 for renewals. In-line tenants smaller 5,000 square feet, food court tenants and jewelry tenants were assessed at $25.00 for new and $5.00 for renewal tenants. Outparcels were assessed at $10.00 and $2.00. Leasing commissions were based on Morningstar's standard guidelines of 4.0% for new and 2.0% for renewal tenants.

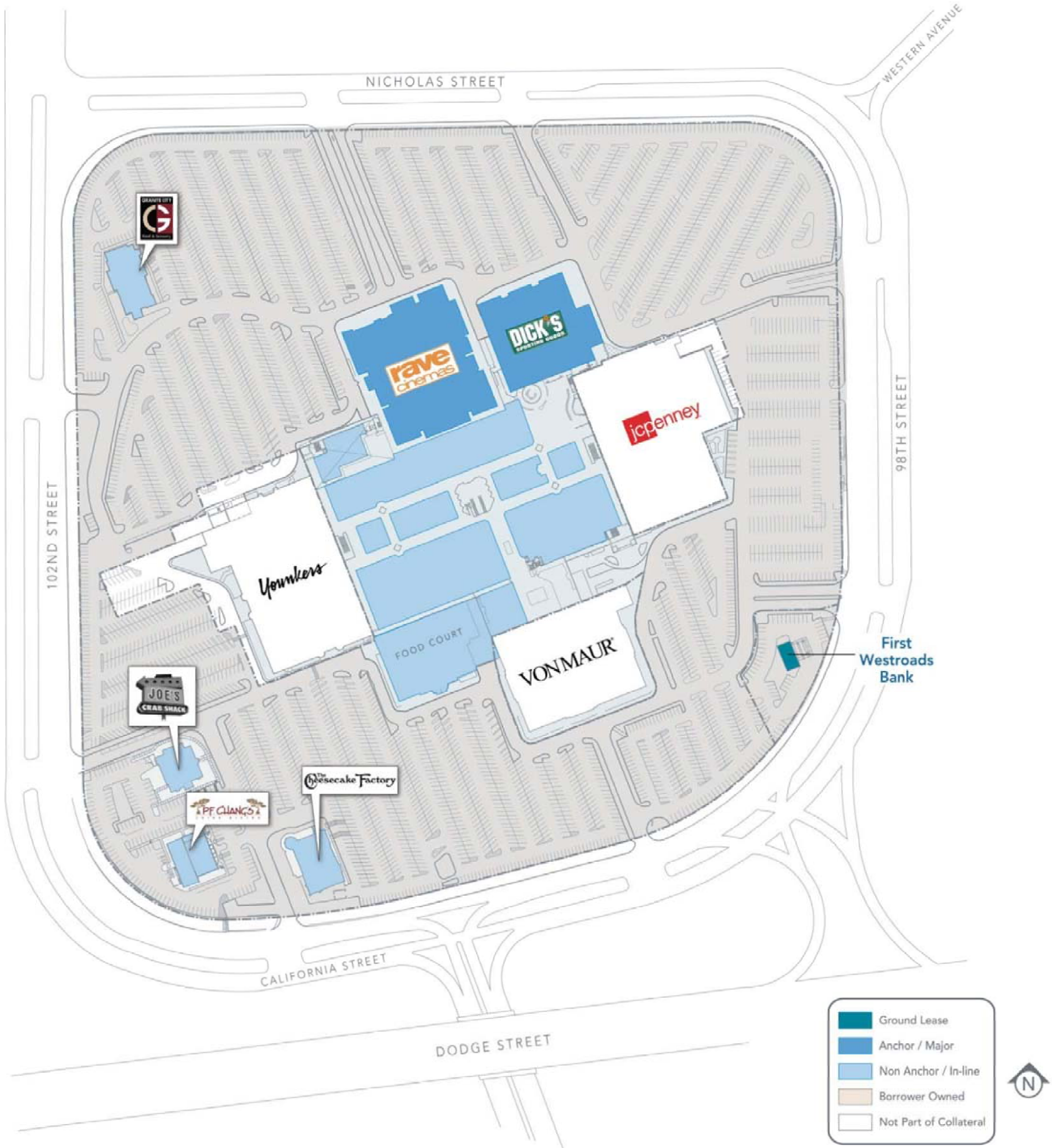
**Morningstar Valuation**

Morningstar estimated the value of the asset based on the income capitalization approach to value. Capitalization rates are estimated quarterly by Morningstar for the retail and office sector in each region and major metropolitan areas based on a review of investor surveys including the Real Estate Research Council, PWC Real Estate Investor Survey (Korpacz), as well as a review of research and comparable sales information provided by Real Capital Analytics. The concluded Morningstar capitalization rate was 8.30%, resulting in a value of $176,104,687 ($326 per collateral square foot, 27.2% below the appraiser's value of $448 per collateral square foot).

The table on the following page presents a summary of historical operating results for 2010, 2011, trailing 12 months ending June 30, 2012, the issuer's underwriting, and Morningstar's conclusions.

| Westroads Mall | Morningstar Underwriting | Year End 2010 | Year End 2011 | TTM 06/30/12 | Issuer Underwriting |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Gross Potential Rent | $12,889,876 | $10,482,173 | $10,524,126 | $10,769,085 | $13,004,198 |
| Less: Vacancy Loss (GPR) | (1,110,795) | 0 | 0 | 0 | (940,466) |
| Less: Concessions | 0 | 0 | 0 | 0 | 0 |
| Less: Collection Loss | 0 | 192,388 | 16,781 | 55,031 | 0 |
| Less: Vac Adj for Concess/Coll Loss | 0 | 0 | 0 | 0 | 0 |
| **Base Rent/Net Effective Rent** | **$11,779,081** | **$10,674,561** | **$10,540,907** | **$10,824,117** | **$12,063,732** |
| Expense Reimbursement | $7,963,914 | $7,391,217 | $7,722,124 | $7,794,444 | $8,286,467 |
| Percentage Rent | 1,139,760 | 1,050,404 | 1,582,467 | 1,365,543 | 1,139,760 |
| Specialty/Kiosk Income | 1,726,001 | 1,604,532 | 1,597,745 | 1,678,225 | 1,726,001 |
| Misc Revenue | 308,799 | 362,358 | 334,403 | 308,799 | 361,731 |
| Termination Fees | 0 | 42,195 | 15,000 | 115,000 | 0 |
| Occupancy Cost | (76,932) | 0 | 0 | 0 | 0 |
| Less: Vacancy Other Incomes | (79,827) | 0 | 0 | 0 | 0 |
| **Effective Gross Income** | **$22,760,795** | **$21,125,267** | **$21,792,647** | **$22,086,128** | **$23,577,691** |
| **Expenses** | | | | | |
| Real Estate Taxes | $1,988,106 | $1,705,256 | $1,975,233 | $1,920,875 | $1,964,780 |
| Property Insurance | 101,602 | 104,655 | 108,233 | 98,166 | 103,907 |
| Utilities | 1,422,402 | 1,341,973 | 1,340,379 | 1,339,701 | 1,422,402 |
| Repairs and Maintenance | 723,396 | 800,093 | 807,894 | 723,396 | 668,328 |
| Contract services | 485,378 | 497,093 | 498,302 | 477,388 | 485,378 |
| Management Fees | 796,628 | 739,384 | 762,743 | 773,014 | 825,219 |
| Payroll & Benefits | 620,315 | 545,774 | 624,992 | 636,119 | 620,315 |
| Advertising & Marketing | 317,838 | 279,611 | 340,792 | 315,701 | 317,838 |
| Professional Fees | 0 | 0 | 0 | 0 | 0 |
| General and Administrative | 443,831 | 431,623 | 407,517 | 390,830 | 436,294 |
| Non-Reimbursable Expenses | 0 | 0 | 0 | 0 | 0 |
| Food Court | 211,792 | 149,688 | 179,758 | 215,589 | 175,287 |
| Misc | 123,873 | 85,519 | 97,762 | 118,580 | 126,867 |
| Market Expense Adjustment | 0 | 0 | 0 | 0 | 0 |
| **Total Operating Expenses** | **$7,235,161** | **$6,680,668** | **$7,143,605** | **$7,009,360** | **$7,146,615** |
| **Net Operating Income** | **$15,525,634** | **$14,444,600** | **$14,649,042** | **$15,076,768** | **$16,431,077** |
| **Capital Items** | | | | | |
| Leasing Commissions | $341,004 | $0 | $0 | $0 | $320,597 |
| Tenant Improvements | 369,080 | 0 | 0 | 0 | 246,548 |
| Capital Expenditure / Reserve | 198,862 | 0 | 0 | 0 | 135,076 |
| Extraordinary Capital Expenditures | 0 | n/a | n/a | n/a | n/a |
| - Credit For TI Reserve | 0 | n/a | n/a | n/a | n/a |
| - Credit For LC Reserve | 0 | n/a | n/a | n/a | n/a |
| - Credit For TI/LC Reserve | 0 | n/a | n/a | n/a | n/a |
| - Credit For Cap Ex Reserve | 0 | n/a | n/a | n/a | n/a |
| **Total Capital Items** | **$908,945** | **$0** | **$0** | **$0** | **$702,221** |
| **Credit for Upfront DSCR Escrow** | $0 | $0 | $0 | $0 | $0 |
| **Net Cash Flow** | **$14,616,689** | **$14,444,600** | **$14,649,042** | **$15,076,768** | **$15,728,856** |

## Westroads Mall – Site Plan & Pictures



Center Court

Food Court


Von Maur


Dick’s Sporting Goods Exterior Entrance


Rave Movie Theater

The Cheesecake Factory


Mall Corridor


Mall Entrance

# Loan 2: The Oaks Mall

***Morningstar Perspective – The Oaks***

The Oaks Mall is a 906,349-square-foot super-regional mall in Gainesville, Florida. Its anchors are Belk, JC Penney, Sears, Macy's and Dillard's. The collateral for the loan is 581,849 square feet and excludes three of the five department store anchors, Dillard's, Sears and Macy's. The property was built in 1978 and renovated and/or expanded in 1982, 1984, 1986, 1995, and 2002; it is owned by General Growth Properties, Inc. The $118.3 million first mortgage and $20.7 mezzanine loan will be used to retire existing debt on the property.

In our view the property should continue to generate strong and stable cash flow and continue to be the dominant retail center in the Gainesville area. While the mall recently has a mixed operating history due to the effects of the recession in Florida, it benefits from limited competition in the trade area and a stabilizing force in the University of Florida, just five miles to the east. The economic weakness in Florida and recent recovery trend present an opportunity for upside in the cash flows should the recovery continue. Morningstar has not underwritten any potential upside in its cash flows.

With the exception of the whole loan LTV, Morningstar's loan metrics are quite favorable. The underwritten debt service coverage ratio is 1.88x on the trust debt and 1.53x on the total debt. This should provide ample cushion in the event of short-term fluctuations in occupancy and cash flow. The total debt LTV is just under 90%, while the trust debt LTV is a more modest 76.3%. The higher LTV is largely a function of Morningstar's capitalization rate for the property compared to that used in the appraisal. Morningstar's net operating income varies from the trailing 12 months ending June 2012 by less than $50,000. Our analysis includes credit for contractual rental increases over the next 12 months as well as a modest haircut for tenants with high occupancy costs.

The recent recession that took a heavy toll on most of Florida had a similar effect on Gainesville. However, Gainesville was fortunate in that its unemployment was affected to a lesser degree than that in other Florida MSA's such as Fort Myers, Tampa and Jacksonville, where double-digit unemployment has become the norm. That said, cutbacks at the state level affected university hiring, and the housing, construction and lending sectors reduced employment and the unemployment rate tripled in Gainesville. As a result, sales at the Oak Mall slumped by 6.0% from 2008 to 2009 and fell another 1.3% in 2010. Shop sales recovered in 2011 and are now ahead of sales in 2009 and even with the sales posted in 2008. With new or expanded tenants, there is an opportunity to continue the recovery once employment improves in Gainesville.

The mall has a strong tenancy, including five anchors, 88 in-line, 18 food-court/kiosk tenants, and four outparcel tenants. In many cases, tenants have their sole presence in the metro area at the subject. However, Gainesville is not a large market and, in some cases, tenant sales may be lower than their national chain averages. Despite this, most of the tenants have maintained their sales and are expected to remain at the mall. When tenants have closed stores, the mall has been able to backfill the space relatively quickly, which is indicative of the desirability of the center. We note that the number of temporary tenants is quite small at less than 3% of the total net rentable area. This is a positive factor as it suggests stability in the rent roll.

The greatest challenge would be in filling space should any of the anchor tenants vacate. The leases for JC Penney and Belk expire in 2018. We note that the leases for both stores were just renewed for an additional five years and that the sales for JC Penney are 31% above the chain average. Both stores have two five-year renewal options remaining at what would appear to be below-market rents.

***The Bears Say – The Oaks***

- Although the unemployment rate of 7.8% remains higher than in 2008, the impact in Gainesville was lower thanks to the presence of the University of Florida.
- Relatively high near-term lease rollover at Oaks Mall with leases on 11.3% of the space and 19% of the rent expiring in 2013.
- The underwritten LTV on the total debt is 89.7%, although the LTV on the trust balance is only 76.3%.
- The sponsor, GGP, filed for bankruptcy protection in 2009. As a result of the bankruptcy proceedings, the company was split and several properties were handed back to their respective lenders. The reorganized company has renegotiated debt on many of its assets and is in better financial condition today.

***The Bulls Say – The Oaks***

- The Oaks Mall is the dominant retail center for 38 miles around Gainesville. Aside from one large power center, most retail properties in the area consist of small community, neighborhood centers or strip centers.
- The percentage of temporary tenants is quite low at 2.5%, suggesting some stability in the mall's tenancy.
- After two years of lower income, net operating income for the trailing 12 months is higher than 2009's NOI by about $600,000.
- In-line sales for the trailing 12 months ended June 2012 are higher than the in-line sales reported in 2009.
- Morningstar's DSCR on the total debt is a healthy 1.53x, providing some insulation from temporary fluctuations in cash flow.

# Property / Collateral Summary – The Oaks Mall

The Oaks Mall is a 906,349 square foot, single-story, super-regional shopping mall in Gainesville, Florida. The collateral for the loan includes 581,849 square feet of the center and excludes three of the five anchor stores. The property was built in 1978 and renovated in 1982, 1984, 1986, 1995, and 2002. The property offers 4,997 parking spaces (5.51 spaces per 1,000 square feet), all of which are surface spaces.

Gainesville is in North Florida, 70 miles southwest of Jacksonville and 110 miles northwest of Orlando. The city has a population of 125,326 and is best known as the home of the University of Florida, one of the ten largest universities in the United States. The property is on the western edge of the city, close to the Newberry Road exit and just off Interstate 75; it benefits from good visibility from the freeway. The University is five miles east of the property as is Gainesville's CBD. The subject's immediate neighborhood is a busy commercial district surrounding the freeway interchange and features a grocery-anchored community center, various restaurants, shops and hotels. In addition, North Florida Regional Medical Center is across the street. The hospital has over 1,700 employees and there are dozens of medical offices nearby employing hundreds more people.

There are five department store anchors at the property. Belk and JC Penney are included in the collateral for the loan. Macy's and Dillard's own their stores and are subject to ground leases. Sears owns its real estate. There are three outparcels, all of which are included in the collateral. The interior has an irregular layout with Macy's and Dillard's located closer together in the southwest corner of the mall, and Belk and JC Penney at the end of their own corridors.

Morningstar toured The Oaks Mall on August 20, 2012. We found the property to be in good condition with no obvious deferred maintenance needs. According to the property manager, Dillard's and Macy's both have new store managers in place, which may improve the stores' performance. Both stores also may require roof repairs; however, any costs associated with the repairs will not be the responsibility of the mall. Based on our visit, Morningstar has assigned a property score of "3" or average.

The Property Condition Assessment recommended $6,600 in immediate repairs. The recommended replacement reserve was $1,991,347, inflated, which equates to $0.29 per square foot per year.

The Environmental Site Assessment noted no Recognized Environmental Conditions and recommended no further action at the property.

| Loan Collateral Summary – Oaks Mall | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total # Tenants | Total Mall Sq. Ft. | Collateral Sq. Ft. | % Owned | % Total Coll. Sq. Ft. | In-Place Rent | % Total Rent |
| Anchor[1] | 2 | 557,867 | 233,367 | 41.8% | 40.1% | $667,267 | 5.7% |
| Junior Anchor[2] | 1 | 28,195 | 28,195 | 100% | 4.8% | $572,077 | 4.9% |
| In-Line (5,000-9,999 sq.ft.) | 14 | 94,390 | 94,390 | 100% | 16.2% | $2,609,746 | 22.2% |
| In-Line (3,000-4,999 sq.ft.) | 24 | 98,098 | 98,098 | 100% | 16.9% | $2,311,659 | 19.7% |
| In-Line (2,000-2,999 sq.ft.) | 11 | 26,807 | 26,807 | 100% | 4.6% | $1,058,496 | 9.0% |
| In-Line (1,000-1,999 sq.ft.) | 22 | 31,599 | 31,599 | 100% | 5.1% | $1,372,589 | 11.7% |
| In-Line (1-999 sq.ft.) | 13 | 10,199 | 10,199 | 100% | 1.5% | $538,746 | 4.6% |
| Percentage Rent | 8 | 11,454 | 11,454 | 100% | 2.0% | $0 | 0.0% |
| Food Court | 13 | 9,817 | 9,817 | 100% | 1.7% | $973,587 | 8.3% |
| Kiosk | 4 | 1,099 | 1,099 | 100% | 0.2% | $250,444 | 2.1% |
| Jewelry | 6 | 7,998 | 7,998 | 100% | 1.4% | $582,415 | 5.0% |
| Outparcel | 5 | 28,646 | 28,646 | 100% | 4.9% | $780,700 | 6.6% |
| Antenna/ATM | 3 | 180 | 180 | 100% | 0.0% | $36,720 | 0.3% |
| | | **906,349** | **581,849** | | | | |

[1]The collateral anchors are Belk and JC Penney.

[2]The sole tenant categorized as a junior anchor is XXI Forever.

**Historical Sales and Occupancy Costs**

In 2010, mall sales decreased by 9.7% as the recession was felt all over Florida. Unlike other cities in this region, however, the decrease stabilized rather quickly. Any improvement in in-line sales will have to be driven by employment growth in Gainesville, which has been muted.

| Tenant Sales and Occupancy Costs History – Oaks Mall | | | | |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | TTM June 2012 |
| In-Line Tenant Sales/SF | $348 | $354 | $367 | $368 |
| | | | | |

Source: *Appraisal*

**Tenant Overview**

| Morningstar Collateral Tenant Overview Table (Top 10 Loan Collateral) – Oaks Mall | | | | | | |
|---|---|---|---|---|---|---|
| Tenant | Net Rentable Square Feet | % of Square Feet | Base Rent Amount | Base Rent $ Square Foot | % of Base Rent | Lease Expiration |
| JC Penney | 133,561 | 23.0% | $362,859 | $2.72 | 2.9% | Jan-18 |
| Belk | 99,806 | 17.2% | $304,408 | $3.05 | 2.5% | Feb-18 |
| Forever 21 | 28,195 | 4.8% | $572,077 | $20.29 | 4.6% | Mar-21 |
| Gap/Gap Kids | 9,726 | 1.7% | $394,098 | $40.52 | 3.2% | Jan-13 |
| Express/Express Men | 8,632 | 1.5% | $267,592 | $31.00 | 2.2% | Jan-15 |
| Victoria's Secret | 8,489 | 1.5% | $238,965 | $28.15 | 1.9% | Jan-17 |
| Banana Republic | 7,670 | 1.3% | $176,410 | $23.00 | 1.4% | Jun-21 |
| Romano's Macaroni Grill | 7,573 | 1.3% | $121,008 | $15.98 | 1.0% | Jan-16 |
| BJ's Restaurant & Brewery | 7,456 | 1.3% | $243,224 | $32.62 | 2.0% | Dec-29 |
| Abercrombie & Fitch | 7,218 | 1.2% | $158,796 | $22.00 | 1.3% | Jan-13 |
| **Top 10 Subtotal** | **318,326** | **54.7%** | **$2,839,436** | **$8.92** | **24.0%** | |

The top five tenants represent 48.1% of the total collateral square footage and 15.4% of the base rent.

**Anchor Tenants – The Oaks**

JC Penney is one of the largest department store chains in the United States with more than 1,100 stores in 49 states and Puerto Rico. The company was founded in 1902 and is based in Plano, Texas. JC Penney Company, Inc.'s stock is traded on the NYSE under the ticker symbol "JCP" and Morningstar, Inc. assigns a rating of BBB- (Morningstar, Inc. ratings are not NRSRO ratings). Sales at this location for the trailing 12 months ending June 2012 were $25.0 million ($187 per square foot) and are greater than the chain average of $142 per square foot.

Belk is the largest privately-held department store chain in the United States with 303 stores primarily in the Southeast. The chain is headquartered in Charlotte, North Carolina and remains under management of the founding family. According to the company's 10-K report, revenue for fiscal year 2011 was $3.7 billion, 5.3% higher than in fiscal 2010. Net income was $183 million, 43.5% higher than in 2010. Belk's sales at Oaks Mall were estimated by the borrower at $11.0 million ($110 per square foot) and are lower than the chain average of $141 per square foot.

Macy's is the largest department store chain in the United States with more than 850 department stores in 45 states, the District of Columbia, Guam and Puerto Rico operated under the Macy's and Bloomingdale's banners. Macy's Inc.'s stock is traded on the NYSE under the ticker symbol "M" and Morningstar, Inc. assigns a rating of BBB- (Morningstar, Inc. ratings are not NRSRO ratings). Macy's sales at this location were estimated by the borrower at $16.0 million ($155 per square foot) and are lower than the chain average of $174 per square foot.

Sears Holdings is one of the largest retail firms in the country with over 3,900 full-line and specialty stores in the United States and Canada under the Sears, Kmart, Sears Essentials, Sears Hometown and Sears Grand brands. The Sears brand includes 810 full-line stores in all 50 states and Canada. Sears Holdings stock is traded under the symbol "SHLD" and Morningstar, Inc. assigns a rating of B- (Morningstar, Inc. ratings are not NRSRO ratings). The company posted a $3.1 billion loss for the 2011 fiscal year due in part to a $1.1 billion decrease in same store sales. The sales at this location were estimated by the borrower at $27.0 million ($199 per square foot) which is significantly higher than the reported chain average of $165 per square foot.

Dillard's is a department store chain with 294 full-line stores and 14 clearance stores in 29 states. The company was founded in 1938 and is headquartered in Little Rock, Arkansas. The stock is traded under the symbol "DDS". For the 2011 fiscal year, the company had revenue of $6.4 billion (2.3% higher than in 2010) and net income of $464 million. The sales for this location for the 12 months ending June 2012 were $9.6 million ($113 per square foot) which was slightly less than the chain average of $118 per square foot.

**Tenant Expiration and Lease Rollover**

Over the next four years, lease rollover is expected to be rather low, with the exception of 2013. Beyond 2013, lease rollover in each year will have a limited impact on the property and should afford management the time to backfill any vacant space. Of the significant tenants whose leases expire in 2013, the borrower reported that Abercrombie & Fitch, Shoe Dept. and Rainbow will likely vacate. However, the borrower has reported that there are new tenants in negotiations for those spaces.

Both JC Penney and Belk exercised extension options for an additional five years. Both tenants have two five-year renewal options available. Macy's is subject to a ground lease expiring in 2014 with final expiration in 2029 and Dillard's is subject to a ground lease expiring in 2017 with final expiration in 2067. Sears owns its own improvements and parcel and is not subject to a ground lease.

| Morningstar Lease Expirations by Tenant Category - Square Feet Expiring by Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| | MTM | 2012 | 2013 | 2014 | 2015 | 2016 | After 2016 |
| Anchor | 0 | 0 | 0 | 0 | 0 | 0 | 233,367 |
| Junior Anchor | 0 | 0 | 0 | 0 | 0 | 0 | 28,195 |
| In-Line (5,000-9,999 sq.ft.) | 0 | 0 | 32,943 | 0 | 8,632 | 11,822 | 40,993 |
| In-Line (3,000-4,999 sq.ft.) | 0 | 3,989 | 11,789 | 19,661 | 10,900 | 0 | 33,334 |
| In-Line (2,000-2,999 sq.ft.) | 0 | 2,145 | 0 | 5,176 | 2,588 | 4,578 | 12,320 |
| In-Line (1,000-1,999 sq.ft.) | 0 | 4,649 | 9,309 | 1,629 | 1,896 | 3,692 | 8,566 |
| In-Line (1-999 sq.ft.) | 0 | 949 | 1,570 | 976 | 0 | 2,844 | 2,287 |
| Percentage Rent | 0 | 0 | 6,487 | 7,239 | 1,011 | 0 | 0 |
| Food Court | 0 | 2,067 | 3,717 | 925 | 450 | 1,469 | 1,189 |
| Kiosk | 0 | 0 | 192 | 0 | 0 | 0 | 737 |
| Jewelry | 0 | 1,698 | 0 | 1,745 | 0 | 1,631 | 2,924 |
| Outparcel | 0 | 0 | 0 | 3,600 | 0 | 13,375 | 11,671 |
| Antenna/ATM | 0 | 0 | 0 | 0 | 0 | 0 | 180 |
| **Total** | **0** | **15,497** | **66,007** | **40,951** | **25,477** | **39,411** | **375,763** |
| **% Roll** | **0.0%** | **2.7%** | **11.3%** | **7.0%** | **4.4%** | **6.8%** | **64.6%** |

## Co-Tenancy Risk

According to information provided by the borrower, a substantial number of the leases at The Oaks Mall contain co-tenancy clauses that include termination rights. In addition to termination rights (and whether or not termination rights are included), a co-tenancy clause may provide other rights, such as to reduce rent or "go dark". A review of the "top 10" tenants (by percentage of base rent), as well as any other tenant with respect to 25,000 square feet or more did not appear to represent any material concern. The six largest tenants at the property by square footage with early termination rights or co-tenancy provisions are as follows:

- Abercrombie & Fitch - if (a) less than 70% of the gross leaseable area at the property (including the tenant and any parent, subsidiary or affiliated companies of the tenant and excluding the gross leaseable area of all anchors) is occupied by tenants who are open and operating, or (b) less than four of the premises to be, or currently occupied by anchors are open and operating for business, then tenant has the right to pay substitute rent in an amount equal to 5% of the net sales. If the operating failure is not cured within 12 months following, the tenant may have the right to terminate the lease.

- Banana Republic - if (a) mall tenants representing at least 75% of the total gross leaseable area in the enclosed portion of the mall (excluding the gross leaseable area of the department stores) are not open and operating for business (a "mall operating failure") or (b) less than four of the department stores at the mall are open and operating for business (a "department store operating failure"), the tenant may pay substitute rent in amount equal to the lesser of 3% of net sales or the annual rent amount set forth in the lease. If there is a mall operating failure or department store operating failure for 12 continuous months the tenant may have the right to close the premises and pay a specified rent under the lease and if after 12 months (for a mall operating failure) or 18 months (for a department store operating failure), in addition to its right to close, the tenant may have the right to terminate the lease.

- Victoria's Secret - if (a) less than 70% of the gross leasable area in the mall (including the tenant and any parent, subsidiary or affiliated companies of the tenant and excluding the gross leaseable area of all anchors and outparcels) is occupied by tenants that are open and operating for business or (b) less than 4 of the premises to be, or currently occupied by anchors are open and operating for business, then in either event the tenant has the right to pay substitute rent in an amount equal to 5% of net sales (not to exceed the minimum annual rental and percentage rental amounts otherwise payable). If the operating failure is not cured within 12 months, the tenant may have the right to terminate the lease.

- Gap/Gap Kids - if (a) mall tenants representing at least 75% of the total gross leaseable area in the enclosed portion of the mall (excluding the gross leaseable area of the department stores) are not open and operating for business (a "mall operating failure") or (b) at least three out of the five department stores are not open and operating for business (a "department store operating failure"), the tenant may pay substitute rent in amount equal to the lesser of 3% of net sales or the annual rent amount set forth in the lease. If there is a mall operating failure or department store operating failure for 12 continuous months the tenant may have the right to close the premises and pay a specified rent under the lease and if after 12 months (for a mall operating failure) or 18 months (for a department store operating failure), in addition to its right to close, the tenant may have the right to terminate the lease. Notwithstanding the foregoing, if at least two department stores and 60% of the gross leaseable area in the mall (excluding department stores) are open and operating for business, the tenant does not have the right to exercise the above mentioned rights to terminate or close for the first full 18 months of the term of the lease.

- Express/Express Men - if (a) less than 70% of the gross leaseable area in the mall (including the tenant and any parent, subsidiary or affiliated companies of the tenant and excluding the gross leaseable area of all anchors) is occupied by tenants who are open and operating for business, or (b) less than four of the premises to be, or currently occupied by anchors are open and operating for business, the tenant has the right to pay substitute rent in an amount equal to 5% of net sales. If the operating failure is not cured within 12 months, the tenant may have the right to terminate the lease.

- XXI Forever - if for a period of six or more consecutive months (i) less than three anchors that have frontage on the enclosed mall or are connected to the enclosed mall portion by means of direct access or an outdoor mall are open and operating or (ii) less than 80% of the gross leaseable area of the enclosed portion of the mall (excluding anchors) is occupied by tenants that are open for business, the tenant may pay substitute rent in the amount of 9% of net sales. If, within 18 months following the substitute rent start date, such operating failure has not been cured, then the tenant may have the right to terminate the lease.

# Market Area Overview – The Oaks

Gainesville is the largest city in the Gainesville, Florida MSA, which includes Alachua and Gilchrist Counties. The MSA has a total population of 277,075 and is the 15th largest MSA in Florida. Population growth in Gainesville from 2000 through 2007 was 1.45%, above the national average of 0.9%. Since the onset of the recession and the weakening of the housing and job markets in Gainesville, population growth slowed to less than 0.7%.

The city is home to the University of Florida, the second-largest university in the state and seventh-largest in the country by enrollment. The university is the main economic driver in Gainesville with a projected Fall 2012 enrollment of 48,975 students and 14,723 faculty and staff. In addition, Shands HealthCare, which owns the university-affiliated hospital and health care network, employs an additional 12,588 health care professionals. Finally, the Malcom Randall Veterans Affairs Medical Center, which shares an affiliation with the university, employs 4,317 more health professionals. North Florida Regional Medical Center and Nationwide Mutual Insurance are relatively large employers. However, outside of the University of Florida, Gainesville lacks major industries that drive employment growth.

While Florida has endured some of the recession's hardest hits, the impact on Gainesville, while still felt, was more muted, thanks to the university. Unemployment in the area increased from less than 3.0% in 2007 to 8.7% by mid-2011. By comparison, most metro areas in Florida had unemployment rates of over 10% and even as high as 12% as the housing crisis gripped the state. Only Tallahassee, with its large concentration of state employees in addition to Florida State University maintained unemployment in the single digits.

The area has shown some small signs of recovery, but strong, sustainable growth has been elusive. The state's persistent budget crisis has resulted in reduced contributions to its universities. While no degree programs were cut, there were small-scale layoffs in 2008, with a second round planned in 2012. Given the reliance on this single economic driver, the area will be unable to generate meaningful job growth until the University is able to increase its budget.

The overall retail market in Gainesville had a vacancy rate of 11.6%, up from 6.2% in 2008, according to Reis. The lack of real depth in the market means that certain retail statistics are relatively inconsistent. For example, the median vacancy rate was only 5.0%. Older vintage properties built before 1970 had a vacancy rate of 3.6% while the newest properties (2000-2009) posted a vacancy rate of 22.6%.

**Summary of Primary Retail Competition**

| Property | Location/Market | Distance from Subject | Mall Type | GLA | Anchors | Occupancy | Est. In-Line Sales/SF |
|---|---|---|---|---|---|---|---|
| Subject Center | Gainesville, FL | - | Regional Mall | 906,349 SF | Dillard's, JC Penney, Sears, Macy's, Belk | 93% | $368/SF |
| Paddock Mall | Ocala, FL | 38 miles | Regional Mall | 550,000 SF | JC Penney, Sears, Macy's, Belk | 91% | $325/SF |
| Butler Plaza | Gainesville, FL | 4.0 miles | Power Center | 1,299,350 SF | WalMart, Target, Regal Cinemas, Best Buy, Publix | 91% | NAV |

Source: *Appraisal*

**Summary of Secondary Retail Competition**

| Property | Location/Market | Distance from Subject | Mall Type | GLA | Anchors | Occupancy | Est. Mall Shop Sales/SF |
|---|---|---|---|---|---|---|---|
| Florida Mall | Orlando, FL | 117 miles | Super-Regional Mall | 1,778,458 SF | Dillard's, JC Penney, Sears, Macy's, Nordstrom, Saks Fifth Avenue | 96% | $780/SF |
| Mall at Millennia | Orlando, FL | 113 miles | Super-Regional Mall | 1,123,234 SF | Bloomingdale's Macy's, Nieman Marcus | 95% | $1,000/SF |
| The Avenues | Jacksonville, FL | 76 miles | Super-Regional Mall | 804,350 SF | Target, Marshall's, OfficeMax | 95% | $440/SF |
| St. John's Town Center | Jacksonville, FL | 87 miles | Lifestyle Center | 1,231,081 SF | Target, Dillard's, Dick's, Barnes & Noble | 95% | $475/SF |

Source: *Appraisal*

There are no other regional malls in the Gainesville area. The shopping is concentrated in smaller neighborhood and strip centers, with a small number of grocery-anchored community centers. The appraisal presented six centers as primary and secondary competitors. Paddock Mall in Ocala and Butler Plaza in Gainesville are primary competitors. Florida Mall and Mall at Millennia in Orlando and The Avenues and St. John's Town Center in Jacksonville are secondary competitors. The average occupancy rate of these six centers was 94%, according to the appraiser.

The nearest similar property is Paddock Mall, a 550,000-square-foot regional mall in Ocala, Florida, 38 miles to the south. Although the appraiser concluded that it is somewhat inferior to The Oaks, the mix of anchor tenants is similar to The Oaks Mall with the exception of Dillard's.

Butler Plaza is a 1,299,350-square-foot power center in Gainesville, four miles south of the subject and two miles west of the University of Florida. The property is anchored by Wal-Mart, Target, Regal Cinemas, Best Buy, Lowe's and two Publix grocery stores. Given the tenant mix, the property is geared more for everyday needs rather than specialty or apparel purchases, and the trade area for this property probably is more localized. However, we point out that Butler Plaza also has a large selection of casual dining restaurants that is somewhat superior to the dining choices at The Oaks Mall.

Across from the subject, Newberry Square is a 180,524-square-foot anchored community center that features a Kmart and a Publix. Few of the tenants would compete with the subject. Similarly, Gainesville Shopping Center is a 186,000-square-foot grocery anchored community center two miles east of the University. The largest tenant is Publix, and there are no tenants that would compete with the subject.

The nearest regional malls after the Paddock Mall are in Jacksonville and Orlando. Two malls that would have a minor impact on the subject are Florida Mall and Mall at Millennia. Both are over one million square feet and located in Orlando, 110 miles from the subject. These properties would not compete for most shopping, but with their superior mix of tenants, they likely draw some shoppers from the Gainesville trade area during the holiday season.

# Third Party Reports – The Oaks Mall

**Appraisals**

An appraisal report, prepared by an independent third-party appraisal firm (Cushman & Wakefield) was completed for the Oaks Mall and reviewed as part of Morningstar's analysis. The appraisal report for The Oaks Mall, issued on August 28, 2012, indicated a value of $227 million ($390 per collateral square foot).

**Property Condition**

The Property Condition Assessment for The Oaks Mall, prepared by AEI Consultants and dated August 9, 2012, recommended $6,600 in immediate repairs. The recommended replacement reserve was $1,991,347, inflated, which equates to $0.29 per square foot per year.

**Environmental**

A Phase I Environmental Site Assessment ("ESA") for The Oaks Mall, prepared by AEI Consultants and dated August 9, 2012, was reviewed as part of Morningstar's analysis for the Property. The assessment revealed no evidence of recognized significant environmental conditions (RECs) identified by the environmental engineer and no further investigation is currently recommended.

**Seismic**

Not applicable.

# Morningstar Analysis – The Oaks Mall

Morningstar evaluated the collateral's historical cash flow, occupancy levels, tenancy, and tenant improvement and leasing costs. Morningstar's estimates of revenue and expenses, as well as our analytical approach, are discussed below.

**Morningstar Estimates of Revenue**

Morningstar's *Gross Potential Rent* (GPR) revenue is based on leases signed as of June 30, 2012, and includes all contractual rent increases through August 2013. Our concluded market rents are based on an analysis of the appraiser's conclusions, recent leasing compared with occupancy costs for reasonableness for the various tenant categories. An occupancy cost adjustment was taken as a separate line item under "Other Income".

| Summary of Rent and Vacancy in Tenant Space – Oaks Mall | | | | | | |
|---|---|---|---|---|---|---|
| | Rentable Area (Sq. Ft.) | | In-Place Rent Roll | | Morningstar Estimate | |
| | Collateral | % Total | Vacancy | Rent Per Sq. Ft. | Vacancy | Rent Per Sq. Ft. |
| Anchor | 233,367 | 40.1% | 0.0% | $2.86 | 0.0% | $4.00 |
| Junior Anchor | 28,195 | 4.8% | 0.0% | $21.10 | 0.0% | $20.00 |
| In-Line (5,000-9,999 sq.ft.) | 94,390 | 16.2% | 0.0% | $27.91 | 0.0% | $25.00 |
| In-Line (3,000-4,999 sq.ft.) | 98,098 | 14.3% | 18.8% | $27.43 | 15.4% | $35.00 |
| In-Line (2,000-2,999 sq.ft.) | 26,807 | 4.6% | 0.0% | $39.93 | 0.0% | $38.00 |
| In-Line (1,000-1,999 sq.ft.) | 31,599 | 5.1% | 5.9% | $46.68 | 5.9% | $50.00 |
| In-Line (1-999 sq.ft.) | 10,199 | 1.5% | 15.4% | $64.18 | 15.4% | $75.00 |
| Percentage Rent | 11,454 | 2.0% | 0.0% | $0.00 | 0.0% | $0.00 |
| Food Court | 9,817 | 1.7% | 0.0% | $100.05 | 0.0% | $100.00 |
| Kiosk | 1,099 | 0.2% | 15.5% | $276.98 | 15.5% | $300.00 |
| Jewelry | 7,998 | 1.4% | 0.0% | $73.24 | 0.0% | $70.00 |
| Outparcel | 28,646 | 4.9% | 0.0% | $28.25 | 0.0% | $25.00 |
| Antenna/ATM | 180 | 0.0% | 0.0% | $204.00 | 0.0% | $550.00 |
| **Total** | **581,849** | **100.0%** | **3.22%** | **$21.00** | **3.79%** | **$21.18** |

*Expense Reimbursement* – Calculated based on a weighted average of historical reimbursement numbers as related to expenses (recovery ratios). This is consistent with the most recent rent roll indicating scheduled reimbursement totaling $6.36 million based on tenants in-place and adjusted for differences in reimbursable expenses.

*Overage / Percentage Rent* – Percentage Rent reflects tenants that pay percentage rent in lieu of base rent. Underwritten percentage rent income assumes breakpoints effective as of 2012 and each tenant's trailing 12-month sales as of June 2012.

*Specialty/Temporary/Kiosk Income* – Includes rental income from short-term specialty/temporary tenants with license agreements with terms between 13-35 months (these spaces are included in the rent roll as occupied but not paying rent). Income has been underwritten based upon the most recent trailing 12 months (June 30, 2012).

*Other Income* – Other Income reflects Miscellaneous Income. Underwritten Other Income is based upon the borrower provided pro-forma and is consistent with historical operating statements.

*Occupancy Cost* – Occupancy cost adjustments are taken for in-line tenants with an occupancy cost greater than 18%. Consideration was given in cases where tenant sales exceeded certain thresholds.

**Morningstar Estimates of Expenses**

Morningstar's expenses are underwritten in-line with historical expenses unless otherwise noted.

*Real Estate Tax* – Real Estate Tax expenses are based on actual taxes for the trailing 12 months.

*Insurance* – Insurance is based upon the actual premium.

*Management Fees* – Management Fees are underwritten to 3.5% of Effective Gross Income based on historical cash flows. The property is self-managed by an affiliate of the borrower. No management contract is in place and no fee is charged back to the property. The assumed management fee is a market-rate charge cited in the appraisal.

*General and Administrative Expenses* – G&A is underwritten to the borrower's projected expense, which is lower than the historical expense.

*Other Expenses* – Includes expenses related to specialty leasing as well as legal and professional, administrative and marketing and advertising fees.

*Tenant Improvements & Leasing Commissions* – Tenant improvements were based upon the appraisal. For most tenant categories, the underwritten tenant improvement allowance was $20.00 for new tenants and $2.00 for renewals. Anchor tenants were assessed at $5.00 and $2.00. Leasing commissions were based on Morningstar's standard guidelines of 4.0% for new and 2.0% for renewal tenants.

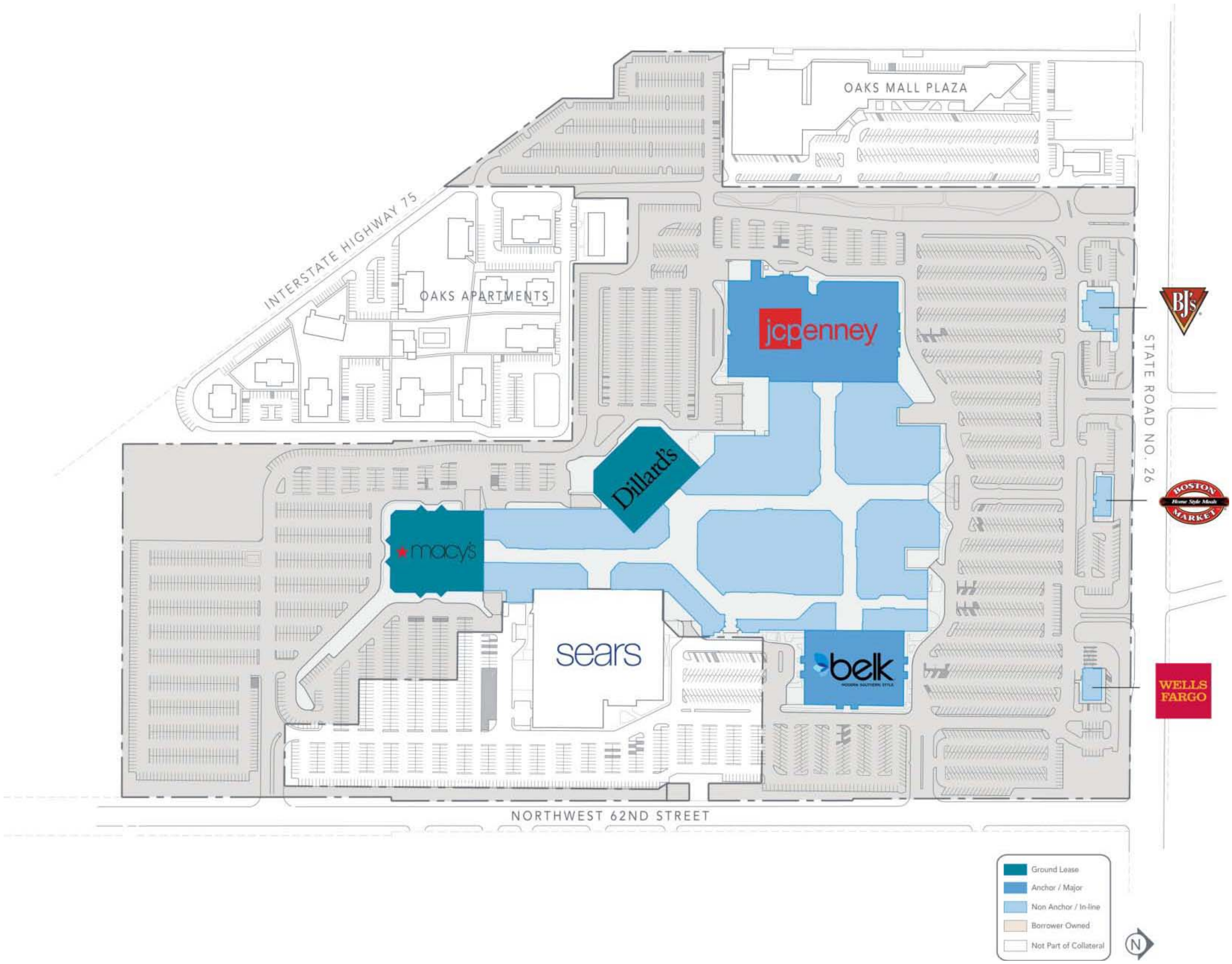
**Morningstar Valuation**

Morningstar estimated the value of the asset based on the income capitalization approach to value. Capitalization rates are estimated quarterly by Morningstar for the retail and office sector in each region and major metropolitan areas based upon a review of investor surveys including the Real Estate Research Council, PWC Real Estate Investor Survey (Korpacz), as well as a review of research and comparable sales information provided by Real Capital Analytics. The concluded Morningstar capitalization rate was 8.35%, resulting in a value of $151,010,054 ($266 per collateral square foot, 31.7% below the appraiser's value of $390 per collateral square foot).

The table on the following page presents a summary of historical operating results for 2010, 2011, trailing 12 months ending June 30, 2012, the issuer's underwriting, and Morningstar's conclusions.

| The Oaks Mall | Morningstar Underwriting | Year End 2010 | Year End 2011 | TTM 05/31/12 | Issuer Underwriting |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Gross Potential Rent | $12,523,425 | $10,692,512 | $11,374,039 | $11,695,527 | $12,730,705 |
| Less: Vacancy Loss (GPR) | (667,292) | 0 | 0 | 0 | (641,716) |
| Less: Concessions | 0 | 0 | 0 | 0 | 0 |
| Less: Collection Loss | 0 | (77,994) | (365,441) | (126,156) | 0 |
| Less: Vac Adj for Concess/Coll Loss | 0 | 0 | 0 | 0 | 0 |
| **Base Rent/Net Effective Rent** | **$11,856,134** | **$10,614,518** | **$11,008,598** | **$11,569,371** | **$12,088,990** |
| Expense Reimbursement | $6,130,231 | $6,322,526 | $6,121,887 | $6,113,671 | $6,176,971 |
| Percentage Rent | 766,176 | 492,390 | 442,484 | 507,683 | 781,224 |
| Specialty/Kiosk Income | 1,479,460 | 1,650,682 | 1,651,736 | 1,648,780 | 1,479,460 |
| Misc Revenue | 449,968 | 488,670 | 515,521 | 449,968 | 442,403 |
| Other Income 3 | (204,564) | 0 | 0 | 0 | 0 |
| Other Income 4 | 0 | 0 | 0 | 0 | 0 |
| Less: Vacancy Other Incomes | (50,579) | 0 | 0 | 0 | 0 |
| **Effective Gross Income** | **$20,426,825** | **$19,568,786** | **$19,740,226** | **$20,289,473** | **$20,969,046** |
| **Expenses** | | | | | |
| Real Estate Taxes | $2,713,152 | $3,046,947 | $3,061,472 | $2,713,152 | $2,713,152 |
| Property Insurance | 205,738 | 132,618 | 118,616 | 114,341 | 205,738 |
| Utilities | 469,904 | 485,322 | 461,424 | 432,806 | 486,162 |
| Repairs and Maintenance | 640,677 | 621,592 | 600,872 | 569,256 | 653,260 |
| Contract services | 360,778 | 491,929 | 388,060 | 332,481 | 360,778 |
| Management Fees | 714,939 | 684,908 | 690,908 | 710,132 | 733,917 |
| Payroll & Benefits | 395,794 | 368,298 | 359,703 | 386,614 | 383,297 |
| Advertising & Marketing | 362,736 | 294,073 | 354,986 | 352,370 | 342,907 |
| Professional Fees | 0 | 0 | 0 | 0 | 0 |
| General and Administrative | 351,383 | 397,441 | 597,097 | 451,871 | 351,383 |
| Non-Reimbursable Expenses | 0 | 0 | 0 | 0 | 0 |
| Specialty Leasing | 121,835 | 57,208 | 108,584 | 128,684 | 124,228 |
| Food Court | 213,619 | 59,105 | 110,154 | 186,619 | 217,814 |
| Market Expense Adjustment | 0 | 0 | 0 | 0 | 0 |
| **Total Operating Expenses** | **$6,550,555** | **$6,639,440** | **$6,851,875** | **$6,378,326** | **$6,572,636** |
| **Net Operating Income** | **$13,876,270** | **$12,929,346** | **$12,888,351** | **$13,911,147** | **$14,396,410** |
| **Capital Items** | | | | | |
| Leasing Commissions | $389,540 | $0 | $0 | $0 | $285,506 |
| Tenant Improvements | 360,851 | 0 | 0 | 0 | 216,030 |
| Capital Expenditure / Reserve | 182,540 | 0 | 0 | 0 | 145,462 |
| Extraordinary Capital Expenditures | 0 | n/a | n/a | n/a | n/a |
| - Credit For TI Reserve | 0 | n/a | n/a | n/a | n/a |
| - Credit For LC Reserve | 0 | n/a | n/a | n/a | n/a |
| - Credit For TI/LC Reserve | 0 | n/a | n/a | n/a | n/a |
| - Credit For Cap Ex Reserve | 0 | n/a | n/a | n/a | n/a |
| **Total Capital Items** | **$932,931** | **$0** | **$0** | **$0** | **$646,998** |
| **Credit for Upfront DSCR Escrow** | $0 | $0 | $0 | $0 | $0 |
| **Net Cash Flow** | **$12,943,340** | **$12,929,346** | **$12,888,351** | **$13,911,147** | **$13,749,412** |

## The Oaks Mall – Site Plan & Pictures




Mall Entrance


Forever 21


Macy's  Mall Entrance


Belk Interior


Dillard's Mall Entrance

Mall Corridor

# Loan Summary

The transaction consists of two non-recourse mortgage loans, Westroads Mall loan and The Oaks Mall. Each loan is evidenced by a single promissory note and each is secured by a first-priority lien on a single commercial property. Both loans amortize on a 360-month basis and mature October 1, 2022. The Westroads Mall loan has an outstanding principal balance of $140.70 million and bears interest at a fixed rate of 4.266% for ten years. The Oaks Mall loan has an outstanding principal balance of $118.3 million and bears interest at a fixed rate of 4.121% for ten years. The proceeds of the loans will be used to refinance existing debt, fund certain upfront reserves, pay closing costs and return equity to General Growth Properties, Inc.

**Prepayment**

The borrower is not permitted to voluntarily prepay the mortgage loan in whole or in part prior to April 1, 2022. On or after April 1, 2022, each mortgage loan may be prepaid, in whole but not in part. No prepayment premium will be due with respect to any principal payment.

**Borrowers/Sponsors**

The borrowers on the Westroads Mall and The Oaks Mall loans are Westroads Mall L.L.C. and Oaks Mall L.L.C., respectively. Each borrower is a Delaware limited liability company and each is structured as a bankruptcy-remote, special-purpose entity with independent directors in their organizational structure. The sponsor of both borrowers and the nonrecourse guarantor is GGP Limited Partnership, the entity that owns substantially all of GGP's assets. GPP acquired a majority interest in both properties in 1997, and has been managing them ever since. In May 2012, GGP acquired the 49% of both borrowers that it did not already own from its joint venture partner Ivanhoe Cambridge Inc. The purchase price of the minority interest was $191.2 million, consisting of $97.6 million in cash and the assumption of $93.6 million in debt. The purchase price suggests a cap rate of 7.8% on the two properties.

General Growth Properties, Inc. (GGP) is a fully-integrated, self-managed and self-administered real estate investment trust (REIT) that owns, manages, leases and redevelops regional shopping malls in the U.S. Headquartered in Chicago, GGP is a publicly-traded company listed on the New York Stock Exchange (ticker: GGP). As the second-largest retail property REIT in the U.S., the company owns or has ownership interests in 150 regional and super-regional shopping malls in 41 states (and Brazil). The malls in GGP's portfolio include such well known destinations as Ala Moana Center (Honolulu), Tysons Galleria (Washington, D.C.), Glendale Galleria (Los Angeles), and Water Tower Place (Chicago).

GGP filed for Chapter 11 bankruptcy protection on April 16, 2009 as a result of an inability to refinance its CMBS debt. The Westroads Mall property was not included in the Chapter 11 bankruptcy filing. The company emerged from bankruptcy on November 9, 2010.

The mortgaged properties are self-managed by an affiliate of the borrowers. Under certain conditions, the lender has the right to require a borrower to appoint or replace a property manager with either a qualified manager meeting certain criteria or another property manager chosen by the borrower and approved by the lender.

## Loan Features/Concerns

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

**Additional Indebtedness**

The direct and indirect equity owners (collectively, the mezzanine borrowers) have pledged their respective direct or indirect ownership interests in each borrower to secure two mezzanine loans. Westroads Mezz, LLC (the Westroads Mall current mezzanine borrower) has pledged 100% of its ownership interests in the Westroads Mall borrower to secure a mezzanine loan in the original principal amount of $16,300,000. Oaks Mezz, LLC (the Oaks Mall current mezzanine borrower) has pledged 100% of its ownership interests in the Oaks Mall borrower to secure a mezzanine loan in the original principal amount of $20,700,000. Each mezzanine loan has a maturity date of October 1, 2022. The mezzanine loans are coterminous with the related mortgage loans and are subject to an intercreditor agreement.

The intercreditor agreements contain certain deviations that could have an adverse impact on the senior loan such as (i) certain rights that could delay senior lender rights in bankruptcy proceedings of borrower for 30 days (or such later cure period as provided in the intercreditor agreement) and (ii) mezzanine lender rights to approve and/or consent to the determination of a low DSCR trigger event and whether a cure thereof has occurred. In the event the senior lender and mezzanine lender do not agree on such determination and/or existence of a cure and/or borrower disagrees with such determination(s), senior lender may be required pursuant to the applicable intercreditor agreement to take the direction of mezzanine lender even though such direction may not be in accordance with the servicing standard.

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

- Reduced borrower skin-in-the-game that may remove incentives to maintain or improve the competitiveness of the properties resulting in lower income streams

- The presence of additional debt increases the difficulty of refinancing a mortgage loan at the maturity date

- The mezzanine debt holder typically has certain consent and/or consultation rights with respect to the applicable loan and related property, which may result in delays in the workout of such loan as a result of the need for mezzanine lender consent on certain actions.

The mezzanine intercreditor agreements contain certain mezzanine lender rights, including, without limitation, cure rights, purchase option and certain consent rights. For monetary defaults, each intercreditor agreement provides that for monetary defaults, the mezzanine lender shall have until the later of (a) five business days after receipt by it of a senior loan default notice and (b) ten business days after expiration of the borrower's cure period, if any. If the default identified in the senior loan default notice is of a non-monetary nature, the mezzanine lender shall have until the later of (a) ten business days after receipt of such senior loan default notice and (b) twenty five business days after expiration of the borrower's cure period, if any. Such cure periods may be extended if certain conditions are satisfied in the intercreditor agreement.

The intercreditor agreements also include consent and/or consultation rights with respect to alterations, leases and other property agreements, budget approvals and as previously highlighted, certain debt service trigger events. These rights may impact the special servicer's workout strategy and/or the timing for modifications on the loan and/or a sale of the loan.

**SPE and Bankruptcy Remoteness**

Each Borrower has covenanted and represented under the related loan agreement that it is a single purpose entity and will not cease to be a single purpose entity. Each borrower is and will be organized solely for the purpose of acquiring, developing, owning, managing and operating the related mortgaged property. The loan documents and borrowers' organizational documents also include limitations on the borrowers' ability to incur additional indebtedness.

While a single purpose entity borrower is intended to lessen the possibility that a borrower's financial condition would be adversely impacted by factors unrelated to the mortgaged property and the mortgage loan, there is no assurance that such borrower will not nonetheless become part of a bankruptcy proceeding. A case in point is the bankruptcy case of *In re General Growth Properties, Inc.*, in which, notwithstanding that the subsidiaries were special purpose entities with independent directors, numerous property-level special-purpose subsidiaries were filed for bankruptcy protection by their parent entity. As demonstrated in the General Growth Properties bankruptcy case, although special purpose entities are designed to mitigate the bankruptcy risk of a borrower, special purpose entities can become debtors in bankruptcy under various circumstances.

**Environmental Concerns**

The environmental assessment for the Westroads Mall noted three locations at the mall itself and one adjacent property where underground storage tanks (USTs) were removed. Impacted soil and groundwater were identified when the USTs were removed resulting in leaking UST cases. The sites have been reported to the Nebraska Department of Environmental Quality and are currently on its "backlogged" sites list. These sites could require remediation at some point in the future, in which case the projected worst case scenario is estimated to cost in the range of $75,000 to $300,000. The environmental assessment relating to the Oaks Mall revealed no evidence of any recognized environmental condition

**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. Alternatively, in this transaction the mortgage loan seller may indemnify the trust for losses directly related to such material breach or 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 or provide such indemnity. In addition, such indemnity may not provide certificateholders with a remedy equivalent or comparable to such a repurchase.

## Reserve Accounts

Regarding the reserve accounts discussed below, a trigger period with respect to a mortgage loan will commence upon the occurrence of (i) a cash sweep event with respect to such mortgage loan or (ii) a low DSCR trigger event with respect to such mortgage loan or (iii) the commencement of an event of default under any related future subordinate mezzanine loan or related current mezzanine loan. A cash sweep event is triggered by a mortgage loan event of default, any bankruptcy action of the related borrower or related guarantor, or, if a property manager has been appointed in accordance with the related loan agreement, any bankruptcy action of any manager of the related mortgaged property. A low DSCR trigger event occurs when the DSCR of a mortgage loan falls below 1.25x.

### Tax and Insurance Reserve Accounts

The borrowers were not required to make any initial deposits for real estate taxes or insurance at the time of loan closing. However, during the continuance of a trigger period and on each payment date during the term of the mortgage loan, the borrower is required to deposit into a tax account one-twelfth of the real estate taxes and other charges that the mortgage lender reasonably estimates will be payable during the ensuing twelve months in order to accumulate sufficient funds to pay all such real estate taxes and other charges, and into an insurance account an amount equal to one-twelfth of the insurance premiums that the mortgage lender reasonably estimates will be payable for the renewal of the coverages afforded by the policies upon the expiration thereof in order to accumulate sufficient funds to pay all such insurance premiums at least ten days prior to the expiration of the policies.

### Capital Expenditure Account

The borrowers were not required to make any initial deposits for replacement reserves at the time of closing. On each monthly payment date during the continuance of a trigger period the Westroads Mall loan borrower will be required to deposit an amount equal to $14,003 into the capital expenditure account, not to exceed $168,036, and the Oaks Mall loan borrower will be required to deposit an amount equal to $12,607 into the capital expenditure account, not to exceed $151,281.

### Rollover Reserve Account

On the origination date the respective borrowers for the Westroads Mall loan and the Oaks Mall loan deposited into the rollover account $1,490,720 and $351,480, respectively, for tenant improvements and leasing commissions. On each monthly payment date during the continuance of a trigger period the Westroads Mall loan borrower will be required to deposit an amount equal to $32,067 into the rollover account, not to exceed $384,798, and the Oaks Mall loan borrower will be required to deposit an amount equal to $29,040 into the rollover account, not to exceed $348,482. These rollover funds are to be used for tenant improvement and leasing commissions costs.

### Excess Cash Flow Account

During a cash sweep event period with respect to a mortgage loan, the related borrower is required to deposit (or cause to be deposited pursuant to the related Cash Management Agreement) with the lender in the excess cash flow account all applicable excess cash flow relating to such mortgage loan, which sums will be held by the lender as additional security for the related mortgage loan.

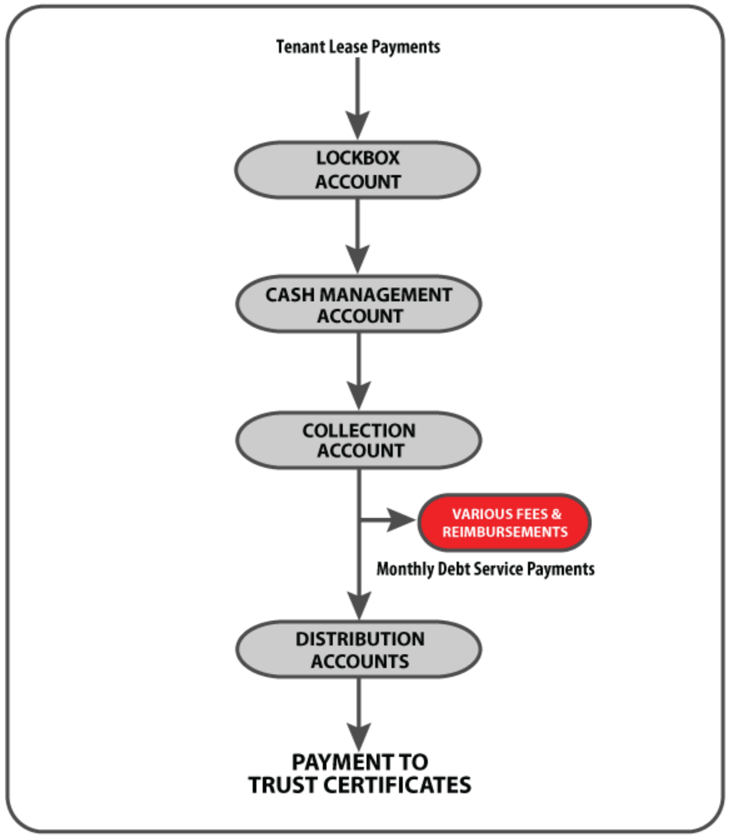
### Alterations

Each borrower must obtain the mortgage lender's prior written consent in connection with any alterations to a mortgaged property (a) which are reasonably expected to have a material adverse effect to the property, (b) the cost of which is reasonably anticipated to exceed the alteration threshold, (c) is reasonably expected to permit (or is reasonably likely to induce) any tenant under any applicable major lease to terminate its or abate its rent under the lease. The alteration threshold for Westroads Mall loan and the Oaks Mall loan is $7,850,000 and $6,950,000, respectively.

# Securitization Trust Summary

### Distribution of Funds

The diagram on the right outlines the flow of funds received from the mortgage loan to repay the holders of the trust certificates. This is a generalized representation of the flow of funds and is not intended to reflect all of the specific accounts and detailed flow of funds.




(1) The borrower has established and is required to maintain a lockbox account (Clearing Account) and is required to direct all tenants to remit all payments due under their respective leases to the lockbox account. The lockbox account is under the sole dominion and control of the lender.
(2) On each business day, funds in the lockbox account are to be transferred to the cash management account. The cash management account is under the sole dominion and control of the lender.
(3) Funds allocated to the payment of principal and interest and certain amounts owed on the loan are remitted to the collection account under the control of the servicer.
(4) The funds deposited into the collection account are first applied to cover a variety of fees and reimbursements to the servicer, special servicer, certificate administrator and trustee, as well as to reimburse the master servicer/trustee for unreimbursed P&I advances. Fees paid include the servicing fee, special servicing fee, trustee fee, certificate administrator fee, workout fee and liquidation fee, as applicable.
(5) The remaining funds in the collection account are remitted to the certificate administrator and deposited into the Distribution Account.
(6) On each distribution date, the certificate administrator remits the funds in the distribution account to the holders of each class of trust certificates to meet the principal and interest payment obligations in accordance with the priority of payments.

### 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 X-A, and Class X-B Certificates, pro-rata, including unpaid interest short falls;
(2) Principal paydown of the Class A-1 Certificates until paid in full, up to the principal distribution amount[1];
(3) Principal paydown of the Class A-2 Certificates until paid in full, up to the principal distribution amount[1];
(4) Applied Realized Loss Amounts to the Class A-1 and Class A-2 Certificates, pro rata;
(5) Interest on the Class B Certificates, including unpaid interest shortfalls;
(6) Principal paydown of the Class B Certificates until paid in full, up to the principal distribution amount
(7) Applied Realized Loss Amounts to the Class B Certificates;
(8) Interest on the Class C Certificates, including unpaid interest shortfalls;
(9) Principal paydown of the Class C Certificates until paid in full, up to the principal distribution amount;

(10) Applied Realized Loss Amounts to the Class C Certificates;
(11) Interest on the Class D Certificates, including unpaid interest shortfalls;
(12) Principal paydown of the Class D Certificates until paid in full, up to the principal distribution amount;
(13) Applied Realized Loss Amounts to the Class D Certificates;
(14) Interest on the Class E Certificates, including unpaid interest shortfalls;
(15) Principal paydown of the Class E Certificates until paid in full, up to the principal distribution amount;
(16) Applied Realized Loss Amounts to the Class E Certificates;
(17) Any remaining amounts to the Class R and Class LR Certificates.

[1]*After the cross-over date, principal on the A-1 and A-2 Certificates is paid pro rata.*

**Allocation of Losses on Trust Certificates**

Losses on the Trust Certificates are generally allocated in a reverse sequential order -- first, to the Class E Certificates, second, to the Class D Certificates, third to the Class C Certificates, fourth to the Class B Certificates, and then, pro rata, to the Class A-1 and Class A-2 Certificates, in each case until the Certificate Balance of that Class has been reduced to zero. The Notional Amount of the Class X-A Certificates will be reduced by the amount of Realized Losses allocated to the Class A-1 and Class A-2 Certificates. The Notional Amount of the Class X-B Certificates will be reduced by the aggregate amount of Realized Losses allocated to the Class B, Class C, Class D, and Class E Certificates. As a result of such reductions, less interest will accrue on such Class of Certificates than would otherwise be the case. Once a Realized Loss is allocated to a Certificate (or in the case of a Class X-A and Class X-B Certificates, the applicable Notional Amount has been reduced), no principal or interest will be distributable with respect to such written down amount.

**Rated Final Distribution Date**

The rated final distribution date of each class of certificates is the distribution date in October 2030. 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.

**Representations, Warranties & Enforcement Mechanisms**

Pursuant to Rule 17g-7 and incorporated by reference into this presale report, is our report providing the representations, warranties, and enforcement mechanisms available to investors for this transaction and comparing them to the representations, warranties, and enforcement mechanisms available to investors for similar securities. This report titled, "Representations, Warranties & Enforcement Mechanisms – COMM 2012-LTRT", appears on our website at http://ratingagency.morningstar.com under the "Ratings Reports" tab.

## Trust Structural Features/Concerns

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

**Directing Certificateholder**

There is no concept of a directing certificateholder or controlling class for this transaction.

**Replacement of Special Servicer**

The special servicer can be terminated and replaced, with or without cause, upon (i) the written direction of at least 25% of the aggregate voting rights of all sequential pay certificateholders requesting a vote to replace the special servicer and (ii) in addition to satisfaction of other conditions, the vote of 75% of the aggregate voting rights of all sequential pay certificateholders. The request and voting rights take into account the application of any appraisal reduction amounts to notionally reduce the certificate balances.

**Right of Subordinate Debtholders**

The mezzanine intercreditor agreements contain certain mezzanine lender rights, including, without limitation, cure rights, purchase option and certain consent rights. For monetary defaults, each intercreditor agreement provides that for monetary defaults, the mezzanine lender shall have until the later of (a) five business days after receipt by it of a senior loan default notice and (b) ten business days after expiration of the borrower's cure period, if any. If the default identified in the senior loan default notice is of a non-monetary nature, the mezzanine lender shall have until the later of (a) ten business days after receipt of such senior loan default notice and (b) twenty five business days after expiration of the borrower's cure period, if any. Such cure periods may be extended if certain conditions are satisfied in the intercreditor agreement.

The intercreditor agreements also include consent and/or consultation rights with respect to alterations, leases and other property agreements, budget approvals and as previously highlighted, certain debt service trigger events. These rights may impact the special servicer's workout strategy and/or the timing for modifications on the loan and/or a sale of the loan.

**Limited Rating Agency Confirmation/Notice**

Rating agency confirmation may not be required over certain material loan amendments, modifications, borrower requests and/or material amendments to the pooling and servicing agreement, including replacement and removal of the trustee and certificate administrator (however, certain other eligibility requirements must be satisfied). 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.

**Conflicts of Interest**

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

# Morningstar Approach to Collateral Review

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

### General Underwriting Approach

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

### Third Party Data

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

### Rents and Vacancies

Current rents and vacancies are reviewed along with market information from third-party providers, appraisals and Morningstar proprietary data. Morningstar analyzes rents and vacancies for each category of tenant to best define the market rent and vacancy for that category.

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.

### Historical Financials

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

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

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

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

### Capital Items

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

**Capitalization Rates**

Morningstar strives to use 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 when additional adjustments are required. These adjustments will then be made and noted in the Asset Summary Report.

**Morningstar Value**

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

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

# Glossary of Key Terms

**Amortizing DSCR** For interest-only loans, Morningstar assumes a 30-year amortization period. Otherwise, this calculation will equal the current DSCR.

**Beginning LTV** Morningstar's calculated Loan-to-Value ratio as of the cut-off date.

**Capitalization rate** Morningstar's market capitalization rate as of the time of the underwriting.

**Capital Items** Tenant Improvements, Leasing Commissions, Capital Reserves/Expenditures, and Extraordinary Capital Reserves.

**Debt Yield** Net Cash Flow divided by Loan Amount (or Allocated Loan Amount).

**DSCR** Current Debt Service Coverage Ratio obtained by dividing Morningstar's Net Cash Flow by Annual Debt Service.

**Ending LTV** Morningstar's calculated Loan-to-Value ratio as of the balloon date of the loan.

**Net Operating Income** Effective Gross Income less Operating Expenses before accounting for any Capital Items.

**Net Cash Flow** Net Operating Income less Capital Items.

**NRSF** Net Rentable Square Feet.

**Vacancy** Refers to economic vacancy unless otherwise noted.

**Value** Derived by dividing Net Cash Flow by the Capitalization rate, subject to certain adjustments for upfront reserves.

# 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).

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[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 mortgage loans is adequate to make payments required under the offered certificates based on information identified as subject to review herein and to the extent provided to Morningstar on arranger's website for the 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 borrowers, 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 Certificates might not fully recover their initial investment in the event of delinquencies or defaults or rapid prepayments on the mortgage loans (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 loans, 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 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 ratings 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. 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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As the ratings herein are preliminary ratings, such ratings may be subject to change during surveillance. As provided herein, surveillance analysis and ratings are solely provided to Morningstar subscribers on a subscription basis.

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

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