Operational Risk Assessment

Wells Fargo Commercial Mortgage Servicing

October 2011

Ranking Classifications:	Commercial Mortgage Primary, Master, and Special Servicer
Assigned Rankings:	Primary Servicer: MOR CS2 Master Servicer: MOR CS2 Special Servicer: MOR CS2
Forecast:	Stable (All Rankings)
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Rationale

Morningstar Credit Ratings, LLC (Morningstar) has assigned Wells Fargo Commercial Mortgage Servicing (WFCMS) its 'MOR CS2' rankings as a commercial mortgage primary, master, and special servicer. WFCMS is a wholly owned operating division of Wells Fargo Bank, N.A. The assigned rankings reflect our views regarding the company's servicing operations, which now represent the combined platforms of Wells Fargo Bank and the former Wachovia Bank, N.A. Each ranking is based on our assessment of WFCMS's operational infrastructure and portfolio administration capabilities for its respective duties as a primary, master, and special servicer.

In particular, our assessment and assigned rankings consider the following composite factors:

- Our opinion that the company has successfully consolidated the two legacy servicing units into a singular platform comprising East and West Coast teams and has addressed its myriad of servicing and asset management responsibilities under an unified reporting structure. 2012 will be the first full calendar year in which WFCMS operates under its revised and fully integrated structure.

- The company's retention of a well-experienced staff and management team along with the ongoing recruitment of other industry professionals to broaden the level of servicing expertise to address complex transaction structures and reporting requirements primarily for CMBS, but also for other investor clients.

- Our generally favorable view of WFCMS's capabilities regarding data accuracy and particularly its website functionality based on CMBS investor comments and our review of Morningstar's published DealView CMBS surveillance reports (although a few of the reports noted some outdated or incomplete information). Additionally, we believe that WFCMS is seeking to improve its overall responsiveness to information requests.

Investor Feedback/DealView Comments*	
Overall Favorable	62%
Overall Unfavorable	38%
* Based on website functionality, data accuracy/completeness and responsiveness. Included a review of DealView reports corresponding to approximately the top one-third of WFCMS's total CMBS portfolio by unpaid principal balances.	

- WFCMS's revised and consolidated policies and procedures, which we believe cover its asset administration duties in a thorough manner, including pooling and servicing agreement (PSA) and CMBS-related compliance.

- The company's steadily expanding use of off-shore staff (Wells Fargo India Solutions) in recent months to assist with more non-decision oriented servicing tasks that exclude direct borrower contact. While we recognize that off-shoring is largely driven by economics and can increase operating efficiency, we also believe that this organizational approach may reach its optimal level only after a certain implementation and seasoning period to integrate processes and fully train personnel. Accordingly, Morningstar will monitor WFCMS's ability to maintain high quality servicing over the next 12 months as the servicer expands and integrates more servicing tasks with its off-shore staff.

- An overall effective technology environment to accommodate a diverse and extremely large servicing portfolio. The company stated that it expects to complete the conversion of its two legacy and separate servicing systems to an upgraded singular application by late 2012. WFCMS has acknowledged that moving to one servicing system along with a corresponding reduction in duplicative side applications should yield a higher degree of operating efficiency and streamline data management.

- WFCMS did not provide Morningstar with copies of its technology disaster recovery and business continuity plans, although the servicer has made affirmative representations regarding its level of preparedness and data redundancy practices. The servicer has noted that, as a result of consolidating its San Francisco Bay area offices to Oakland, California, it is working to procure new and larger alternate facilities, which we believe will strengthen its overall business continuity plan.

- WFCMS's sound internal audit function and its self-administered quality control program. However, WFCMS stated that its parent's internal audit division decided to extend the interval between audits beyond two years.

- The servicer's effective practices and procedures for proactive asset-level management and portfolio oversight to monitor collateral performance, tracking compliance and trigger events, and responding to borrower requests and consents, including a program catering to the company's largest institutional borrowers.

- WFCMS's high degree of experience and overall successful performance as a CMBS master servicer with respect to its reporting ability, controlled advance determination procedures, proactive sub-servicer oversight and audit practices, and handling master servicing duties for a range of large and complex transactions. The company did have reporting errors and restatements in the past 18 months, but stated that it has since addressed some of the associated procedures and technology issues.

- As a special servicer, we believe that the company, while handling a moderately sized portfolio, has controlled operating procedures, a solid track record of asset recovery achievement with larger and complex structures, and experienced asset managers. In our view, WFCMS's technology tools for special servicing are not the most extensive relative to some of its peers, but do accommodate the tracking and reporting requirements for a moderate level of activity.

- WFCMS stated that it usually serves as a CMBS special servicer only for the portfolios in which it serves as master or primary servicer, and that it does not have any affiliated investment interests in the controlling classes of the bonds. Therefore, we do not believe that WFCMS operates with any ostensible conflicts of interest in this regard.

Forecast

Stable for all rankings

We expect the assigned rankings to remain unchanged during the next 12 months. We believe that WFCMS is fully capable of serving as an effective primary, master, and special servicer for its investor clients.

Table Of Contents | **Page**

Company Profile and Organizational Structure 6
Table 1: Historical Servicing Volume

Operational Infrastructure: 7
Staffing, Turnover, and Experience
Table 2: Average Years of Experience
Table 3: Staff Turnover Rates
Assessment
Training
Assessment
Audit, Compliance, and Procedural Completeness
Assessment
Legal Liability and Corporate Insurance
Assessment
Technology and Disaster Recovery
Assessment

Primary and Master Servicing Portfolio Administration 10
Table 4: Primary and Master Servicing Volumes
Table 5: Servicing Concentration by State
Table 6: Total Servicing Volume by Investor Type
Table 7: Servicing Concentration by Property Type
Loan Boarding, Hedge Agreements, Letters of Credit, and UCCs
Assessment
Payment Processing
Assessment
Real Estate Tax and Insurance Administration
Assessment
Capital Expenditure Reserve Management
Assessment
Investor Reporting and Accounting
Assessment
CMBS Advancing and Non-Recoverability Analysis
Table 8: Wells Fargo Advancing Activity
Assessment
Financial Statement Analysis and Property Inspections
Watchlist, Trigger Events, and Early Stage Collections
Table 9: Wells Fargo Delinquency Migration
Assessment
Table 10: CMBS Portfolio Delinquency vs. Morningstar Rates
Table 11: Delinquency Percentages by Investor Type
Table 12: Delinquency Percentages by Property Type
Master Servicing: Sub-Servicer Auditing and Compliance
Assessment
Borrower Requests and Consents
Table 13: Borrower Consent Average Processing Times
Assessment

Special Servicing Administration **18**
Asset Review Process
Assessment
REO Property Management
Assessment
Vendor Oversight
Assessment
Post Transfer to Special Servicing: Letters of Credit and Springing Lockboxes
Assessment
Managing Conflicts of Interest
Assessment
Asset Resolutions
Table 14: Loan Portfolio Activity
Table 15: REO Portfolio Activity
Table 16: Asset Resolution Performance
Chart 1: Average Realized Loan and REO Losses vs. Morningstar Data
Summary of 2010 Special Servicing Results
Overall Asset Recovery Performance
Assessment
Investor and Master Servicer Reporting
Assessment

Ranking Definitions **23**

Disclosures **23**

Company Profile and Organizational Structure

WFCMS represents the combined servicing platforms of California-based Wells Fargo Bank, N.A. and the former North Carolina-based Wachovia Bank, N.A., which was acquired by Wells Fargo & Company at the end of 2008. The merger of the Wells Fargo and Wachovia bank charters was completed on March 20, 2010 (the "Bank"). As a result, WFCMS was the largest commercial mortgage servicer by volume in the U.S. according to the June 2011 Mortgage Bankers Association's mid-year survey. We believe that WFCMS, after a two year, multi-phased process, has successfully completed the integration of the former Wachovia servicing organization to create a unified platform in terms of personnel, reporting lines and functions, and defined procedures, while effectively leveraging both East and West Coast operating hubs. However, by the 2012 year end, WFCMS stated that it expects to complete the consolidation, upgrading, and streamlining of its technology environment with respect to the still functioning legacy Wells Fargo and Wachovia core servicing systems, including the company's use of various and often redundant supplemental applications.

Since 2010, the servicer has successfully gained new business by acquiring mortgage servicing rights (MSRs) and servicing contracts and through its parent Bank's loan origination activities. This activity has largely offset portfolio runoff and contributed to a slight increase in the total portfolio by loan count as of June 30, 2011 compared to the 2010 year end. Through August 2011, the company noted that it added 20 CMBS deals (all 2011 new issuance) totaling 920 loans with a UPB of $23.3 billion to serve as either primary servicer, master servicer, or both. WFCMS is also special servicer on some of the deals. About half of its newly added CMBS transactions were part of the Freddie Mac CME securitization program. WFCMS noted that it has partnered with some fund managers to service their acquired FDIC portfolios. The company also has obtained more interim servicing assignments and now services for 45 third party lenders and debt funds. WFCMS projects its multifamily and related capital markets origination flow will be between $10 billion to $12 billion for 2011.

As of June 30, 2011, WFCMS had 645 total employees plus a 126-person staff based in Hyderabad, India. The India-based employees represent staff allocated to WFCMS through Wells Fargo India Solutions (WFIS), a 1,500-person wholly owned subsidiary of the Bank. The servicer also employed approximately another 136 people on a contract basis. WFCMS maintains six office locations in the U.S. with its servicing and special servicing activities conducted principally through its Oakland, California; Charlotte, North Carolina; and McLean, Virginia/Bethesda, Maryland offices, which had 279, 246, and 96 people, respectively. The staff of 645 people included 453 allocated for CMBS master/primary servicing, 124 for non-CMBS multifamily agency servicing (Wells Fargo Multifamily Capital), 14 for special servicing, 10 for interim servicing (Customized Portfolio Services), and 44 people for technology and business processes.

WFCMS comprises three main divisions: *Operations, Asset Management, and Customer Relationship Management*. Additionally, the servicer has dedicated teams for its information technology integration project and for oversight of its India-based operation with respect to staffing needs and task integration efforts.

Operations (comprises four units)
Portfolio Services- This unit interacts closely with the Asset Management division and includes teams for CMBS portfolio surveillance and investor reporting, market research, rating agency requests and reporting, and loan covenant trigger management (DSCR tests, springing lockboxes).

CMS Operations- This unit largely handles CMBS and non-GSE loans with dedicated teams for loan boarding, document management, general customer service, payment processing, tax, insurance, capital reserves administration, payoffs, and collections.

Agency Operations- This unit handles all GSE and FHA-related portfolio administration, investor reporting, and asset management with its own staff for payment processing and construction draw administration, escrow disbursements, and related special servicing.

Operational Risk Management- This unit, through separate teams, covers investor accounting and remitting for the entire servicing portfolio, PSA and regulatory compliance, sub-servicer auditing, vendor management, and general operational risk oversight/internal audit liaison work.

Asset Management
This division, which is split between a conduit/fusion loan unit and a structured finance unit handling larger loans, works in conjunction with the Portfolio Services group to cover borrower relationship/credit performance monitoring, analyzing primary and master servicer consents, and special servicer-related issues. This division includes a dedicated special servicing team, groups for processing assumptions and consents, the Customized Portfolio Services team, which manages interim serviced or pre-CMBS loans, and a lease review team.

Customer Relationship Management
This division includes dedicated teams for business development and portfolio bidding/MSR pricing, cash management services, interim servicing lender relationship management, and coordinating the company's Select Client Program, which caters to WFCMS's largest borrowers. This division also includes staff expertise to manage all defeasance requests.

Table 1: Historical Servicing Volume

	6.30.11		12.31.10		12.31.09	
	UPB (000s)	**# of Loans**	**UPB (000s)**	**# of Loans**	**UPB (000s)**	**# of Loans**
Total Primary and Master Servicing	442,879,529	39,613	451,089,105	39,125	473,358,598	41,577
Active Special Servicing	3,393,574	135	1,108,386	50	1,001,951	48

Operational Infrastructure
(MOR CS2)

Staffing, Turnover, and Experience
As of June 30, 2011, WFCMS, inclusive of its India operations, had a total of 771 employees, of which 713 people were dedicated to primary/master servicing functions and 14 to special servicing. The company also had a 44-person technology group supporting its operations.

Between January 2010 and June 2011, the company hired 246 U.S.-based employees, of which 240 were allocated to primary/master servicing and six to special servicing resulting in a net gain of 69 people (an 11% increase). The company also increased its India-based staff by 17 people over this period (a 15.5% increase).

WFCMS's organizational structure reflects a hybrid functionally and portfolio-driven design to match the nature of the task. We do note that while WFCMS conducts most of its loan administration tasks within its CMBS operations department, the servicer acknowledged that the agency operations department also conducts some of the same tasks (such as payment processing and tax administration) for the GSE, FHA, and shared servicing portfolios. The servicing organization also includes contracts with some external firms to assist with certain borrower request and credit analysis tasks.

The company plans to continue expanding the involvement of the India office across more servicing functions over the next year. In 2007, the role of the India office was limited to financial statement and rent roll data input. In contrast, India-based staff members now assist with those tasks, plus many other tasks related to functions such as UCC administration, lease reviews, insurance administration, escrow analysis, ARM loan maintenance, statement imaging, trigger event management, payoff/maturing loan tracking tasks, and loan origination data entry.

Staff Workload Ratios:

Primary/Master Servicing: We calculated that WFCMS had a 66:1 ratio of loans per U.S. employee for its primary/master servicing portfolio as of June 30, 2011 compared to a ratio of 64:1 at December 31, 2010. When including its India-based staff, the ratio drops to 54:1 as of June 30, 2011. In our view, the primary/master servicer U.S-based staffing ratio may be higher than that of many other servicers. We believe that the company's U.S.-based ratio may increase further to the extent WFCMS continues to leverage its India operation.

Special Servicing: We calculated that WFCMS had approximately a 10:1 ratio of specially serviced loan and REO assets per asset manager as of June 30, 2011. In our view, this ratio is much lower than that of many other special servicers.

Table 2: Average Years of Experience (June 30, 2011)

Position/Level	Overall Industry	Tenure at Servicer
Senior Management	24	13
Middle Management	18	11
Professional Staff (Primary/Master)	11	7
Portfolio Management Staff Only*	13	8
Special Servicing Asset Managers	10	6

*Primary or master servicing positions involving credit/collateral performance or borrower request analysis.

Table 3: Staff Turnover Rates*

	January- June 2011		January- December 2010	
	Primary/Master Servicing (%)	Special Servicing (%)	Primary/Master Servicing (%)	Special Servicing (%)
Total U.S. Staff - Beginning of Period (# positions)	631	11	536	10
Total Turnover	9.5 (60 positions)	9.1 (1 position)	15.5 (83 positions)	10 (1 position)
Involuntary	1.4	0	15.1	10
Voluntary	8.1	9.1	0.4	0
Management Only	0.8	0	2.1	0
Staff Only	8.7	9.1	13.4	10
Total U.S. Staff - End of Period (# positions)	601	14	631	11
Plus: Off-Shored Staff End of Period (# positions)	126	0	109	0

*U.S. based offices. Staff departures divided by number of staff at beginning of period.

Assessment: We believe that the servicer operates with an overall highly experienced management and professional team and has effectively established a well-designed organizational structure, consolidated from its two legacy platforms, that addresses the company's complex servicing portfolio requirements. We believe the company also has maintained overall stability based on a relatively moderate amount of employee turnover during the past 18 months, and especially since late 2010. The company stated that its 2010 and early 2011 turnover was largely related to shifting positions to India, re-organizing departments, and strategic hiring of new, experienced personnel in both the West and East Coast offices. We believe that WFCMS's proactive hiring efforts to recruit new talent, along with the expanded use of personnel from WFIS, has collectively mitigated much of the turnover risk and helped to control overall workloads. However, we will continue to monitor WFCMS's ability to maintain operational quality during the next year across all functions as it continues to expand the duties of its India-based operation.

Within special servicing, we believe the company has some excess capacity given its relatively low assets per asset manager ratio, which may likely be due in part to the company's relatively lighter special servicing volumes compared to others. While special servicing asset managers average 10 years of experience, we believe this may be a somewhat lower average relative to certain other special servicers.

In our experience, and in contrast to WFCMS's current structure, we also observe that servicers usually centralize all loan administration processes (such as payment processing and tax administration) for the whole portfolio through a singular operations department based on the common view that this is an optimal approach to yield higher efficiency. WFCMS acknowledged that it may re-examine this aspect of its organizational structure once it completes its technology consolidation project.

Training

The company provides a variety of ongoing, formalized training activities for all servicing personnel. The company's compliance and risk management department coordinates training programs and events in conjunction with other department heads. Managers and staff use the intranet-based Wells Fargo Learning Center to register for programs and classes, and to track completed training hours. The company requires employees to complete at least 40 hours of training per year, while employees actually averaged 49 training hours during 2010 and 19 hours during the first half of 2011.

WFCMS stated that it recently established a dedicated training manager position within its asset management division to oversee the launch and development of a formalized credit analyst training program.

> **Assessment:** We believe that WFCMS maintains an effective training function based on its allocation of dedicated personnel and other resources, its well-developed formalized curriculum, and its high degree of employee participation.

Audit, Compliance, and Procedural Completeness

WFCMS's operational risk and compliance department manages the company's documented policies and procedures, and coordinates all of the auditing activities performed by its parent Bank and external consultants. WFCMS annually undergoes platform-wide Regulation AB attestations, which did not cite any exceptions for calendar year 2010. The company noted that beginning in 2011, all portfolios are subjected to a Regulation AB audit and that a separate USAP attestation is no longer needed. The parent's independent audit division also has historically conducted operational audits of WFCMS every 24 months. However, the company stated that the Bank has lengthened the audit cycle so that the next audit period, which will be the first based on the fully consolidated servicing platform, is not expected until late 2012. The last such audits, dated November 2009, cited some exception items and the audit report covering the legacy Wells Fargo operation received a higher grade than the report covering the legacy Wachovia operation. The audit division did recently complete a segregation of duties evaluation between the CMS accounting and operational risk personnel, which was found to be satisfactory. Finally, the servicing area itself tracks its own set of timeliness and accuracy metrics across functions through what it calls a "balanced business scorecard" that reports on monthly performance trends. WFCMS does not undergo a Statement of Auditing Standards No. 70 (SAS 70) level audit (now superseded by the Statement on Standards for Attestation Engagements No. 16).

We also note that WFCMS operates with a new set of intranet-accessible policies and procedures that it revised and consolidated from the two legacy servicing operations. Policies and procedures are contained in a single manual that effectively uses hyper-links to cross-reference sections and provides access to external supporting documents and exhibits.

> **Assessment:** Based on our review, we find that WFCMS's documented body of policies and procedures addresses all of the servicer's core processes and functions with a high degree of clarity and detail, including how its responsibilities and actions relate to PSA and CMBS reporting compliance.
>
> We find its internal audit function, combined with its self-administered performance metrics tracking process, to be effective. However, we cite that the interval between parent company-conducted audits is now much longer as it may extend up to three years.

Legal Liability and Corporate Insurance

WFCMS reported that it was not involved in any pending litigation related to its servicing operations. It also reported to us that it has directors and officers (D&O), errors and omissions (E&O) and mortgage impairment insurance coverage in place. As a servicer or special servicer, the company reported that it has not received any notices of PSA default or citations related to performance.

> **Assessment:** We have reviewed the company's insurance coverage limits and determined that they meet the insurance requirements set forth by GSE seller/servicer guides. Overall, we believe that the servicer, based on its representations, effectively addresses its corporate insurance requirements and is not subject to any outstanding material servicing lawsuits.

Technology and Disaster Recovery

The company uses two different versions of the McCracken Strategy servicing system (Release 14) corresponding to each of its legacy servicing operations and portfolios. The legacy Wachovia system operates in an ASP hosted environment while the Wells Fargo version does not. Both East and West Coast operations can access either system. WFCMS noted that both systems interface to the company's general ledger system. The company is currently working on a major integration project to consolidate the entire servicing portfolio to a single ASP-managed and updated version (Release 17) of the McCracken Strategy system. WFCMS stated that it expects this project to substantially be completed by year end 2012.

The company also uses a number of supplemental applications, databases, and spreadsheets to offset certain functionality features that may be lacking in the main servicing system or not meeting WFCMS's needs. A number of these side applications may receive data downloads from the Strategy system. For special servicing data management and internal reporting, the company uses the Strategy system in conjunction with an Access database. WFCMS also maintains a data warehouse that receives data feeds from Strategy and various other systems. A centralized integrated imaging and electronic file management system is widely used by the organization. The company acknowledged that it still operates with many duplicative side applications remaining from the two legacy operations, which it plans to consolidate and streamline as part of the servicing system integration project.

WFCMS offers a dedicated website for its borrowers and another web portal for investors, rating agencies, and external special servicers. As with its Strategy and other supplemental systems for primary and master servicing, the company still maintains two borrower and two investor websites corresponding to its legacy operations. External special servicers can also access certain loan transaction information on transferred CMBS loans through the WFCMS borrower sites. The company's technology initiatives include revised and consolidated web applications for borrowers, investors, and other servicers that it plans to rebrand as Wells Fargo "CMS View" later in 2012.

WFCMS stated that it conducts annual disaster recovery testing and that its last tests were successfully completed in July 2011. Alternate sites for data and business recovery are located more than 25 miles away and operate on separate power grids from the respective primary sites. Data from the East Coast operations are backed up and moved off site daily, while the company replicates its West Coast operations data on a real-time mirrored basis to alternate servers at multiple data recovery sites. The company stated that its disaster recovery capabilities should enable it to restore core servicing processes within 24 hours. However, the company noted that it is currently seeking a new, larger alternate site arrangement for its West Coast operations since those operations moved to new offices last year. Additionally, Morningstar was not able to obtain copies of WFCMS's latest disaster recovery and business continuity plans. These are items, in our experience, that servicers routinely and freely submit as part of a servicer assessment.

> **Assessment:** The technology platform, in our view, offers a substantial degree of process automation and centralized data management although the completion of WFCMS's stated technology upgrade and integration initiatives will likely improve the servicer's overall operating efficiency. Although we were unable to review the company's actual plans, its data back-up protocols appear to be soundly designed. We believe the company's initiative to procure a new and larger alternate office site for its West Coast operations will strengthen its overall business continuity capabilities.

Primary and Master Servicing Portfolio Administration
(Primary: MOR CS2, Master: MOR CS2)

Detailed Servicing Volumes as of June 30, 2011(Tables 4 through 7):

Table 4: Primary and Master Servicing Volumes

	6.30.11		12.31.10		12.31.09	
	UPB(000s)	**# of Loans**	**UPB(000s)**	**# of Loans**	**UPB(000s)**	**# of Loans**
Primary Servicing	398,808,010	34,962	405,358,992	34,164	423,995,137	36,030
Master Servicing	44,071,519	4,651	45,730,113	4,961	49,363,461	5,547
TOTAL	442,879,529	39,613	451,089,105	39,125	473,358,598	41,577

Table 5: Servicing Concentration by State (Primary and Master Excluding Defeased Loans)

State	# of Props	% Of Total
California	11,551	23.9
Texas	3,858	8.0
New York	2,660	5.5
Florida	2,534	5.2
Illinois	1,807	3.7
Other (46 including Washington D.C. and U.S. Territories)	25,939	53.7
TOTAL	48,349	100.0

Table 6: Total Servicing Volume by Investor Type (Primary and Master)

Investor Type	UPB(000s)	# of Loans	% (UPB)	% (# of Loans)
Balance Sheet (excludes CRE CDO)	998,120	17	0.23	0.04
Banks/Financial Institutions	1,640,233	1,810	0.4	4.57
CMBS: Primary/Master Combined - 298 Deals	297,587,354	22,189	67.2	56.01
CMBS: Primary Only - 19 Deals	13,892,277	521	3.1	1.32
CMBS: Master Only - 24 Deals*	44,071,519	4,651	10.0	11.74
CRE CDO – 15 Deals	4,884,842	251	1.1	0.63
Fannie Mae	31,888,574	6,640	7.2	16.76
FHA & Ginnie Mae	6,772,700	1,249	1.5	3.15
Freddie Mac	12,479,960	899	2.8	2.27
Life Insurance Companies	50,720	5	0.01	0.01
Other Third Party Investors	633,836	29	0.14	0.07
Held in Warehouse (Pre-securitization)	27,979,394	1,352	6.32	3.41
TOTAL	442,879,529	39,613	100.0	**99.98

* All sub-serviced by others. **Does not total exactly to 100% in this table due to rounding.

Table 7: Servicing Concentration by Property Type (Primary and Master Including Defeased Loans)

Property Type	UPB(000s)	# of Props	% (UPB)	% (# of Props)
Healthcare	2,978,315	809	0.67	1.62
Industrial	14,791,143	2,721	3.33	5.45
Lodging	40,232,332	3,741	9.08	7.49
Mixed Use	14,659,638	1,138	3.31	2.28
Mobile Home Park	4,257,511	852	0.96	1.71
Multifamily	108,004,111	16,489	24.39	33.01
Office	114,556,837	6,072	25.87	12.16
Retail	108,621,449	12,891	24.53	25.81
Self Storage	5,793,080	2,097	1.31	4.20
Warehouse	2,237,661	543	0.51	1.09
Defeased Loans	15,754,506	1,596	3.56	3.19
Other	10,992,946	996	2.48	1.99
TOTAL	442,879,529	49,945	100.0	100.0

Loan Boarding, Hedge Agreements, Letters of Credit, and UCCs

During the first half of 2011, WFCMS boarded 589 new loans as a primary servicer and 18 new loans as a master servicer. By comparison, for all of 2010, the company boarded 1,081 new loans as a primary servicer and 153 loans as a master servicer. The number of modified loans re-boarded increased from 91 (81 primary and 10 master) for all of 2010 to 144 (134 primary and 14 master) during the first half of 2011. As a practice, WFCMS stated that it targets a maximum of seven days to board new loans with data necessary to conduct payment processing and investor reporting. The company noted that it does have a high success rate in boarding new FHA loans within three business days, which is WFCMS's targeted metric for these loans. WFCMS also stated that it aims to fully re-board simpler loan modifications within 30 days and more complex restructures within 60 days. During the boarding phase, the company creates and then centrally maintains summaries of deal-specific key servicing and related PSA requirements. The company's loan origination systems are not interfaced with its servicing systems.

Loan boarding procedures require staff to compare system inputs to source data and there is a secondary level of review of loan set-up input data. The servicing system provides exception reporting for timeliness and accuracy and the company conducts a post-boarding audit to sample loan data integrity. Borrower welcome letters are issued within five days of closing and provide compliance requirements. The servicing systems can automatically generate borrower welcome letters. The servicing systems also are the main applications used to track borrower compliance items, covenant triggers, and missing documents. WFCMS reported that none of the new loans boarded before January 2011 had incomplete or missing file documentation as of June 30, 2011.

As of June 30, 2011, the company stated that it does service some loans with interest rate cap or hedge agreements. It also services many loans with letters of credit (LOC) as supporting collateral, which are stored on-site in a vault. The company has staff dedicated to monitoring these tasks and centrally tracks credit rating changes of counterparties and LOC expirations. It reported that it successfully renewed all 314 letters of credit that were due to expire in the first half 2011. The India-based staff tracks UCC filing expiration dates via the servicing system and uses a third party vendor to assist with monitoring and filing UCC continuation statements. The company reported no lapsed UCC filings during 2011 and only four lapsed UCC filings during 2010. As a master servicer, WFCMS monitors UCC filing compliance through quarterly reports submitted by its sub-servicers.

> **Assessment:** Loan boarding practices are, in our view, overall efficient and controlled. We believe that the servicer's seven day targeted maximum timeframe to board core data on new loans is in line with industry norms. We also believe that WFCMS's targeted timeframes to re-board modified loans are generally in line with industry norms given that re-boarding a loan modification can have added complexities and the servicer's ability to re-board swiftly can be contingent on the quality and timeliness of the file information submitted by the special servicer. Although many of WFCMS's new loans may not be self-originated, we believe that servicers having their servicing systems integrated with their loan origination systems can streamline the boarding process. Loan administration for hedge agreements, letters of credit and UCC filings also are, in our opinion, well-controlled.

Payment Processing

Within primary servicing, WFCMS stated that approximately 93% of all loan payments are received, deposited, and system-posted electronically (lockbox, wire, ACH). Approximately 6% are processed via other means and 1% of payments are live checks received at the servicer's street address. All payments are first deposited to a central clearing account and automatically swept to investor custodial accounts, unless flagged as a suspense or hold item. The payment receipts lockbox (operated through Wells Fargo Wholesale Banking Division) interfaces directly with the respective servicing systems. Live checks received on-site are centrally logged at their entry point and balanced daily to system entries. Payment posting, depositing, and system balancing tasks are segregated among the staff. The servicing system balances payment receipts daily and reconciliations are reviewed by management. As a process improvement, the company has automated the posting of wired funds with only exceptions processed manually. As of June 30, 2011, the servicer also handled almost 3,500 loans (UPB of $121 billion) with cash management agreements, with the corresponding cash movement routines largely automated through interfaced banking software. The primary serviced portfolio included more than 8,000 floating rate loans at June 30, 2011 (approx. 23% by loan count), and WFCMS conducted 13,836 rate reviews during the first half of 2011. As a master servicer, WFCMS maintains current balances and paid-to dates of sub-serviced loans on its servicing systems.

As of June 30, 2011, WFCMS did not report any un-reconciled items aged more than two days in its clearing account, but did report 27 non-special servicing related suspense items (approx. $314,000) aged more than 60 days and 17 non-special servicer related suspense items (approx. $233,000) aged more than 90 days. The servicer also held another 1,870 items in suspense (approx. $632 million) in connection with specially serviced loans pending directions or resolution from the corresponding external special servicers. We recognize that persisting special servicer-related suspense balances are not in the direct control of a primary servicer to resolve, but are nonetheless a troublesome and systemic industry issue.

> **Assessment:** Payment processing is, in our opinion, highly automated, efficient, and overall well-controlled as demonstrated by the lack of un-reconciled items in the clearing account. We also view the volume of aged suspense items, excluding items related to specially serviced loans, to be low relative to the very high total volume of payments processed each month.

Real Estate Tax and Insurance Administration

Within primary servicing, at June 30, 2011, WFCMS had 17,321 loans, or 44% of all loans escrowed for taxes. During 2010, it incurred tax penalties in connection with 76 loans (penalty dollars were 0.016% of all tax disbursements and involved 0.44% of all loans escrowed), and incurred negligible tax penalties related only to six loans in the first half of 2011. Tax payments are generally remitted within early pay discount periods. The servicing system tracks tax payment due dates and the payment status for all loans whether escrowed or not. A tax service tracks and remits tax payments to tax authorities for escrowed loans, and reports unpaid taxes on non-escrowed loans. For non-escrowed loans, WFCMS sends a delinquent tax notice to the borrower and tracks the delinquent tax until paid. As a master servicer, WFCMS reviews tax payment exception reports from sub-servicers quarterly.

Within primary servicing, at June 30, 2011, the company had 14,252 loans, or 36% of all loans escrowed for insurance. WFCMS manages insurance administration completely in-house and does not use external insurance consultants to assist with policy reviews. The servicing system tracks expirations and coverage requirements. WFCMS stated that it issues one policy renewal reminder notice to borrowers at 15 days before expiration, and that the issuance of that notice is semi-automated. The company reviews insurance carrier ratings prior to renewal for compliance and it reported 65 loans (0.2% of all primary serviced loans) on its force placed policy, which provides for 120 days of retroactive coverage. The servicer noted that during the past 12 months only approximately 0.59% of loans with expiring policies have required force placed coverage. The company also reviews insurance exception reports from its sub-servicers quarterly.

> **Assessment:** Tax administration, in our opinion, is soundly managed and proactive based on WFCMS having overall very low tax penalties especially relative to the size of its portfolio, and its effective use of a tax service to monitor tax payment activity. We also believe that WFCMS has an overall effective insurance administration function. However, in our view, other servicers will generally send insurance policy reminder notices earlier than 15 days before expiration to be more proactive and often will issue more than one notice during the reminder period. As a master servicer, WFCMS follows standard industry practices by reviewing quarterly tax and insurance payment exception reports from its sub-servicers.

Capital Expenditure Reserve Management

A dedicated team in the operations unit works in conjunction with asset managers to review and release capital reserve requests. The company uses the servicing systems to track and re-analyze reserve activity at least annually, with disbursement requests controlled through its servicing systems. Management must review and approve releases from reserve accounts. Additionally, the head of the reserve disbursements team, which also handles payoffs, letters of credit, and cash managed loans, is a recent hire with significant industry experience.

> **Assessment:** In our opinion, WFCMS has sound oversight controls for capital expenditure reserve management.

Investor Reporting and Accounting

Investor remittance and reporting tasks require management approval. The company tracks custodial banks' credit ratings for servicing agreement compliance. It segregates investor report preparation from investor remittance and account reconciliation tasks. It also requires a secondary level of review and sign off for custodial account reconciliations. Employees may access on-line custodial account activity, and WFCMS noted that the investor reporting and custodial bank account reconciliation processes are largely automated, although there are still some manual elements. Bank account activity is balanced daily, with reconciliations performed daily and more formally at every month end. For 2010 and the first half of 2011, the company reported no unidentified items in custodial accounts aged more than 60 days. As a master servicer, WFCMS reconciles sub-servicer remittances to trustee remittance reports monthly. Sub-servicers also submit a monthly projected remittance report ("the Day One" report). During the first two months of a new transaction, WFCMS reviews the whole report to verify a sub-servicer's data against WFCMS's own system records.

The company reported that it complies fully with SEC Rule 17g-5 relative to sharing deal information with nationally recognized statistical rating organizations (NRSROs). WFCMS handles communications relating to transactions affected by Rule 17g-5 through a dedicated email address, with the response channeled through the 17g-5 Information Provider identified in the applicable PSA. The WFCMS portfolio surveillance team serves as liaison between WFCMS business groups and the 17g-5 Information Provider with the Information Provider responsible for posting the communication to its Rule 17g-5 website.

During 2010 and the first half of 2011, WFCMS reported that it had a number of occurrences involving CMBS late or erroneous reporting, and some cases requiring restatements of reports to trustees. The company also disclosed that it was assessed remittance or reporting penalties on four occasions in 2010, but had no penalties in the first half of 2011. The servicer has since rectified the related procedure or system programming issue associated with some of these cases. Additionally, it stated that no bondholders incurred any losses as a result of these errors.

Assessment: Overall, the investor accounting and reporting function are, in our view, well-automated and controlled. Based on a review of a summary listing of the issues, we believe that many of the CMBS errors and re-statements involved circumstances beyond WFCMS's control, such as report cut-off date timing issues, or errors that WFCMS attributed to the related sub-servicer, special servicer, or trustee. However, we also believe that WFCMS may have had sufficient control in a few cases to prevent the reporting error or restatement and has acknowledged that it has since remedied these situations through procedural or technology adjustments. We also believe that the company has a very effective investor website and overall provides accurate surveillance data, although its communication protocols may have delayed some responses. Accordingly, we believe that the company's NRSRO communication process has not yet achieved optimal responsiveness levels. Finally, investor feedback has been favorable overall, although some DealView reports noted that current information regarding certain delinquent loans or a property rent roll was lacking.

CMBS Advancing and Non-Recoverability Analysis

As a master servicer, WFCMS provides advances on CMBS transactions. The servicer centrally tracks each loan's cumulative advances versus its current value or net liquidation amount. The company stated that generally once outstanding advances reach 60% of estimated collateral market value or the expected liquidation proceeds, it will typically stop advancing. Individual asset managers review and approve monthly advances. As advances increase relative to value, decisions to continue advancing require additional approvals as delineated in the servicer's approval authorization matrix. Senior management reviews all advancing decisions monthly. The company also formally monitors special servicers' appraisal update efforts through a monthly advance analysis report.

Table 8: Wells Fargo Advancing Activity

	6.30.11	**12.31.10**
Total Advances (P&I and PPA*) Outstanding ($ Volume)	1,712,120,529	1,875,709,365
Total Advances (P&I and PPA) Outstanding (# of Loans)	5,264	4,263
Average Advance Per Loan ($)	325,250	439,997
Outstanding Advances- P&I Only ($ Volume)	1,499,294,175	1,514,667,883
Outstanding Advances- P&I Only (# of Loans)	3,586	4,066
Average Age of First P&I Advance (Days)	218	176

*P&I - principal & interest. PPA- property protection advances.

Assessment: In our opinion, WFCMS maintains effective, controlled advancing and non-recoverability practices. Its stated 60% advancing threshold, which we realize is a blended guideline for all property types and loan situations, is generally in line with other master servicers, although it could be on the higher side compared to some. The company did note that it had to re-assess and re-state its reimbursement of outstanding advances by spreading out the recoupment period for a liquidated loan in 2010, so that the investment grade securities would not be negatively affected. We believe that master servicers, as a standard practice, should determine how their method of recapturing advances will affect the trust cash flows before submitting their reimbursement requests in their realized loss statements.

Financial Statement Analysis and Property Inspections

The company's expanded operation in India now handles a significant portion of financial statement spreading, although no off-shore staff members are empowered to interact with borrowers or make credit decisions. The portfolio surveillance group analyzes financials, completes OSARs, and determines related watchlist issues on loans less than $50 million, while the asset management division performs these tasks for loans above $50 million.

Proprietary system applications are used for tracking and reporting the receipt of financial statements. By May 31, 2011, the company as a CMBS primary servicer received 98.3% of required financial statements and analyzed 96.4% of all required financial statements. For loans in which it acts as both a primary and master servicer, it received 94.2% of required financials and analyzed 91.1%. In addition, the company reported that as a master servicer, it generally will re-analyze 75% of financial statements submitted from sub-servicers. WFCMS noted that it initiated a letter campaign in conjunction with its in-house legal staff to collect delinquent financial statements that resulted in an 80% success rate.

Within primary servicing, WFCMS uses two national property inspection vendors. WFCMS noted it started a program this year of having each vendor re-inspect selected properties already inspected by the other vendor to test for consistency. As a practice, loan originators are not permitted to inspect properties securing loans they originated. All loans greater than $2 million are inspected annually, which we view as customary practice. During the first half of 2011, 11,035 properties were due for inspection, and 99.9% were received within 30 days of their due dates. The servicing system tracks and maintains inspection reports. It also tracks deferred maintenance issues and their resolution status. As a master servicer, the company routinely reviews approximately 50% of inspections received from sub-servicers, and stated that it will follow up with sub-servicers on inspection items.

Watchlist, Trigger Events, and Early Stage Collections

The portfolio surveillance and reporting group has overall watchlist management accountability. WFCMS also assigns a credit analyst and asset manager to every borrower relationship to monitor credit performance for loans greater than $50 million. Credit analysts and asset managers assist the portfolio surveillance team with certain credit issues and special servicer transfer decisions, perform quarterly rent roll reviews, and conduct deal performance reviews across the entire portfolio throughout the year.

To facilitate borrower communications and inquiries, WFCMS has a 16-person client solutions team within the operations unit to field general calls and emails, and re-direct matters that it cannot resolve to the applicable asset management or portfolio surveillance team member. WFCMS noted that it averages about 97,000 calls annually, and stated that 89% of calls in the first half of 2011 were answered within 30 seconds. The servicer's customer relationship management division also administers a Select Client Program with five dedicated staff members intended to provide the largest borrowers with direct access to their own relationship manager. This program had 175 borrowers (consisting of 3,251 loans with an aggregate UPB of $109 billion) as of June 30, 2011.

A dedicated team within portfolio surveillance monitors loan-level trigger events, such as springing lockboxes based on debt service coverage ratios (DSCR), or cash impounds related to deferred maintenance, the replacement of furniture, fixtures, and equipment (FF&E), or leasing/tenant credit requirements. To identify DSCR-related springing cash management triggers, WFCMS employs an outside vendor for the initial portfolio review. Loans failing established trigger tests are then escalated to asset managers for resolution. The servicing systems combined with supplemental applications track loan-level covenant exceptions and the resolution of loans that failed trigger event tests. The company expects to convert all trigger event management to a singular module as part of its systems consolidation project. WFCMS reported that it conducts about 44,000 trigger event reviews (30% are DSCR tests) annually. In 2010, it escalated more than 500 loans to asset managers and activated 304 springing lockboxes. In the first half of 2011, WFCMS activated 175 springing lockboxes. WFCMS indicated that on average it can usually complete the process within 60 days depending on the level of borrower cooperation, and that its cash management team can complete the account set up mechanics in less than 15 days.

As a primary or primary/master combined servicer, the company reported 5,783 CMBS loans (25.5%) on its CREF Council watchlist at June 30, 2011. It also maintains its own internal watchlist, and assigns risk ratings to balance sheet or GSE loans with loss sharing components. The servicing systems also flag loans for the watchlists resulting from financial analyses and inspections. WFCMS averages about 2,500 delinquent loans requiring monthly collections efforts. The servicer contacts borrowers by telephone within three days and issues a first collection notice within one day after a missed due date. The servicer generates a second collection notice at 30 days. We believe that it is more common for servicers to contact borrowers within one to two days after a missed payment and to issue the second notice sooner than the 30-day point. The servicing systems automatically produce the collection notices. During the first half of 2011, the servicer reported that about 41% of initially delinquent loans were cured.

Table 9: Wells Fargo Delinquency Migration (January - June 2011)

	30 Days Delinquent	Status of Same Loans the Following Month				
Month	**# of Loans**	**Paid Current**	**30 + Days**	**60 + Days**	**Paid Off**	**Transferred to Special Servicer**
January	204	46%	23%	18%	1%	12%
February	151	40%	26%	15%	2%	17%
March	134	36%	25%	13%	3%	22%
April	98	34%	40%	15%	3%	8%
May	111	37%	32%	15%	2%	14%
TOTAL	698	39%	28%	16%	2%	15%

Assessment: We consider that, as a primary and master servicer, the company has effective portfolio management practices covering financial statement analyses, property inspection reviews, trigger event management, and watchlist management. We believe that it has overall proactive credit event monitoring practices to identify loan and portfolio level performance risks. We believe that WFCMS uses its loan servicing systems, in tandem with other applications, to effectively track trigger events and other credit issues. However, once WFCMS completes its systems upgrade and consolidation projects, we believe the servicer may be able to monitor trigger events and compliance items more efficiently. In our view, the company's policy of re-analyzing a high percentage of financial statements from sub-servicers indicates proactive portfolio management and is essential particularly given that WFCMS is accountable for determining the recoverability of advances on its sub-serviced loans. However, we believe that the company's practice of routinely reviewing half of the inspections submitted from sub-servicers may be a lower percentage compared to some other master servicers. In our view, the servicer's maximum time frame to initiate borrower collection calls may be somewhat longer than the common practice. We view WFCMS's overall borrower communication practices as effective, based on its having a website, a dedicated call center team, and a Select Client Program for its largest borrowers.

Detailed Delinquencies as of June 30, 2011 (Tables 10 through 12):

Table 10: CMBS Portfolio Delinquency vs. Morningstar Rates

	30 Days		60 Days		90+ Days (Including REO)	
	UPB (000s)	**# Of Loans**	**UPB (000s)**	**# Of Loans**	**UPB (000s)**	**# Of Loans**
WFCMS Delinquency Volume*	1,201,137	70	2,151,287	129	24,862,721	1,536
WFCMS Delinquency (%)	0.39	0.31	0.69	0.57	7.98	6.76
Morningstar CMBS Delinquency (%)	0.80		0.57		6.85	

* CMBS only and excludes loans sub-serviced by others.

Table 11: Delinquency Percentages by Investor Type

	30 Days		60 Days		90+ Days (including REO)	
	UPB	# of Loans	UPB	# of Loans	UPB	# of Loans
Balance Sheet	0	0	0	0	0	0
Banks/Financial Institutions	<0.01	0.08	<0.01	0.04	0.01	0.13
CMBS Primary & Master Combined)	0.27	0.17	0.48	0.32	5.08	3.75
CMBS (Primary Only)	<0.01	<0.01	0.01	<0.01	0.53	0.12
CMBS (Master Only)	0.05	0.01	0.10	0.04	0.34	0.43
CRE CDO	0	0	<0.01	0.01	0.20	0.06
Fannie Mae	<0.01	0.06	<0.01	0.02	0.12	0.40
Freddie Mac	<0.01	<0.01	<0.01	<0.01	0	0
FHA/Ginnie Mae	0.02	0.02	0.02	0.01	<0.01	0.01
Life Insurance Companies	0	0	0	0	0	0
Other Third Party Investors	0	0	0	0	0.02	0.03
Held in Warehouse (Pre-Securitization)	0.03	<0.01	<0.01	0.03	0.71	0.53
TOTAL	0.38	0.35	0.62	0.49	7.02	5.46

Table 12: Delinquency Percentages by Property Type*

	30 Days		60 Days		90 + Days (including REO)	
	UPB	# of Prop	UPB	# of Prop	UPB	# of Prop
Healthcare	0	0	<0.01	<0.01	<0.01	0.01
Industrial	<0.01	<0.01	0.13	0.15	0.24	0.34
Lodging	0.05	0.02	0.05	0.02	1.38	0.95
Mixed Use	0.04	0.03	0.05	0.03	0.21	0.21
Mobile Home Park	<0.01	0.01	0	0	0.04	0.07
Multifamily	0.08	0.16	0.06	0.13	2.42	1.75
Office	0.12	0.05	0.19	0.11	1.54	0.93
Retail	0.08	0.07	0.08	0.11	1.36	1.40
Self Storage	<0.01	<0.01	<0.01	0.01	0.05	0.11
Warehouse	0	0	<0.01	<0.01	0.01	0.02
Other	<0.01	<0.01	<0.01	<0.01	0.16	0.44
TOTAL	0.37	0.35	0.58	0.57	7.41	6.23

*Excludes loans sub-serviced by others.

Master Servicing: Sub-Servicer Auditing and Compliance

As a master servicer, WFCMS has a six-person team dedicated to sub-servicer auditing and compliance oversight. As of June 30, 2011, the company monitored 66 sub-servicers (37 performed cash processing), which we believe may be the largest number among all CMBS master servicers. All sub-servicers are subject to at least a desktop audit, with the largest volume sub-servicers and sub-servicers with cash processing responsibilities required to undergo on-site reviews (although the written procedures do not further define the exact criteria to trigger an on-site audit). WFCMS stated that on average it conducts sub-servicer audits on an 18-month cycle, although its written procedures state that on-site audits for the largest servicers are annual. WFCMS provides sub-servicers with a pre-audit questionnaire, uses an audit checklist, and provides sub-servicers with a summary report of findings. Audit exceptions are centrally tracked for resolution. The servicer noted that it maintains a scorecard for each sub-servicer, has increased the sampling size for its audits, and implemented a process to gather feedback from other departments before each on-site review.

During the first half of 2011, the company conducted five on-site audits and three desk-type audits. During 2010, it completed 16 on-site audits and 11 desk-type audits. Of these 35 audits performed between January 2010 and June 2011, on-site audits represented approximately 88% of sub-servicing by loan count and 83% by UPB, which we believe indicates very good coverage. WFCMS noted that the percentages are higher when taking into consideration that only sub-servicers with cash management responsibilities require an on-site audit. When considering only these sub-servicers, WFCMS stated that it conducted on-site audits on 98% of all cash sub-servicers based on loan count and UPB. WFCMS stated it conducts more of its sub-servicer audits in the second half of the year, and has approximately 35 audits planned for 2011. WFCMS also hosts an annual sub-servicer summit with the next meeting scheduled for November 2011.

> **Assessment:** We believe that the company very effectively monitors sub-servicer performance through a proactive audit program based on its scope and frequency, an ongoing scorecard process to track reporting accuracy and timeliness, and a sufficient number of dedicated personnel to oversee sub-servicer compliance.

Borrower Requests and Consents

Corresponding to its sizable servicing portfolio, WFCMS handles a very high volume of consent requests, especially leasing consents, emanating directly from borrowers, sub-servicers, or other special servicers. The servicer has a dedicated team for leasing and subordination, non-disturbance and attornment agreement (SDNA) consents, another team for assumptions, and another team for defeasance. WFCMS also noted that it has enhanced its consent function by adding more personnel in the past year particularly for assumptions, which now comprises 20 people plus three external vendors to assist with underwriting. During the first half of 2011, overall consent activity increased on an annualized basis compared to full year 2010 activity.

Table 13: Borrower Consent Average Processing Times (Days)

	January – June 2011			January – December 2010		
Consent Type	**# Processed**	**Internal Only**	**Total Time**	**# Processed**	**Internal Only**	**Total Time**
Assumptions	119	84	111	167	39	51
Leasing	2,613	21	31	3,751	14	23
Defeasance	98	28	38	131	30	30
Partial Releases	29	32	67	33	19	43

> **Assessment:** In our opinion, the company has effective control practices to analyze and approve borrower consents. We do observe that total processing times, especially for assumptions, have lengthened this year, which could be influenced by higher volume, increased transactional complexities, and possibly the need for extra resources. Overall, we still believe its reported averages are generally in line with or better than many other servicers although average assumption processing time may be somewhat higher.

Special Servicing Administration (MOR CS2)

Asset Review Process

Upon transfer to special servicing, loan asset managers contact borrowers and require them to sign pre-negotiation letters prior to workout discussions. Asset managers prepare initial asset status reports (ASRs) generally within 60 days of a loan transfer. Asset managers submit an updated ASR or asset business plan, which includes a net present value (NPV) analysis of each alternate resolution scenario, to obtain approval for specific terms of negotiated resolutions. When a loan becomes an REO asset, updated ASRs are prepared within 60 days. WFCMS has a specially serviced asset committee (SSAC) to oversee special servicing portfolio activities and review monthly resolution progress, although the company stated that approvals are generally handled through individual management sign-offs based on delegated authority levels rather than through a formal committee approval process. As noted for CMBS assets, WFCMS formally monitors master servicers' outstanding advances against property values and expected recovery amounts. The company stated that it will routinely caution and consult with master servicers on their advancing decisions. Given the company's relatively moderate sized portfolio, asset managers may handle both loan and REO assets.

Assessment: WFCMS has, in our opinion, overall proactive and controlled asset analysis and recovery practices based on its stated procedures. We believe that the asset management Access database, although not as robust an application as some other CMBS special servicers may have, tracks portfolio activity in a generally effective manner. In our view, WFCMS also takes proactive measures by actively discussing advancing decisions with master servicers. However, we believe that an inclusive committee process serves as an optimal control method to approve asset resolutions.

REO Property Management

While we view its REO portfolio as moderate in size, WFCMS has handled some large and especially resort type properties in its active special servicing portfolio. WFCMS uses single trust accounts rather than separate rent collection and expense accounts for REO property management. It receives monthly operating statements and property performance reports from external property managers, which are stored on a shared network drive. However, the company noted that its accounting department does not routinely formally reconcile external property managers' REO bank accounts, but rather defers that task to the asset managers. WFCMS does not require its own standardized engagement agreement for property managers and does not have a standard reporting procedure manual, which we sometimes find with other special servicers. WFCMS reported that it does not routinely conduct independent audits of its property management companies.

Assessment: In our view, WFCMS adequately controls REO property manager reporting and oversight through its asset management division. However, the company's accounting staff is not directly responsible for reconciling property manager bank account activity, which we believe does not match with customary industry practices. We also expect our highest ranked special servicers to have formal and ongoing property management company audit programs.

Vendor Oversight

WFCMS maintains a centralized list of approved firms for appraisals, environmental and engineering assessments, and legal counsel, although it does not centrally maintain a preferred list of property managers and brokers. It also stated that it may not always conduct a request for a proposal (RFP) bidding process to engage a vendor. The company's in-house legal department is responsible for hiring external counsel. Asset managers, along with their team leader, review and approve legal invoices prior to payment. A dedicated appraisal review team outside of WFCMS orders and reviews appraisal reports. WFCMS noted that it does not consistently use its own standard form of agreements for its vendor engagements. WFCMS does not use its asset management database to centrally track most engagements, although the company stated that it does centrally track pending appraisals. The company also has a formal process to review vendor performance.

Assessment: WFCMS demonstrates, in our view, adequate vendor oversight controls. We believe that a more centralized process for qualifying and engaging vendors, including the use of standardized forms for all vendors, could add efficiency and consistency.

Post Transfer to Special Servicing: Letters of Credit and Springing Lockboxes

WFCMS tracks expiration dates on letters of credit related to specially serviced loans, but did not report any letters of credit that required renewal within its specially serviced loan portfolio during the first half of 2011. These specially serviced loans did not have any springing lockbox provisions that required enforcement. WFCMS noted that generally specially serviced loans with lockbox structures have related either to WFCMS primary serviced loans in which the springing provisions were already triggered and handled, or were structured with cash management agreements from the onset.

Assessment: In our view, WFCMS demonstrates effective practices to monitor and renew letters of credit and proactively act on lockbox triggers.

Managing Conflicts of Interest

As a practice, the company reported that it does not engage in fee sharing arrangements with affiliated or third parties in order to obtain assignments, and that it does not have or use affiliated brokers on note sales or REO sales. WFCMS also does not have or use affiliates or related parties for property management. The company also reported that it has not ever passed through to the trust any fees already received and earned from borrowers or other sources. The company's written special servicing policies also require asset managers to identify and notify senior management of any potential conflicts involving WFCMS's role in each asset. WFCMS reported that, for CMBS loan resolutions, it was not affiliated with the controlling class holder. It also reported that it did not (nor did its affiliate entity) buy assets out of the pool by exercising fair market value purchase options.

Assessment: WFCMS, in our view, has effective controls for managing conflicts of interest relative to using third party affiliates, for passing through fees to CMBS trusts, and for conducting its overall asset resolution activities.

Asset Resolutions

As of June 30, 2011, WFCMS was the named special servicer on 45 CMBS transactions with a total UPB of approximately $20.8 billion covering 1,168 loans. It was also the named special servicer on six CRE CDO deals with a UPB of $2.2 billion covering 148 loans. The company principally serves as a special servicer only on the portfolios in which it serves as primary or master servicer. While we view WFCMS's special servicing activity to be moderate compared with many other special servicers, we believe the company has a solid track record of successfully resolving many complex and large scale assets nationwide.

Special Servicing Resolution Results (Tables 14 -16, Chart 1)

Table 14: Loan Portfolio Activity (January – June 2011)

	Total $ Vol (Mil)	Total # of Loans	Total # of Props	CMBS $ Vol (Mil)	CMBS # of Loans	CMBS # of Props
Loan Portfolio at Beginning of Period	703.7	35	123	696.4	32	120
Loans Transferred Into Portfolio:						
Pre-existing Loans Specially Serviced Loans From Another Special Servicer	0	0	0	0	0	0
Non-monetary/Imminent Default Loan Transfers	2,136	16	26	2,131	7	17
Monetary Default Loan Transfers	338	87	91	283	8	10
Total Transfers Into Special Servicing*	2,474	103	117	2,414	15	27
Loans Resolved or Transferred Out of Portfolio:						
Restructured or Modified Loans	(128.1)	(9)	(16)	(120.6)	(4)	(11)
Completed Foreclosures and Converted to REO	(46.8)	(10)	(11)	(44.9)	(5)	(6)
Individual Note Sales	0	0	0	0	0	0
Bulk Note Sales	0	0	0	0	0	0
Discounted Payoffs (Excludes Note Sales)	(2.5)	(1)	(1)	0	0	0
Full Payoffs	(107.0)	(4)	(42)	(106.6)	(3)	(41)
Other Transfers Out of Special Servicing	0	0	0	0	0	0
Resolved Through Rep and Warranty Settlement	0	0	0	0	0	0
Total Loans Resolved or Transferred Out of Portfolio	(283.9)	(24)	(70)	(272.1)	(12)	(58)
Other Adjustments	85.7	2	9	82.6	1	8
Loan Portfolio at End of Period	2,979.5	116	179	2,920.9	36	97

* Included two re-defaulted CMBS loans totaling $7.2 million that returned to special servicing.

Table 15: REO Portfolio Activity (January – June 2011)

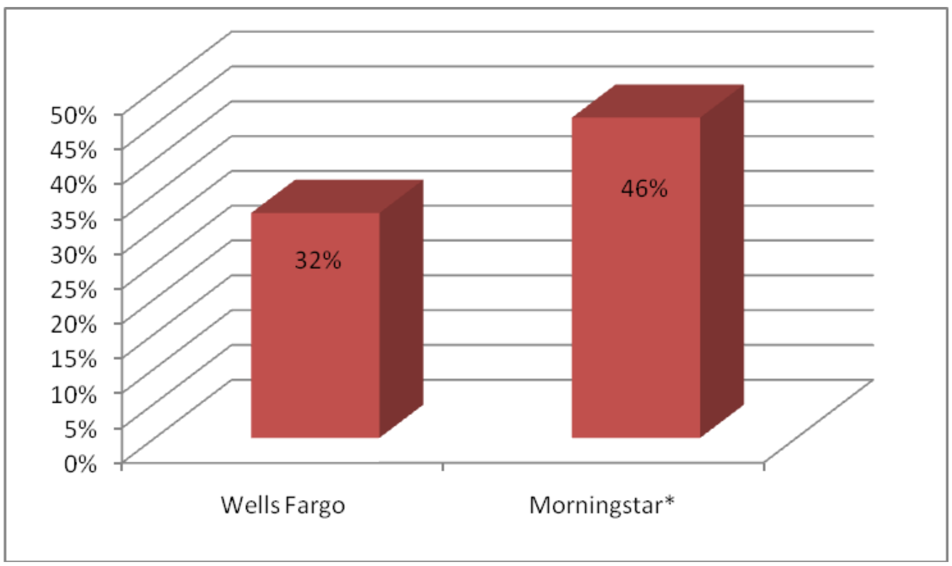
	Total $ Vol (Mil)	Total # of Props	CMBS $ Vol (Mil)	CMBS # of Props
REO Portfolio At Beginning of Period	404.3	16	400.9	13
Completed Foreclosures	46.8	11	44.9	6
REO Sold During Period	(37.0)	(8)	(34.4)	(6)
Other REO Transferred Out and Adjustments	0	0	0	0
REO Portfolio At End of Period	414.1	19	411.4	13
Net Sale Proceeds/Market Value (%)		96.9		98.0

Table 16: Asset Resolution Performance (January – June 2011)

Resolution Type	Component of Total Resolutions (% by # of Assets)*	Net Proceeds/Value (%)	Actual Net Proceeds vs. Projected Amount (%)	Resolution Time (Months)
Restructured or Modified Loans	28.1	N/A	N/A	10.3
Individual Note Sales	0	N/A	N/A	N/A
Discounted Payoffs	3.1	86.4	100.4	19.8
Full Payoffs (Based on Proceeds-to-UPB)	12.5	99.9	100.0	9.9
REO Dispositions	25	96.9	100.1	**8.9
Completed Foreclosures (Converted to REO)	31.3	N/A	N/A	13.4

*Including completed foreclosures. **Based on time held as REO.

Chart 1: Average Realized Loan and REO Losses vs. Morningstar Data (January-June 2011)



*Source: Morningstar Monthly CMBS Delinquency Report July 2011.

Summary of 2010 Special Servicing Results:

- During 2010, WFCMS resolved 27 loans- 41% as modified or corrected loans, 30% as full payoffs, 18% through note sales, and 11% through discounted payoffs (DPO).
- It completed nine foreclosure actions and five REO sales.
- The DPO and note sale recoveries on its CMBS loans yielded net proceeds exceeding 100% of the estimated collateral value.
- It averaged approximately 13 months for loan resolutions and 12 months for its REO sales.
- Net proceeds on REO sales averaged approximately 71% of the collateral value.
- Overall CMBS realized losses were 18.1% (REO only was 66%).

Overall Asset Recovery Performance

Assessment: In our view, WFCMS achieved successful asset recovery results between January 2010 and June 2011. With a large portion of its loan resolutions achieved through full payoffs, the company had lower realized losses compared to the industry averages reported by Morningstar. WFCMS also had a high net proceeds-to-value percentage on its REO sales in the first half of 2011. We believe that resolution hold times are reasonable based on the overall characteristics of its portfolio. In addition, the company's projected recovery amounts closely matched to its actual net recoveries, indicating that it accurately monitors the recovery potential of its assets. Additionally, the company incurred nominal or almost no legal fees on resolved specially serviced loans during the first half of 2011.

Investor and Master Servicer Reporting

WFCMS's procedures cover its formal reporting requirements as a CMBS special servicer with respect to reporting property protection advances, realized losses, pursuing updating appraisals, and communicating with other master servicers on asset management decisions. The company's procedures also address its special servicing reporting responsibilities for its GSE portfolios. As a CMBS special servicer, WFCMS provides its initial ASR to the trustee, but stated that it does not subsequently release the final asset resolution plans containing the specific terms and details of a completed workout or liquidation. However, the company stated that it will respond to related investor questions on a case by case basis.

Assessment: We believe that WFCMS is fully experienced with and has effective special servicer-related reporting capabilities to address CMBS and other investor type requirements. However, it is our understanding that some other special servicers will make their asset resolution plans for completed workouts available to eligible investors through the trustee.

Ranking Definitions

The numerical scale of 'MOR CS1' to 'MOR CS4' is defined as follows:

'1'	Exceeds prudent loan servicing standards in key areas of risk
'2'	Demonstrates proficiency in key areas of risk
'3'	Demonstrates compliance in key areas of risk
'4'	Demonstrates lack of compliance in one or more key areas of risk

A servicer assigned a ranking of at least 'MOR CS3' is deemed to comply with what we view as the minimum prudent loan servicing standards and requirements for the servicer's operational category and role. To access Morningstar's *Operational Risk Assessments of Commercial Servicers: Methodology and Process*, please visit http://ratingagency.morningstar.com.

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