

February 25, 2011

Ms. Paula Dubberly
Deputy Director of Policy and Capital Markets, Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: CMBS Investor Feedback on Proposed Rulemaking
Regarding the Dodd Frank Act and Regulation AB

Dear Ms. Dubberly:

The SEC has been considering various rule changes as part of ongoing financial regulatory reform efforts that involve the commercial mortgage-backed securities (CMBS) sector. That includes working with various other Federal entities to compose risk retention rules per the Dodd-Frank Wall Street Reform and Consumer Protection Act (“the Dodd Frank Act”) and drafting changes to Regulation AB that are designed to improve the offering process, disclosure and reporting requirements for asset-backed securities.

On January 25, 2011 a group of 14 professional CMBS portfolio managers from 13 companies came to see you and your staff. Within our ranks were a substantial proportion of the largest CMBS investors in the United States, including insurance companies, money managers, hedge funds, and other investor types.

In that meeting we discussed two basic topics. One topic was the advantages and disadvantages of various formulations for risk retention by CMBS issuers, originators and subordinate bond buyers. On that topic, a range of views were expressed.

The second topic was our desire that the SEC support certain disclosure standards and required governance procedures in both public offerings of CMBS and offerings pursuant to Rule 144A. Six requests were made by that assembled CMBS investors at that meeting that are highlighted in this letter, and for these requests there was uniform support among the investors at our January 25th meeting.

The requests included herein involve best practices that we as investors would like to see within the reformed Regulation AB rules. They also include our suggestions for representation and warranty reform, which is a topic dealt with both by the Dodd Frank Act¹ and the Regulation AB effort.

¹ *The Dodd Frank Act addresses representations and warranties in several sections, among them being as a potential element in a package of risk retention elements. Representations and warranties result in risk retention by the warranty provider, which is usually the seller of the CMBS loans to the CMBS trust.*

Our recommendations are:

1. Investors must be provided with a clear and thorough description of the financial strength of the warranty provider for representations and warranties made by those that sell loans to the CMBS trust.
2. Issuers must prepare and disclose to investors a blackline comparison of (i) the actual representations, warranties, remedies and exceptions that the loan seller provides, to (ii) the Commercial Real Estate Finance Council ("CREFC") Model Representations, Warranties and Remedies.
3. All investors are to receive the loan-by-loan representation exception report, which identifies the representations that are not true about given identified loans.
4. We support the CREFC dispute resolution procedures, which call for the use of mandatory mediation to try to resolve breach claims prior to the filing of lawsuits. The primary governance document of the trust, called the Pooling and Servicing Agreement (the PSA)², should adopt these CREFC procedures.
5. Servicers have too often in the past been provided with no compensation in the PSA for successful breach claims, which is a disincentive to putback activity that can weaken the effectiveness of representations and warranties as a deterrent to weak underwriting practices. We propose that SEC rules support loan resolution fee rate parity³ so that servicers receive adequate compensation for their representation and warranty putback efforts.
6. The PSA must be released to all prospective investors.

We ask that the rules require that these key disclosures be made during the new-offer marketing period, with adequate time provided for investors to review the materials that are disclosed prior to that date when the issuers take orders for the offered bonds.

² *The governance document for a CMBS trust that has only one large loan is usually called a Trust and Servicing Agreement (a "TSA") rather than a PSA, due to the fact that there is no pooling of loans. The disclosures we seek involve the primary governance document for the CMBS trust, whether that governance document is called a PSA, a TSA, or it has another similar title.*

³ *In contrast to the fact that many PSAs provide that servicers are to be paid no recovery fee for successfully executing a breach claim, servicers get paid a loan recovery fee for resolving troubled loans through virtually any other path including a loan sale, loan modification or a post-foreclosure property sale. We are asking for parity on the resolution or settlement rate to be paid for executing breach claim resolutions, so that the special servicer would get either the common rate (such as 1.0%) for the resolution fee for a successful loan putback (guarantor repurchase) on a breach claim, or 1.0% of any monies realized in the cash settlement of the breach claim that did not involve a loan putback. An example of a settlement without a putback would be a cash settlement reached in a mediation or other negotiation. We are not seeking to set or have the SEC set a 1.0% or any other particular resolution fee rate because the market should do that independently. However we are asking that the SEC support rate parity as a good governance feature designed to eliminate disincentives negotiated in to PSAs by loan sellers that serve to discourage valid breach claims.*

As institutional investors we believe that improvements in governance practices and transparency of the sort we have outlined will give investors additional tools that are needed if they are to effectively manage their risks, and that this will contribute toward a better functioning CMBS marketplace. Thank you for considering these investor concerns in your rulemaking.

The following CMBS investment professionals support the recommendations in this letter.

<u>Name</u>	<u>Company</u>
Warren Ashenmil	Tricadia Capital
Richard Banno	Pacific Life Insurance Company
Kent Born	PPM America, Inc.
John Fitzpatrick	Allstate Investments LLC
Brian Furlong	New York Life Investments
John Gargana	Guardian Life Insurance Company
Marshall Glick	AllianceBernstein L.P.
Gary Horbacz	Prudential Fixed Income Management
Marc Peterson	Principal Real Estate Investors
Meenakshi Pursnani	Capital Research Company
Theodore Robson	T. Rowe Price Associates, Inc.
Mark Warner	BlackRock
Doug Weih	AEGON USA Investment Management
Q. Sophie Yang	State Street Corporation