

## University Gate Apartments

## Mortgage Loan Information

|  |   |
|--|---|
| <b>Mortgage Loan Seller:</b>           | JPMCB   |
| <b>Original Principal Balance:</b>     | \$20,000,000  |
| <b>Cut-off Date Principal Balance:</b> | \$20,000,000  |
| <b>% of Pool by IPB:</b>               | 2.3%  |
| <b>Loan Purpose:</b>                   | Refinance   |
| <b>Borrower:</b>                       | Behrend Real Estate, LP   |
| <b>Sponsors:</b>                       | Benjamin L. Heim, Bruce K. Heim and Heim Family Limited Partnership |
| <b>Interest Rate:</b>                  | 4.64500%  |
| <b>Note Date:</b>                      | 5/19/2014   |
| <b>Maturity Date:</b>                  | 6/1/2024  |
| <b>Interest-only Period:</b>           | 48 months   |
| <b>Original Term:</b>                  | 120 months  |
| <b>Original Amortization:</b>          | 360 months  |
| <b>Amortization Type:</b>              | IO-Balloon  |
| <b>Call Protection:</b>                | L(24),Def(94),O(2)  |
| <b>Lockbox:</b>                        | CMA   |
| <b>Additional Debt:</b>                | N/A   |
| <b>Additional Debt Balance:</b>        | N/A   |
| <b>Additional Debt Type:</b>           | N/A   |

## Property Information

|                                   |                         |
|-----------------------------------|-------------------------|
| <b>Single Asset / Portfolio:</b>  | Single Asset            |
| <b>Title:</b>                     | Fee                     |
| <b>Property Type - Subtype:</b>   | Multifamily - Student   |
| <b>Units (Beds):</b>              | 485                     |
| <b>Location:</b>                  | Erie, PA                |
| <b>Year Built / Renovated:</b>    | 2006 / 2008             |
| <b>Occupancy:</b>                 | 96.9%                   |
| <b>Occupancy Date:</b>            | 3/31/2014               |
| <b>Number of Tenants:</b>         | N/A                     |
| <b>2011 NOI:</b>                  | \$1,998,228             |
| <b>2012 NOI:</b>                  | \$2,215,259             |
| <b>2013 NOI:</b>                  | \$2,221,550             |
| <b>TTM NOI (as of 3/2014):</b>    | \$2,171,629             |
| <b>UW Economic Occupancy:</b>     | 94.0%                   |
| <b>UW Revenues:</b>               | \$3,023,457             |
| <b>UW Expenses:</b>               | \$971,853               |
| <b>UW NOI:</b>                    | \$2,051,603             |
| <b>UW NCF:</b>                    | \$2,003,103             |
| <b>Appraised Value / Per Bed:</b> | \$26,900,000 / \$55,464 |
| <b>Appraisal Date:</b>            | 12/18/2013              |

## Escrows and Reserves

|                              | Initial   | Monthly  | Initial Cap |
|------------------------------|-----------|----------|-------------|
| <b>Taxes:</b>                | \$113,724 | \$20,073 | N/A         |
| <b>Insurance:</b>            | \$21,788  | \$3,632  | N/A         |
| <b>Replacement Reserves:</b> | \$4,042   | \$4,042  | N/A         |
| <b>TI/LC:</b>                | \$0       | \$0      | N/A         |
| <b>Other:</b>                | \$0       | \$0      | N/A         |

## Financial Information

|                                  |          |
|----------------------------------|----------|
| <b>Cut-off Date Loan / Bed:</b>  | \$41,237 |
| <b>Maturity Date Loan / Bed:</b> | \$37,042 |
| <b>Cut-off Date LTV:</b>         | 74.3%    |
| <b>Maturity Date LTV:</b>        | 66.8%    |
| <b>UW NCF DSCR:</b>              | 1.62x    |
| <b>UW NOI Debt Yield:</b>        | 10.3%    |

## Sources and Uses

| Sources              | Proceeds            | % of Total    | Uses                            | Proceeds            | % of Total    |
|----------------------|---------------------|---------------|---------------------------------|---------------------|---------------|
| Mortgage Loan        | \$20,000,000        | 100.0%        | Payoff Existing Debt            | \$17,489,811        | 87.4%         |
|                      |                     |               | Partial Preferred Equity Payoff | 1,829,151           | 9.1           |
|                      |                     |               | Return of Equity                | 300,000             | 1.5           |
|                      |                     |               | Closing Costs                   | 241,484             | 1.2           |
|                      |                     |               | Upfront Reserves                | 139,553             | 0.7           |
| <b>Total Sources</b> | <b>\$20,000,000</b> | <b>100.0%</b> | <b>Total Uses</b>               | <b>\$20,000,000</b> | <b>100.0%</b> |

**The Loan.** The University Gate Apartments loan has an outstanding principal balance of \$20.0 million and is secured by a first mortgage lien on a 485 bed (132 units) student housing complex adjacent to Pennsylvania State University, Erie Branch, also known as The Behrend College. The loan has a 10-year term and, subsequent to a 48-month interest-only period, will amortize on a 30-year schedule. The loan sponsors and nonrecourse guarantors are Benjamin L. Heim, Bruce K. Heim and Heim Family Limited Partnership, a Pennsylvania limited partnership. Benjamin L. Heim, Bruce K. Heim and Heim Family Limited Partnership all participate in owning numerous real estate partnerships. Bruce K. Heim is the founder and chairman of Keystone Real Estate Group and Benjamin K. Heim is the president and CEO of Keystone Real Estate Group. Keystone Real Estate Group, founded in 1977, owns and manages a portfolio of over 50 assets, 2,600 residential units and over one million square feet of commercial space valued at over \$300.0 million.

The loan sponsors acquired the property in December 2013 in an off-market transaction for approximately \$25.1 million. In connection with the acquisition, affiliates of Torchlight provided a short term \$17.6 million bridge loan along with a \$6.65 million preferred equity investment. Proceeds of the current financing were used to repay the bridge loan along with approximately \$1.8 million of the initial preferred equity investment. The \$300,000 of equity being returned to the loan sponsors as part of this refinancing is being used for property renovations. For a full description of the preferred equity arrangement please refer to "Preferred Equity" below.

## University Gate Apartments

**The Property.** The University Gate Apartments is a 485 bed (132 units) student housing complex built in 2006 and expanded in 2008. The property is the only purpose-built student housing complex at The Behrend College in Erie, Pennsylvania and is the primary off-campus living complex for the university. The eight three-story building complex has a unit-mix consisting of 90 four-bedroom units, 41 three-bedroom units and one two-bedroom unit. The property features large apartments, with an average size of more than 1,100 square feet, and has a separate community center that provides gathering rooms, laundry facilities, a fitness center and an on-site pizzeria. The property has 445 parking spaces with a parking ratio of 3.4 spaces per unit.

**The Market.** The property is adjacent to The Behrend College which is located in Erie, Pennsylvania, the state's fourth most populous city. Per the appraisal, the current enrollment of approximately 4,500 students is expected to grow in the near term as the school has invested substantially in new facilities and infrastructure over the last several years, including the \$30 million Jack Burke Research and Economic Development Center, the Sam & Irene Black School of Business and the \$4 million Robert and Sally Metzgar Admissions and Alumni Center. The Erie submarket occupancy rate was 97.3% with average ground floor asking rents of \$20 per square foot annually as of year end 2013. Route 290 intersects with the main transportation route within Erie and provides direct access to Interstate 90 which is in close proximity to the University Gate Apartments. Furthermore, the Erie International Airport is located approximately 15.0 miles west of the property.

| Unit Type                | Unit Mix <sup>(1)</sup> |               |               | Occupancy    | Unit Size (SF) | Monthly In-place rents |
|--------------------------|-------------------------|---------------|---------------|--------------|----------------|------------------------|
|                          | # of Beds               | % of Total    | Occupied Beds |              |                |                        |
| 2 Bedroom/2 Bath         | 2                       | 0.4%          | 2             | 100.0%       | 1,100          | \$567                  |
| 3 Bedroom/2 Bath         | 123                     | 25.4          | 120           | 97.6         | 1,061          | \$543                  |
| 4 Bedroom/2 Bath         | 360                     | 74.2          | 348           | 96.7         | 1,156          | \$484                  |
| <b>Total / Wtd. Avg.</b> | <b>485</b>              | <b>100.0%</b> | <b>470</b>    | <b>96.9%</b> | <b>1,126</b>   | <b>\$503</b>           |

(1) Based on the underwritten rent roll.

| Operating History and Underwritten Net Cash Flow |                    |                    |                    |                    |                    |                |                  |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|----------------|------------------|
|  | 2011               | 2012               | 2013               | TTM <sup>(1)</sup> | Underwritten       | Per Bed        | % <sup>(2)</sup> |
| Rents in Place                                   | \$2,763,833        | \$2,869,198        | \$2,938,468        | \$2,856,095        | \$2,814,400        | \$5,803        | 96.9%            |
| Vacant Income                                    | 0                  | 0                  | 0                  | 0                  | 91,140             | 188            | 3.1              |
| <b>Gross Potential Rent</b>                      | <b>\$2,763,833</b> | <b>\$2,869,198</b> | <b>\$2,938,468</b> | <b>\$2,856,095</b> | <b>\$2,905,540</b> | <b>\$5,991</b> | <b>100.0%</b>    |
| Total Reimbursements                             | 0                  | 0                  | 0                  | 0                  | 0                  | 0              | 0.0              |
| <b>Net Rental Income</b>                         | <b>\$2,763,833</b> | <b>\$2,869,198</b> | <b>\$2,938,468</b> | <b>\$2,856,095</b> | <b>\$2,905,540</b> | <b>\$5,991</b> | <b>100.0%</b>    |
| (Vacancy/Credit Loss)                            | 0                  | 0                  | 0                  | 0                  | (174,332)          | (359)          | (6.0)            |
| Other Income                                     | 186,183            | 285,624            | 234,712            | 198,196            | 292,249            | 603            | 10.1             |
| <b>Effective Gross Income</b>                    | <b>\$2,950,016</b> | <b>\$3,154,822</b> | <b>\$3,173,180</b> | <b>\$3,054,291</b> | <b>\$3,023,457</b> | <b>\$6,234</b> | <b>104.1%</b>    |
| <b>Total Expenses</b>                            | <b>\$951,788</b>   | <b>\$939,563</b>   | <b>\$951,630</b>   | <b>\$882,662</b>   | <b>\$971,853</b>   | <b>\$2,004</b> | <b>32.1%</b>     |
| <b>Net Operating Income</b>                      | <b>\$1,998,228</b> | <b>\$2,215,259</b> | <b>\$2,221,550</b> | <b>\$2,171,629</b> | <b>\$2,051,603</b> | <b>\$4,230</b> | <b>67.9%</b>     |
| Total TI/LC, Capex/RR                            | 0                  | 0                  | 0                  | 0                  | 48,500             | 100            | 1.6              |
| <b>Net Cash Flow</b>                             | <b>\$1,998,228</b> | <b>\$2,215,259</b> | <b>\$2,221,550</b> | <b>\$2,171,629</b> | <b>\$2,003,103</b> | <b>\$4,130</b> | <b>66.3%</b>     |
| <b>Occupancy</b>                                 | <b>100.0%</b>      | <b>100.0%</b>      | <b>100.0%</b>      | <b>96.9%</b>       | <b>94.0%</b>       |                |                  |

(1) TTM column represents the trailing twelve-month period ending in March 2014.

(2) Percentage column represents percent of Net Rental Income for all revenue lines and represents percent of Effective Gross Income for the remainder of fields.

**Preferred Equity.** Two affiliates of the initial Directing Certificateholder and the Special Servicer currently hold preferred equity interests in the related borrower in the original aggregate investment amount of \$6,650,000. On each monthly distribution date, the preferred holders are required to be paid first from available funds after payments of debt service, operating expenses and reserves under the related mortgage loan. The preferred holders are entitled to a cumulative annual return of 20% on their capital contributions plus a cumulative annual return of 15% on each dollar of accrued but unpaid preferred returns or capital contributions. In addition, the preferred holders are entitled to a cumulative annual return of 20% on any capital contributions made by the preferred holders after a failure by the other partners to contribute such amounts as required by the partnership agreement. One of the preferred holders has the right to assume complete management of the borrower upon certain circumstances, including, without limitation, a failure to pay the preferred return after the requisite notice and cure periods, any default under the mortgage loan documents or the failure to redeem the preferred equity on the redemption date. The borrower is required to redeem all of the preferred equity investment on the date that is the earliest of (a) an event of default under the mortgage loan documents, (b) January 23, 2021 or (c) the date that the borrower sells the property. The borrower is also entitled, but not required, to partially redeem the preferred equity investment as provided in the partnership agreement. In addition, although the holders of the preferred equity interests are affiliates of the Special Servicer, the Special Servicer is nonetheless required to act in accordance with the servicing standard. See "Risk Factors—Potential Conflicts of Interest—Potential Conflicts of Interest of the Directing Certificateholder" and "Description of the Mortgage Pool—Additional Debt" in the Prospectus Supplement.