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EXHIBIT U

Presale:

Morgan Stanley Capital I Trust 2011-C1

Primary Credit Analyst:
Brian Snow, CFA, New York (1) 212-438-3249; [redacted]

Secondary Contact:
Kurt C Pollem, CFA, New York (1) 212-438-1852 [redacted]

Table Of Contents

GOVERNMENT
EXHIBIT
314
D-03302

SEC-STRS-E-0081885

Table Of Contents (cont.)

Table Of Contents (cont.)

Presale:

Morgan Stanley Capital I Trust 2011-C1

$1.55 Billion Commercial Mortgage Pass-Through Certificates Series 2011-C1

This presale report is based on information as of Feb. 4, 2011. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings As Of Feb. 4, 2011

Class	Preliminary rating*	Preliminary amount ($)	Recommended credit support (%)
A-1	AAA (sf)	87,863,000	22.875
A-2	AAA (sf)	597,153,000	22.875
A-3	AAA (sf)	105,120,000	22.875
A-4	AAA (sf)	404,067,000	22.875
X-A**	AAA (sf)	1,194,203,000***	N/A
X-B**	NR	354,197,430***	N/A
B	AA (sf)	60,001,000	19.000
C	A (sf)	89,033,000	13.250
D	BBB (sf)	85,162,000	7.375
E	BBB- (sf)	19,355,000	6.500
F	BB+ (sf)	13,548,000	5.625
G	BB (sf)	15,484,000	4.625
H	BB- (sf)	13,549,000	3.750
J	B+ (sf)	15,484,000	2.750
K	B (sf)	13,548,000	1.875
L	B- (sf)	9,678,000	1.250
M	NR	19,355,430	0.000
R	NR	N/A	0.000

*The rating on each class of securities is preliminary and subject to change at any time. **Interest-only class. ***Notional amount. NR--Not rated. N/A--Not applicable.

Profile

Closing date	Feb. 28, 2011.
Collateral	Thirty-seven loans that are secured by 79 properties.
Underwriter and mortgage loan seller	Banc of America Mortgage Capital Corp. (23.8% of the portfolio) and Morgan Stanley Mortgage Capital Holdings LLC (76.2%).
Depositor	Morgan Stanley Capital I Inc.
Master servicer	Bank of America N.A.
Special servicer	Midland Loan Services, a division of PNC Bank N.A.
Trustee	Wells Fargo Bank N.A.

Rationale

The preliminary ratings assigned to Morgan Stanley Capital I Trust 2011-C1's (MSC 2011-C1's) $1.55 billion commercial mortgage pass-through certificates reflect the credit support provided by the subordinate classes of certificates, the liquidity provided by the trustee, and the underlying loans' economics, geographic diversity, and property type diversity. In our analysis, we determined that, on a weighted average basis, the pool has a debt service coverage (DSC) of 1.20x based on a weighted average Standard & Poor's Ratings Services loan constant of 8.46%, a beginning loan-to-value (LTV) ratio of 88.9%, and an ending LTV ratio of 78.5%.

To calculate the number of loans, we considered each group of cross-collateralized and cross-defaulted loans as one loan.

Strengths

This transaction exhibits the following strengths:

- As a whole, the transaction reflects economics that are comparable to the archetypical pool based on Standard & Poor's stressed beginning and ending LTV ratios of 88.9% and 78.5%, respectively, for the pooled trust. The beginning and ending LTV ratios based on appraisal values are 61.6% and 54.5%, respectively.
- The transaction has a weighted average DSC of 1.20x based on a Standard & Poor's loan constant of 8.46%, which is in line with the archetypical pool. Standard & Poor's DSCs range from 0.94x to 1.57x and are based on stressed loan constants ranging from 8.25% to 10.00%, depending on the property type.
- All of the loans in the pool except Promenade on Providence (2.0% of the pool balance) have borrowing entities that are structured as special-purpose entities (SPEs). In addition, loans representing 85.5% of the pool balance have borrowers that are structured as bankruptcy-remote SPEs with both a nonconsolidation opinion and at least one independent director, including all of the top 10 loans (71.8% of the pool balance).
- Three loans representing 18.0% of the pool balance are secured by multiple cross-collateralized and/or cross-defaulted properties. Each of these loans is collateralized by properties in more than one state. This is somewhat mitigated by one loan, W.P. Carey Portfolio (7.5% of the pool balance), that has a single tenant at multiple locations.
- The trust benefits from scheduled amortization, which reduces Standard & Poor's weighted average LTV ratio to 78.5% at maturity from 88.9% at issuance. Four loans (30.5% of the pool balance) feature partial interest-only payments through maturity and none of the loans features full-term interest-only payments. The partial-term interest-only loans have a weighted average beginning Standard & Poor's stressed LTV ratio of 80.3%.
- Lockboxes are in place for 33 loans (94.1% of the total pool balance). Twenty-three of these loans (84.1%) have a hard lockbox and 10 of these loans (15.9%) have a soft lockbox. In addition, two loans (2.0%) provide for springing lockboxes. Generally, soft and springing lockboxes are triggered by an event of default, the anticipated repayment date, the DSC conditions, or a specific tenant event.
- The transaction includes 64 properties (95.4% of the pool balance) that are located in metropolitan statistical areas (MSAs) covered by CB Richard Ellis Econometric Advisors (CBRE-EA). As opposed to secondary and tertiary markets, these markets are typically characterized by higher barriers to entry, which may constrain overbuilding during periods of economic growth.
- The average quality score for the properties securing the mortgages in the trust is 2.84, a slightly above-average

score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Concerns And Mitigating Factors

This transaction exhibits the following concerns and mitigating factors:

- The pool exhibits loan concentration in that the 10 largest loans represent 71.8% of the pool balance. The largest loan represents 15.2% of the pool balance and the top three loans represent 38.1% of the pool balance. However, three of the top 10 loans (18.0%) are secured by multiple cross-collateralized properties. All of the top 10 loans except Hilton Times Square and Extra Space Storage Portfolio (11.3%) are structured with in-place hard lockboxes.
- The pool exhibits sponsor concentration in that the 10-largest sponsors represent 72.9% of the pool balance. The largest sponsor, Prime Property Fund/General Growth Properties Inc., accounts for 15.2% of the total pool balance. However, all of the top 10 loans are structured with SPE borrowers, nonconsolidation opinions, and independent directors. In addition, each is a bankruptcy-remote entity.
- One loan, Michigan Plaza (11.6% of the pool balance) has existing mezzanine debt. Six loans (14.7%) permit the borrower to incur future mezzanine debt. None of the other loans permits future additional mezzanine debt. The Baptist Medical Offices (1.9%) loan is not prohibited from incurring unsecured debt, subject to certain restrictions. The Station Place III loan (3.5%) is part of a loan combination comprised of four pari passu A-notes, two of which are not included in the trust. When accounting for all existing additional financing, Standard & Poor's beginning all-in LTV ratio is 92.7%. We also considered all existing and potential secondary debt in the subordination levels.
- The pool exhibits concentration in the retail sector, which comprises 43.6% of the pool balance. We believe that the weak housing and labor markets have taken a toll on the retail sector, as evidenced by the 7.2% delinquency rate for seasoned retail loans in commercial mortgage-backed securities (CMBS) transactions as of the end of fourth-quarter 2010. However, we expect that the retail sector will stabilize as the economy recovers due, in part, to the limited amount of new supply that is scheduled to come on line in 2010. We factored this concentration risk into our evaluation of the transaction.
- Relative to an archetypical pool that has a loan count of 100 and an effective loan count of 52, the pool exhibits high loan concentration with a loan count of only 37 and an effective loan count of 14. Standard & Poor's accounted for the loan concentration risk in its analysis.
- The pool exhibits geographic concentration in that 40.0% of the assets are located in the top three states: Delaware (15.2% of the pool balance), California (12.7%), and Illinois (12.1%). None of the remaining state concentrations exceeds 11.3% of the pool balance. We factored this concentration risk into our evaluation of the transaction.
- The transaction includes loans that are secured by 35 single-tenant properties that account for 10.7% of the trust balance by allocated loan amount. However, all of these properties have leases that will expire after the loan's maturity date. In addition, six of the properties (1.8% of the pool balance) are occupied by tenants that are rated investment-grade by Standard & Poor's. In addition, Standard & Poor's reviewed four of the nine loans containing one or more single-tenant properties (9.2% of the pool balance) and considered the market, tenant rating, lease term, loan structure, and the dark value when evaluating the loan.
- The cash management agreements for each of the top 10 loans (71.8% of the pool balance) provide for a cash flow sweep whereby the lender will retain excess cash flow if certain trigger events occur. However, the triggers

SEC-STRS-E-0081890

for four of the top 10 loans (27.6% of the pool balance) are less robust, resulting in a cash sweep only after an event of default occurs and/or the DSC falls below 1.05x or 1.10x.

- Phase I environmental reports were completed for properties securing all loans in the pool and phase II reports were recommended for three properties (2.0% of the pool balance). A phase II report has not yet been completed for the W.P. Carey Bay City, Mich. property (0.2%), but a reserve of $2.23 million, the most conservative remediation estimate, was funded.

Pool Characteristics

Collateral description

The pool contains 37 conventional, fixed-rate loans that are secured by liens on 79 properties (see table 1 for the property types in the pool).

Table 1

Property Type Composition

Type	Trust balance ($)	% of pool	No. of loans	No. of properties
Office*	426,405,019	27.5	9	9
Retail malls	409,990,000	26.5	2	2
Retail anchored	212,014,136	13.7	7	8
Hotel	151,648,874	9.8	5	5
Industrial*	127,780,584	8.3	2	28
Self-storage	91,685,000	5.9	2	17
Mixed-use	75,710,910	4.9	2	2
Retail single tenant	37,210,113	2.4	7	7
Retail unanchored	15,955,793	1.0	1	1
Total	1,548,400,431	100.0	37	79

*Standard & Poor's balance for industrial and office varies by $7.8 million from the issuer because we classified the entire W.P. Carey Portfolio as industrial.

Loan sellers

Banc of America Mortgage Capital Corp. (23.8% of the pool balance) and Morgan Stanley Mortgage Capital Holdings LLC (76.2%) are the loan sellers for this transaction.

Loan origination dates

Loans representing 96.1% of the pool balance were originated in the past six months.

Collateral quality

Based on our analysis, the portfolio has a DSC of 1.20x on a weighted average Standard & Poor's loan constant of 8.46%. Standard & Poor's DSC reflects the adjustments that were made to the banker's underwritten net cash flow (NCF) of the properties based on the properties' historical and projected operating statements, third-party reports, and the assets' competitive positions in their respective markets.

On a weighted average basis, we decreased the portfolio's NCF by 4.8%. This decrease typically reflects adjustments to rental rates, occupancy levels, operating expenses, capital expenditure reserves, and tenant improvement and/or leasing commission (TI/LC) assumptions.

For the pool, Standard & Poor's weighted average beginning LTV ratio is 88.9% and the ending LTV ratio is

78.5%. The weighted average capitalization rate that was applied to our NCF is 9.00%. The capitalization rates are a function of each property's asset type, quality, tenancy, position in the competitive set, and current and future market conditions (see table 2 for more information on our analysis of the various property types' cash flow and valuation).

Table 2

Cash Flow Analysis And Valuation

Property type	% of pool	DSC (x)*	% NCF diff.**	Cap rate (%)	Beg. LTV ratio (%)	End. LTV ratio (%)	Value per sq. ft. ($)
Office	27.5	1.12	(3.3)	8.94	101.1	90.9	118
Regional mall	26.5	1.28	(5.1)	8.00	75.3	71.1	343
Retail anchored	13.7	1.22	(5.6)	8.93	88.5	71.4	118
Industrial	8.3	1.28	(9.8)	9.35	85.8	71.9	43
Hotel	9.8	1.13	(5.1)	10.96	95.4	80.6	130,544/unit
Self-storage	5.9	1.30	(2.1)	9.94	90.0	76.2	8,218/unit
Mixed-use	4.9	1.18	(5.3)	9.14	102.8	91.7	68
Retail single tenant	2.4	1.12	(3.3)	8.86	97.5	83.3	340
Retail unanchored	1.0	1.15	(4.8)	9.75	103.0	87.4	138
Total	100.0	1.20	(4.8)	9.00	88.9	78.5	-

*Based on a weighted average stressed Standard & Poor's loan constant of 8.46%. **The difference between Standard & Poor's estimated NCF and the underwriter's estimated NCF as a percentage of the underwriter's estimated NCF. DSC--Debt service coverage. NCF--Net cash flow. LTV--Loan-to-value.

Borrower/loan concentrations

Prime Property Fund/General Growth Properties Inc. (GGP) is the largest sponsor in the transaction in that it is the sponsor for Christiana Mall (15.2% of the pool balance) (see table 3 for the sponsor concentration).

Table 3

Sponsor Concentration

Borrower	Pooled trust balance (mil. $)	No. of loans	% of pool
Largest	235.0	1	15.2
Top five	798.6	5	51.6
Top 10	1,129.4	11	72.9

For a summary of the top 10 loans in the pool, see table 4.

Table 4

Top 10 Loans

Property name	Property type	% of pool	DSC (x)	% NCF diff.*	Cap rate (%)	Beg. LTV (%)	End. LTV (%)	Value per unit/sq. ft. ($)
Christiana Mall	Regional mall	15.2	1.41	(3.5)	8.00	68.7	63.6	786
Michigan Plaza	Office	11.6	1.21	0.0	9.00	96.4	90.4	97
Pearlridge Center	Regional mall	11.3	1.10	(7.7)	8.00	86.5	83.8	175
W.P. Carey Industrial Portfolio	Industrial/office	7.5	1.28	(10.4)	9.22	84.7	70.3	42
Hilton Times Square	Full-service hotel	6.0	1.10	(7.0)	10.75	94.8	78.3	211,498
Extra Space Storage Portfolio	Self-storage	5.3	1.30	(2.1)	9.96	89.9	76.0	7,969

Table 4

Top 10 Loans (cont.)								
National Grocery Portfolio	Anchored retail	5.2	1.16	(7.2)	8.75	90.9	84.1	172
Murdock Plaza	Office	3.6	1.00	(2.8)	8.75	106.9	100.7	231
Station Place III	Office	3.5	1.03	3.8	8.25	102.6	84.1	357
Princeton Forrestal Village	Mixed-use	2.7	1.14	(7.3)	9.25	98.5	91.7	76
Total	--	71.8	1.22	(4.5)	8.81	87.7	79.3	--

*The difference between Standard & Poor's estimated NCF and the underwriter's estimated NCF as a percentage of the underwriter's estimated NCF only. DSC--Debt service coverage. NCF--Net cash flow. LTV--Loan-to-value.

Geographic diversity

The pool consists of properties located in 37 states and exhibits geographic concentration in that 40.0% of the assets are located in the top three states. The top five and top 10 state concentrations are 58.2% and 78.6%, respectively (see table 5 for the top five concentrations and table 6 for the largest concentration of properties by MSA).

Table 5

State Concentrations

State	% of pool
Delaware	15.2
California	12.7
Illinois	12.1
Hawaii	11.3
New Jersey	6.9
32 other states	41.8

Table 6

Metropolitan Statistical Area Concentrations

Metropolitan statistical area	% of pool
Wilmington, Del.	15.2
Chicago	12.0
Honolulu	11.3
Los Angeles	6.0
New York	6.0
Pittsburgh	4.1
Washington, D.C.	3.8
Philadelphia	3.1
Trenton, N.J.	2.7
Denver	2.4

As for specific markets, the pool is most concentrated in Wilmington, Del. retail (15.2% of the pool balance) (see table 7 for the pool's top market and property type concentrations).

Table 7

Concentrations By Market And Property Type

Market	Property type	Exposure (% of pool)	Market vacancy*
Wilmington, Del.	Retail	15.2	14.3
Chicago	Office	11.6	13.7
Honolulu	Retail	11.3	7.7
New York	Hotel	6.0	15.9
Pittsburgh	Retail	4.1	N/A

*Based on third-quarter 2010 data from CB Richard Ellis Econometric Advisors. N/A--Not applicable.

Transaction Structure

Distributions and allocation of losses

The transaction structure includes two interest-only strips that reference different certificates. The class X-A certificate has a notional balance of $1,194,203,000, which will equal the class A-1, A-2, A-3, and A-4 certificates' aggregate balance. The class X-B certificate, as it is currently contemplated, will have a notional balance of $354,197,430, which will equal the class B, C, D, E, F, G, H, J, K, L, and M certificates' aggregate balance.

On each distribution date, assuming there are no trust adviser expenses, payments will occur in the following order of priority:

- To pay interest on the class A-1, A-2, A-3, A-4, X-A, and X-B certificates pro rata based on each class' respective entitlements; then
- Before the cross-over date, to pay principal sequentially to the class A-1, then A-2, then A-3, and then A-4 certificates until each class' certificate balance has been reduced to zero. On or after the cross-over date, to pay principal pro rata to the class A certificates until those certificates' principal balance has been reduced to zero; then
- To pay any deficits that resulted from realized losses, shortfalls, and unanticipated trust expenses that were previously allocated pro rata to the class A-1, A-2, A-3, and A-4 certificates until each class is paid in full; then
- To pay interest on the class B certificates; then
- Following the reduction of the class A certificate balances to zero, to pay principal to the class B certificates until those certificates' principal balance has been reduced to zero; then
- To pay any deficits that are allocated to the class B certificates until paid in full; then
- To pay interest on the class C certificates; then
- Following the reduction of the class A and B certificate balances to zero, to pay principal to the class C certificates until that class has been reduced to zero; then
- To pay any deficits that are allocated to the class C certificates; and then
- To pay interest, then principal, and then reimbursement for any deficits sequentially to the class D, E, F, G, H, J, K, L, M, and R certificates in the same way as noted above for the class B and C certificates.

Trust adviser expenses, which are separate from the trust adviser fee, may arise in certain circumstances and would most likely occur if there were indemnification obligations as a result of the trust adviser being sued. In the event that there are trust adviser expenses, those expenses will first be allocated in reverse sequential order to the distributable interest on the class E, then D, then C, and then B certificates. If the interest that is distributable to those classes is insufficient to pay all of the trust adviser expenses, the class E, then D, then C, and then B

SEC-STRS-E-0081894

certificates' principal distribution amount will be used to pay those expenses and those classes' certificate balances will be reduced, in that order, until each class' balance is reduced to zero. After the class E, D, C, and B certificates' balance have been reduced to zero, any further reduction in the principal distribution amount to pay the trust adviser expenses will reduce the class A certificate principal balance, pro rata. None of the trust adviser expenses will be allocated to the control eligible certificates (see the Control Rights section below for more information).

Losses, other than those arising from trust adviser expenses, will be allocated in reverse sequential order beginning with the junior-most certificates. If the losses reach the class A certificates, the losses will be allocated pro rata among the class A-1, A-2, A-3, and A-4 certificates. The notional amount of the class X-A and X-B certificates will be reduced by the aggregate amount of the realized losses that are allocated to the certificates that are components of the class X-A and X-B certificates' notional amount, respectively. The final payment date for the preliminary rated securities will be in September 2047.

Trust adviser

This transaction is structured with a trust adviser that will review the special servicer's resolution and disposal practices for specially serviced loans and opine as to whether those practices meet the servicing standard put forth in the transaction's pooling and servicing agreement (PSA). The trust adviser will meet annually with both the special servicer and the directing certificateholder (if no control event has occurred) and review the special servicer's operational practices, such as the policies and procedures, the operational controls, the risk management systems, the technological infrastructure, the intellectual resources, and the special servicer's reasoning for believing that they are in compliance with the PSA.

If a control event has occurred, the trust adviser will also review asset status reports and consult with the special servicer regarding possible alternative courses of action. If there is no directing certificateholder, for the reasons outlined in the Control Rights section below, the trust adviser may recommend that the special servicer be replaced if it believes that the special servicer is not performing its duties as prescribed by the PSA or is not acting in accordance with the servicing standard. After a control event, the trust adviser is also required to verify the accuracy of the special servicer's calculation of any appraisal reduction or net present value calculations that are used in the special servicer's determination of what course of action to take in connection with the workout or liquidation of a specially serviced loan. The trust adviser will not be liable to any certificateholder for any actions taken or from refraining from any actions. In addition, the trust adviser will not be required or permitted to consult on major decisions with respect to the Station Place III pari passu mortgage loan.

The trust adviser will be entitled to a monthly fee that is calculated on the outstanding principal amount of each loan in the trust and will accrue on a loan-by-loan basis at a rate equal to 0.00135% per year. The trust adviser fee has already been factored into the transaction's structure and will not be deducted from the monthly distributions to the certificates. The trust adviser expenses, to the extent that they are incurred, will be taken from the monthly distributions to certain classes (see the Distributions and allocation of losses section above for more information).

TriMont Real Estate Advisors Inc. (TriMont) will be the trust adviser for this transaction. TriMont, located in Atlanta, is a corporation whose core services include primary asset management, special serviced asset management, real estate owned (REO) asset management, asset servicing, due diligence, underwriting services, and portfolio risk analysis. TriMont has approximately 300 employees among offices located in Georgia, California, and New York. TriMont manages approximately $53 billion of invested capital for clients with more than 2,700 assets and $123 billion in asset value. Standard & Poor's rates TriMont as a commercial mortgage special servicer (ABOVE

AVERAGE), construction loan servicer (STRONG), and construction loan special servicer (ABOVE AVERAGE).

Control rights

The directing certificateholder will be the controlling class certificateholder that is selected by more than 50% of the controlling class of certificateholders (based on certificate balance). The controlling class will be the most subordinate class of control eligible certificates that has an aggregate certificate balance (including any notional reductions that result from any appraisal reductions allocable to that class) of at least 25% of the class' initial certificate balance. On the closing date, the class M certificates will act as the controlling class. H/2 Capital Partners LLC or one of its affiliates will be the initial directing certificateholder and one or more of its managed accounts will own 100% of the control eligible certificates as of the closing date.

The control eligible certificates will be any of the class F, G, H, J, K, L, and M certificates. The directing certificateholder will have certain consent and consultation rights, including the right to replace the special servicer until a "control event" occurs, which would happen if the class F certificates have a certificate balance (including any appraisal reductions that are allocated to that class) of less than 25% of the class' initial certificate balance. If the control eligible certificate class has a balance of at least 25% of the initial balance, but that balance falls below that threshold if the appraisal reductions were included, the directing certificateholder would not be able to replace the special servicer and would no longer have certain consent rights. It would, however, retain certain consultation rights, and the trust adviser will also have certain consultation rights. In the event that no class of control eligible certificates has a then-outstanding certificate balance of at least 25% of the class' initial balance, without regard to the application of any appraisal reductions, the directing certificateholder will also lose its rights under the PSA to consult with the servicer or special servicer. In this scenario, only the trust adviser would have certain consultation rights with the special servicer.

Servicing

Bank of America N.A. will act as the master servicer for this transaction. Standard & Poor's Servicer Evaluations ranking on Bank of America as a primary and master servicer is STRONG. The outlook for the ranking is stable.

Midland Loan Services (Midland), a division of PNC Bank N.A., will act as the special servicer for this transaction. Midland is a wholly owned subsidiary of PNC Bank N.A., which, in turn, is a wholly owned subsidiary of The PNC Financial Services Group Inc. ('A'; NYSE: PNC). Standard & Poor's Servicer Evaluations ranking on Midland as a primary, master, and special servicer is STRONG. The outlook for the ranking is stable.

Liquidity provider

Wells Fargo Bank N.A. (AA/Negative/A-1+) is the backup liquidity provider and is responsible for advancing the payments that are due under defaulted loans if the value of the collateral supports the advance. Wells Fargo Bank is obligated to advance payments if the servicer fails to perform this function. Wells Fargo Bank is also obligated to replace the servicer with a servicer on Standard & Poor's Select Servicer List in the event the servicer fails to perform any of its obligations under the transaction's documents.

Representations and warranties and exceptions

Banc of America Mortgage Capital Corp. and Morgan Stanley Mortgage Capital Holdings LLC, the sellers, have made representations and warranties to Morgan Stanley Capital I Inc., the depositor, concerning the mortgage loans. The typical representations and warranties include statements that the seller has good title to the mortgage loans being sold, there are no outstanding liens on the loans, the loan payments are no more than 30 days past due, the loans are not in default, and the mortgages securing the loans are not subject to prior liens. Other

SEC-STRS-E-0081896

representations address typical property release provisions, the structure of ground leases, and the payment terms of the anticipated repayment date (ARD) loans. With respect to the actual properties, the representations typically reflect that the properties comply with zoning, are in physically good condition with limited deferred maintenance or reserves have been established to address deficiencies, and do not have significant environmental issues. The representations also reflect that the borrower has insured the properties for various risks and is not delinquent on real estate tax payments. On the borrower level, the representations address the borrower's previous bankruptcies and the existence of related borrowers.

We reviewed the representations and warranties and exceptions. The exceptions highlighted issues relating to property release provisions, insurer ratings, insurance deductibles, permission to obtain future debt, and certain tenants' rights of first refusal in the event the borrower wishes to sell the property. Except for deductions to Standard & Poor's derived value that were taken to account for high windstorm/flood deductibles at one property, Whole Foods Arabella Station (0.6% of the pool balance), we did not assess any value deductions or adjustments as a result of the exceptions noted in our analysis.

Ongoing surveillance and 17g-5

We rated this transaction under the SEC's Rule 17g-5 and, as a result, ongoing surveillance procedures will require additional trustee involvement. The trustee for this transaction will act as the 17g-5 provider and will be responsible for maintaining a Web site that is accessible by the rating agencies and will have loan and transaction level documents and other information relating to the mortgage pool. None of the depositor, servicer, special servicer, primary servicer, paying agent, trust adviser, certificate registrar, trustee, controlling class representative, or custodian is permitted to initiate communication with the rating agencies about issues relating to the loans or the deal. To the extent that a rating agency initiates communication or makes an inquiry of any of these parties, all responses must be in writing and the responding party must provide a summary to the trustee/paying agent of the information that was provided to the rating agency. The trustee must post this written summary on its Web site. If any of the depositor, servicer, special servicer, primary servicer, paying agent, trust adviser, certificate registrar, trustee, controlling class representative, or custodian is required under law to provide any information to or communicate with a rating agency, the trustee must upload any information or communication to its Web site. The trustee will also post the transaction's initial documents and monthly reports to its Web site, which is also accessible by the rating agencies.

Loan Characteristics

Borrower structure

Loans representing 98.0% of the pool balance are made to borrowers that are structured as SPEs. Loans representing 85.5% of the pool balance also have a nonconsolidation opinion and at least one independent director. One loan, Promenade on Providence (2.0% of the pool balance), is not an SPE. However, the loan has a 24.5-year amortization schedule and Standard & Poor's beginning and ending LTV ratios of and 88.7% and 47.9%, respectively.

Tenants-in-common

One loan, Walgreens Oakdale (0.3% of the pool balance), is owned by individuals or entities as tenants-in-common.

Bankruptcy issue

One loan, Christiana Mall (15.2% of the pool balance), has a sponsor that was involved in a previous bankruptcy. The loan's sponsors are Prime Property Fund and GGP. GGP filed for Chapter 11 bankruptcy protection in April 2009 and emerged from bankruptcy in November 2010.

Interest-only loans

The loans in the pool are interest-only for all or some portion of the loan term (see table 8).

Table 8

Interest-Only Loans

	No. of loans	% of trust pool	Weighted avg. LTV ratio (%)
Interest-only loans	0	0.0	N/A
Partial interest-only loans	4	30.5	80.3

LTV--Loan-to-value. N/A--Not applicable.

Cash management and reserves

Lockboxes are in place for loans representing 96.1% of the pool balance (see table 9 for the types of lockboxes and their percentage of the pool balance, table 10 for the number of loans that require ongoing reserves, and table 11 for the loans that have collected upfront reserves). The soft lockboxes for this transaction generally require tenants and payors to pay rent to the borrower and/or the property manager, who then forward the funds to a lockbox account. After the funds are deposited into the lockbox, they are made available to the borrower or applied by the servicer of the lockbox according to the loan documents. For certain loans, if certain trigger events occur, the soft lockbox will convert to a hard lockbox. There is no lockbox account currently in-place for the transaction's springing lockboxes. If certain trigger events occur, the lockbox will be established.

Table 9

Lockboxes

Type	% of pool
Hard	79.1
Soft	15.0
Springing	2.0

Table 10

Monthly Reserves

Type	No. of loans	% of trust pool*
Taxes	26	81.5
Insurance	8	34.7
TI/LC*	10	20.9
CapEx	20	52.8

*The number of loans and percentages do not include springing reserves. For the TI/LC reserves, the percentage of the trust pool includes office, retail, industrial, and mixed-use properties. TI/LC--Tenant improvements/leasing commissions. CapEx--Capital expenditures.

Table 11

Upfront Reserves

Type	No. of loans	% of trust pool*
Taxes	22	80.2

SEC-STRS-E-0081898

Table 11

Upfront Reserves (cont.)		
Insurance	7	23.4
TI/LC*	5	23.4
CapEx	2	4.3

*For the TI/LC reserves, the percentage of the trust pool includes office, retail, industrial, and mixed-use properties. TI/LC--Tenant improvements/leasing commissions. CapEx--Capital expenditures.

Additional indebtedness

One loan has existing additional debt (see table 12).

Table 12

Loan With Existing Additional Debt

Property name	Pooled trust balance (mil. $)	% of pool	Junior participation balance (mil. $)	Mezzanine balance (mil. $)	Total debt (mil. $)
Michigan Plaza	179.5	11.6	0.0	30.0	209.5

The Michigan Plaza loan (11.6% of the pool balance) has additional debt in the form of a mezzanine loan. We believe that preferred equity and mezzanine debt pose a lower risk in the event of a bankruptcy because we would not view these forms of financing as separate creditor interests. However, we view any subordinate debt as carrying additional risk because there is more pressure on the property cash flow and less equity at risk for the borrower.

In addition, the Station Place III loan (3.5% of the pool balance) is part of a loan combination comprised of four pari passu A-notes, two of which are not included in the trust. The total pari passu loan balance is $185 million.

The Hilton Times Square (6.0% of the pool balance), Princeton Forrestal Village (2.7%), Deptford Landing (2.2%), Eastgate Shopping Center (1.6%), Citrus Marketplace (1.3%), and Marriott Resort Sand Key (1.0%) loans each permit the borrower to incur future mezzanine debt. In most cases, future debt is conditional on it meeting specific DSC and LTV ratio hurdles.

In addition, the borrower under the Baptist Medical Offices (1.9%) loan is not prohibited from incurring unsecured debt from its respective partners, members, or beneficiaries, as long as the lender receives a subordination agreement from the unsecured lender and obtains rating agency confirmation. Standard & Poor's evaluated and accounted for all existing and potential future debt in its analysis.

Properties

We inspected assets representing 77.7% of the total pool balance and evaluated cash flows and derived asset values for properties representing 90.9% of the total pool balance. For the loans we did not review, we extrapolated NCF haircuts and 'AAA' stress NCF decline estimates by property type and issuer. The weighted average quality score for the inspected properties was 2.84, a slightly above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Properties with no operating history

Fourteen loans representing 24.8% of the pool balance did not report comparable historical net operating income (NOI) figures, either because they had just recently reached cash flow stabilization or because they are single tenant-occupied and pay only triple-net rent. For these 14 properties, we concluded NOI based on the current leases in place and the estimated operating expenses. In addition, we evaluated the appraiser's assumptions as well as comparables in the market to derive revenues and expenses.

Leasehold interests

Seven loans representing 28.3% of the pool balance are secured by a full or a partial leasehold interest in the underlying property or properties. All of these loans' ground lease terms, including the extension options, extend more than 20 years past the stated maturity dates and have notice and cure rights.

Single-tenant properties

Thirty-five properties representing 10.7% of the pool balance by allocated loan amount are secured by properties that are leased to single tenants. All tenants at these properties have leases that will expire after the loan's maturity date. In addition, six of these properties (1.8% of the pool balance) are occupied by tenants that have an investment-grade rating from Standard & Poor's.

Third-Party And Insurance Reviews

Appraisal review

Appraisal reports, in conformance with Uniform Standards of Professional Appraisal Practice (USPAP) and the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA), were prepared for all of the loans in the pool.

Environmental review

Phase I environmental site assessments were prepared for all of the loans in the pool. A phase II assessment was performed for Remount Business Park (1.5% of the pool balance) and no further action was required. A phase II report was also required for two properties within the W.P. Carey Industrial Portfolio: Bangor, Maine (0.3% of the pool balance) and Bay City, Mich. (0.2%). W.P. Carey & Co. is the borrower for this property. Professional Services Industries Inc. estimated the cost to remediate these properties at $25,000 and $2.23 million, respectively, which was escrowed at closing. The phase II report for Bangor, Maine required no further action, while the phase II report for Bay City, Mich. has not yet been completed.

Structural review

Licensed, independent engineers prepared engineering reports for all of the loans. These reports identified both the deferred maintenance items to be corrected immediately and the long-term capital expenditure needs. The engineers identified deferred maintenance items totaling $1.3 million at 53 properties representing 51.6% of the pool balance and established up-front reserves of $817,910 for eight of these properties to complete these minor structural repairs. In general, the loan sellers' requirements for up-front, deferred maintenance reserves are 100%-125% of the recommended amount indicated in the reports. For the remainder of the properties that are shown to have deferred maintenance items but no upfront reserves collected, the loan seller generally requires the borrowers to make all necessary repairs within 12 months of the loan closing. If the required repairs are not completed in the time allotted, in most cases, this will be considered a violation of the loan agreement and trigger an event of default.

Timing of third-party reports

The dates that the third-party reports for the pool were completed are provided in table 13.

Table 13

Third-Party Report Dates

Date prepared	Appraisal review (% of pool)	Phase I environmental review (% of pool)	Structural review (% of pool)
Less than six months before the cutoff date	84.8	84.8	84.8
Six to 12 months before the cutoff date	15.2	15.2	15.2

Seismic review

Twenty properties representing 16.9% of the total pool balance are located in seismic zones 3 or 4. Seismic studies were performed for all of these properties, and none of the properties was found to have a probable maximum loss greater than or equal to 20%.

Hurricane and flood review

All of the properties have wind damage insurance. Seventy-five properties representing 94.4% of the pool balance also have flood insurance. We reviewed the windstorm and flood coverage for the properties we analyzed, paying special attention to those states and areas with known hurricane or flood zones. We determined that the windstorm and flood insurance deductible was high for one property (0.6% of the pool balance) when compared with our criteria. We calculated the difference between the acceptable maximum deductible based on our criteria and the actual deductible, and we adjusted the value to account for the shortfall between these two metrics.

Terrorism insurance coverage

All of the loans have insurance coverage for acts of terrorism, contain express requirements that terrorism coverage be in place, or have coverage that does not specifically exclude acts of terrorism. The loan documents generally require the related borrower to maintain insurance against damage from terrorism and other acts of sabotage. However, the requirements may contain certain qualifications, such as the availability of insurance at commercially reasonable rates and the possibility of the expiration of the Terrorism Risk Insurance Act of 2002, which could prevent terrorism-related coverage from being obtained by the applicable borrower.

Approach

Rating methodology

Most CMBS transactions fall into three main categories: single-borrower or stand-alone transactions, large loan transactions, or conduit/fusion transactions.

Single-borrower or stand-alone transactions are generally the least diverse transactions. These transactions are normally very concentrated by borrower sponsor and property type and they may or may not be geographically diverse, which typically differs by transaction.

The conduit/fusion transactions are the most diverse. These transactions have historically consisted of 100 or more individual borrower sponsors and are much more diverse by sponsor, property type, and geographic location than the other two transaction types. On Nov. 3, 2010, we published a revised conduit/fusion criteria, "U.S. CMBS Rating Methodology And Assumptions For Conduit/Fusion Pools," that is meant to be applied to conduit/fusion transactions. We anticipated that earlier pools will likely be smaller until the issuer community becomes more comfortable warehousing or aggregating CMBS collateral. As such, the revised criteria essentially defined conduit pools as those that generally include 40 or more loans and are diverse by sponsor, property type, and geographic location.

Large loan transactions have historically consisted of 10 to 20 loans and were typically comprised of floating-rate loans that are secured by transitional properties. More recently, however, the diversity of smaller pooled transactions has generally been similar to the large loan pools but consist of fixed-rate loans that are secured by stabilized properties.

Conduit/fusion methodology

The key assumption of our CMBS conduit/fusion framework is the application of an incremental stress to the rental cash flow underlying our baseline 'BBB' NCF conclusion to produce the 'AAA' NCF. We chose the incremental declines based on the rental data published by CBRE–EA covering the period from 1980 to 2009. We applied our 'AAA' rent stresses based on the assumption that a 'AAA (sf)' rated CMBS tranche is generally expected to withstand a 40%-50% valuation decline for all collateral without defaulting, which is commensurate with our definition of an extreme stress for commercial real estate, as described in our Nov. 3, 2010, criteria update (for more information, see "U.S. CMBS Rating Methodology And Assumptions For Conduit/Fusion Pools," published Nov. 3, 2010).

The incremental rent decline amounts vary by property type and are applied uniformly across all property markets in the U.S. using the assumption that under Standard & Poor's definition of a 'AAA' stress, all markets experience a correlated drop in rents and NCF. Once the 'AAA' rental declines are applied and the resulting stressed value declines are determined, we use a relatively straightforward set of default tests to project losses and credit enhancement levels. The tests for term default are: if the loan's LTV ratio is greater than 100% and its DSC is less than 1.00x; or if the loan's LTV ratio is greater than or equal to 90% but less than or equal to 100%, and its DSC is less than or equal to the LTV ratio. The loans that pass the term default test are tested again at maturity, and the loans will default if the loans' LTV ratio under the 'AAA' stress is greater than 100% based on the amortized loan balance. These same default tests are applied to the in-place Standard & Poor's NCF and value conclusion to derive the 'BBB' credit enhancement levels and may be subject to other tests, including a floor test based on the tests' relative difference when compared with the 'AAA' credit enhancement levels. In determining a loan's DSC, Standard & Poor's will consider both the loan's actual debt constant and a stressed constant based on property type as further detailed in our conduit/fusion criteria.

We generally make adjustments in our conduit/fusion framework model for additional debt held outside the trust. One loan (11.6% of the pool balance) has existing mezzanine debt secured by equity interests in the parent of the related borrower. Additionally, six loans (14.7%) permit future mezzanine debt and one loan (1.9%) permits future unsecured debt. Standard & Poor's considers any additional debt to be a further stress on the ability of the underlying property's NCF to pay debt service, therefore increasing the risk of borrower default on not only the additional outside debt, but also the first mortgage in the trust. We may factor the additional debt into our DSC term default test, depending on its size as compared to the overall pool. If the resulting DSC is below 1.00x for the total debt after applying our 'AAA' rent decline stress and the 'AAA' stressed LTV is higher than 100% on the first mortgage debt in the trust, this can increase the expected credit enhancement levels. Standard & Poor's generally differentiates between secured subordinate debt and mezzanine debt by applying a smaller increase in credit

SEC-STRS-E-0081902

enhancement levels if the additional debt is in the form of mezzanine debt financing.

When evaluating properties leased to highly rated investment-grade tenants subject to long-term leases or loans secured by unsubordinated ground leases, we may consider these loans as more favorable than the typical loan and adjust our default and loss assumptions to reflect this.

In cases where we believe a particular property in the pool exhibits in-place rents that are relatively high for the region but still appear to be at-market, we nevertheless may view the rent as unsustainable in a stressed economic environment and adjust our default and loss assumptions to reflect this. On the other hand, when evaluating certain properties that are operating well below a sustainable cash flow and value, we may adjust our default and loss assumptions to reflect this.

In situations where certain properties in the pool are subject to ground lease rent step-ups that occur during and after the loan term, Standard & Poor's in-place NCF generally assumes a higher ground rent than is currently in place. Similarly, for properties in the pool that may benefit from real estate tax abatements that decrease during and after the loan term, Standard & Poor's in-place NCF generally assumes a higher real estate tax payment. Our methodology is more fully described in "CMBS Property Evaluation Criteria: Ground Lease Requirements In CMBS Transactions" and "CMBS Property Evaluation Criteria: Commercial Property Cash Flow Analysis," both published Sept. 1, 2004. Oftentimes, these adjustments are made at the property level to capture the increased expense that a lender would consider at refinance. As such, when evaluating loans with operating expenses that are expected to increase based on contractual terms, we will consider what the actual credit risk profile of those loans is and may adjust our default and loss assumptions to more accurately reflect this.

As part of its rating process, Standard & Poor's evaluates select terms and conditions of various loans in considering adherence to legal criteria and general reasonable lending standards. For instance, in evaluating the borrower SPE provisions of the loans in a pool, we may conduct a more detailed analysis of select loans that individually compose 5% or more of the pool. In situations where we determine a loan's borrower SPE provisions deviate materially from our criteria, we may consider adjusting our default and loss assumptions for those loans.

The MSC 2011-C1 transaction has significant loan and sponsor concentration and, therefore, does not closely resemble the archetypical pool described in our conduit/fusion criteria. The MSC 2011-C1 transaction has a similar LTV ratio and DSC relative to the archetypical pool. Nonetheless, the MSC 2011-C1 transaction differs measurably in loan count, loan concentration, and geographic diversity (see table 14).

Table 14

Pool Comparison

	Standard & Poor's criteria minimum	Standard & Poor's archetypical pool	MSC 2011-C1
No. of loans	40	100	37
Loan concentrations (%)			
Top 5	N/A	25.0	51.6
Top 10	N/A	35.0	71.8
Top 20	N/A	45.0	90.0
Effective no. of loans	N/A	52.0	14.0
Effective no. of MSAs	N/A	22.0	14.6
Property mix (%)			
Retail	N/A	32.5	43.6

Table 14

Pool Comparison (cont.)			
Office	N/A	32.5	27.5
Multifamily	N/A	15.0	0.0
Industrial	N/A	10.0	8.3
Lodging and other	N/A	10.0	20.6
Economics			
Standard & Poor's LTV ratio	N/A	90.0	88.9
Standard & Poor's DSC	N/A	1.20	1.20
Credit enhancement levels (%)			
AAA	10.0	19.0	22.875
BBB-	1.875	4.875	6.500
B	1.0	1.375	1.875

MSC 2011-C1--Morgan Stanley Capital I Trust 2011-C1. MSA--Metropolitan statistical area. LTV--Loan-to-value. DSC--Debt service coverage. N/A--Not applicable.

Scenario Analysis

Standard & Poor's NCF is 10.9% lower than the pool's most recently reported and/or estimated NOI, and 8.4% lower than pool's most recently reported and/or estimated NCF. The pool would generally have to experience operating performance declines approaching these amounts before we would consider taking negative rating actions.

Conversely, we would consider taking positive rating actions if we observed sustainable improvements in property performance that resulted in increases to NCF that were measurably better than 10.9%. However, if we observe that the pool has deleveraged significantly, we may consider upgrades despite smaller increases in the NCF.

We would conduct a comprehensive review of the transaction before taking rating actions. In our analysis, we would determine whether we believe the cash flow declines are temporary by reviewing new leasing activity, pending lease expirations, and general fundamentals in the relevant submarkets. We would also consider current loan leverage because any deleveraging could mitigate potential downgrades or, conversely, support potential upgrades.

To demonstrate the effects that a decline in the pool's actual in-place cash flow may have on the pool's economics, we started with the pool's most recent historical NOI. Sixteen loans backed by 43 properties representing 41.4% of the pool balance did not report comparable historical NOI figures, either because they had just recently reached cash flow stabilization or because they are single tenant-occupied and pay only triple-net rent. For these properties, we determined a NOI based on the current leases in place and the estimated operating expenses. For office, retail, industrial, and mixed-use properties, we then adjusted the NOI for the estimated normalized TI/LCs and capital expenditure reserves using the same assumptions we derived from our property analysis of the pool. The resulting NCF conclusion was 2.7% lower than the pool's weighted average estimated in-place NOI, but 3.7% higher than the issuer's underwritten pool NCF.

We then stressed each loan's NCF with the standard haircuts highlighted in table 15 below by comparing the NCF to each loan's actual in-place debt service. We applied the same capitalization rates by property type that we determined during our property analysis of the pool to arrive at stressed values. We assumed that loans with a DSC below 1.00x and an LTV ratio above 100% term default, and loans with an LTV ratio above 100% default at maturity. We calculated the principal losses for term defaults based on the difference between the outstanding beginning loan balance and the stressed value, plus two years lost interest and foreclosure expenses estimated at 5% of the stressed value. We calculated the principal losses for maturity losses based on the difference between the outstanding loan balance at maturity and the stressed value, plus foreclosure expenses estimated at 5% of the stressed value. (see table 15 for a summary of the loss severities that these stresses might produce given the assumptions outlined above).

Table 15

Stressed Scenario Analysis For MSC 2011-C1					
'AAA' credit enhancement level (%)	22.875	--	--	--	--
'BBB-' credit enhancement level (%)	6.500	--	--	--	--
'B' credit enhancement level (%)	1.875	--	--	--	--
NCF haircut assumption (%)*	(0)	(10)	(20)	(30)	(40)
DSC (x)	1.64	1.48	1.31	1.15	0.99
Trust pool loss (%)	(0.0)	(0.4)	(1.7)	(9.8)	(22.0)

*The NCF decline is compared with Standard & Poor's estimate of the pool's most recent NOI (adjusted for estimated TI/LCs and capital expenditure reserves). MSC 2011-C1--Morgan Stanley Capital I Trust 2011-C1. NCF--Net cash flow. DSC--Debt service coverage (based on the pool's actual debt service). NOI--Net operating income. TI/LCs--Tenant improvements and leasing commissions.

Credit Evaluation

Our analysis included the following:

- We conducted site inspections for 17 of the 79 properties, which secure 77.7% of the loan balance.
- We analyzed 23 of the 37 loans, representing 90.9% of the pool balance.
- Our loan level reviews included analyzing property level operating statements and rent rolls.
- We reviewed third-party appraisal, environmental, and engineering reports for each of the select properties.
- We reviewed legal matters that we believe are relevant to our analysis, as outlined in our criteria. We completed a legal review for eight of the loans (65.6% of the pool balance). We reviewed the current drafts of major transaction documents, including the offering circular, PSA, and other legal documents to verify compliance with Standard & Poor's criteria and to understand the mechanics of the underlying loans and the transaction.

For more information on our analysis of the cash flow and valuation of the various property types, the top 10 loan characteristics, and Standard & Poor's DSC and LTV ratio stratification ranges, see tables 16-18.

Table 16

Standard & Poor's DSC Range

DSC range (x)	No. of loans	Loan balance ($)	% of pool
Greater than 1.35	3	257,159,945	16.6
1.30 to 1.34	1	82,185,000	5.3
1.25 to 1.29	4	168,554,781	10.9
1.20 to 1.24	5	224,605,856	14.5
1.15 to 1.19	4	168,361,195	10.9
1.10 to 1.14	9	233,684,960	15.1
1.05 to 1.09	6	215,789,861	13.9
1.00 to 1.04	3	144,240,072	9.3
Less than 1.00	2	53,818,761	3.5

Table 16

Standard & Poor's DSC Range (cont.)			
Total	37	1,548,400,431	100

DSC--Debt service coverage (based on Standard & Poor's constant).

Table 17

Standard & Poor's Beginning LTV Ratios

Beginning LTV ratio range (%)	No. of loans	Loan balance ($)	% of pool
Less than 80	3	257,159,945	16.6
81 to 85	1	116,880,584	7.5
86 to 90	4	292,903,212	18.9
91 to 95	9	321,421,545	20.8
96 to 100	8	296,705,135	19.2
Greater than 100	12	263,330,009	17.0
Total	37	1,548,400,431	100.0

LTV--Loan-to-value.

Table 18

Standard & Poor's Ending LTV Ratios

Ending LTV ratio range (%)	No. of loans	Loan balance ($)	% of pool
Fully amortizing	0	00	0.0
0 to 50	1	31,274,197	2.0
51 to 60	1	14,569,945	0.9
61 to 70	4	250,723,181	16.2
71 to 75	1	116,880,584	7.5
76 to 80	10	316,998,467	20.5
81 to 85	6	370,026,056	23.9
86 to 90	2	37,455,793	2.4
91 to 95	9	301,653,446	19.5
96 to 100	0	0	0.0
Greater than 100	3	108,818,761	7.0
Total	37	1,548,400,431	100.0

LTV--Loan-to-value.

Top 10 Loans

We analyzed the top 10 loans representing 71.8% of the pool balance and noted some common elements in each write-up. First, the pool balance as indicated within each loan write-up is as of the cutoff date, Feb. 1, 2011. The calculations relating to the DSC and LTV ratios are based on the cutoff balance. Second, physical and economic occupancy rates are based on Standard & Poor's calculations, which may result in discrepancies between what is reported by Standard & Poor's and what is reported in the issuer's offering materials. We generally assume vacant tenants as those that have expired leases, month-to-month leases, are dark, are in litigation, are bankrupt, etc. We also assume that tenants with lease termination options exercise their options, thereby causing those tenants' leases to roll earlier than their lease expiration dates would suggest. Last, the square footages as shown reflect the net

SEC-STRS-E-0081906

rentable area (NRA) as determined by Standard & Poor's. In some cases, the issuer's NRA includes common area space or other space that cannot be rented. Our square footage figures do not include nonleasable space.

1. Christiana Mall

Table 19

Loan Profile

	Loan summary		Collateral summary
Trust amount	$234,990,000	**% of pool**	15.2%
Loan type	Fixed rate	**Originator**	Morgan Stanley Mortgage Capital Holdings LLC
Interest rate	5.10%	**Property type**	Regional mall
Amortization	30 years after the initial 60-month interest-only period	**Location**	Newark, Del.
Maturity date	Sept. 5, 2020	**Year built/renovated**	1978/2010
Sponsors	Prime Property Fund and General Growth Properties Inc.	**Total mall NRA**	1,113,334 sq. ft.
Management	An affiliate of the sponsor	**Collateral NRA**	435,219 sq. ft.
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and one independent director	**Physical occupancy as of Nov. 1, 2010**	94.0%
		Economic occupancy as of Nov. 1, 2010	94.0%
		Ownership	Fee/leasehold. A portion of the parking lot is subject to a ground lease

SPE--Special-purpose entity. NRA--Net rental area.

Table 20

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A	235.0	539.9	68.7	1.41x	1.85X
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	235.0	539.9	68.7	1.41x	1.85X
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	235.0	539.9	68.7	1.41x	1.85X

*Calculated based on a Standard & Poor's stressed constant of 8.25% and a 30-year amortization schedule. **Calculated based on the actual constant, a 30-year amortization schedule, and the issuer's NCF. LTV--Loan to value. DSC--Debt service coverage. NCF--Net cash flow. N/A--Not applicable.

Table 21

Structural Features

Lock box	Hard, in place.
Ongoing reserves	Monthly collections for real estate taxes.
Up-front reserves	$13,822,917 to fund tenant allowances due under leases with Nordstrom, California Pizza Kitchen, JB Dawson's, and Brio's Tuscan Grill.
Other	If certain trigger events occur, including an event of default or the DSCR falling below 1.2x, the issuer will deposit collections into a replacement reserve ($0.25 per sq. ft.), capped at $110,604, and a rollover reserve ($1.27 per sq. ft.), capped at $553,021.

DSCR--Debt service coverage ratio.

SEC-STRS-E-0081907

Property And Loan Highlights

- The property is a 1.1 million-sq.-ft. enclosed super-regional shopping mall located in Newark, Del., approximately 7 miles from Wilmington, Del., and 32 miles from Philadelphia.
- The property was originally constructed in 1978, expanded in 1990, and is currently in the final stages of a $187.5 million renovation and expansion. The expansion included the construction of a wing that features a new food court, restaurant space, a Target, and a Nordstrom. Nordstrom is expected to open in April 2011.
- The mall has four anchor tenants, Macy's, JCPenney, Target, and Nordstrom, and one major tenant, Barnes & Noble. These five tenants represent 61% of the property's total square footage and are not part of the collateral.
- The mall has 129 retail tenants. The property's in-line sales for reporting tenants occupying less than 10,000 sq. ft. for at least one year, excluding kiosk and food court tenants and Apple, were $549 per sq. ft. as of the trailing 12-month period ended September 2010, reflecting an occupancy cost of 17.2%. Including Apple, the in-line sales were $837 per sq. ft., reflecting an occupancy cost of 11.3%. The weighted average base rent for the collateral is $60.20 per sq. ft.
- The loan sponsors are Prime Property Fund and GGP. Prime Property Fund was founded in 1973 and is a $1.7 billion diversified core real estate fund managed by Morgan Stanley Real Estate. Prime Property Fund's portfolio includes office, retail, multifamily, industrial, self storage, and hotel properties located in major U.S. real estate markets. GGP is one of the nation's largest real estate investment trusts and has been in the shopping center business for more than 50 years. GGP owns, develops, operates, and/or manages shopping malls in 43 states. The company's portfolio comprises approximately 200 million sq. ft. of retail space and includes more than 24,000 retail shops. GGP emerged from Chapter 11 bankruptcy on Nov. 9, 2010.

Tenant Summary

Table 22

Christiana Mall Anchor Tenants

Tenant	S&P rating	Occupied sq. ft.	% of collateral NRA	Base rent per sq. ft. ($)	Lease expiration	2009 sales per sq. ft. ($)
Macy's*	BB+	215,000	N/A	0.09	December 2028	251
JCPenney*	BB+	158,000	N/A	0.00	December 2028	215
Target*	A+	145,312	N/A	0.00	December 2036	N.A.
Nordstrom*	BBB+	123,000	N/A	0.00	December 2028	N.A.

*Not part of the collateral; anchor owned. NRA--Net rentable area. N/A--Not applicable. N.A.--Not available.

Table 23

Christiana Mall Junior Anchor Tenants And Major In-Line Tenants

Tenant	S&P rating	Occupied sq. ft.	% of collateral NRA	Base rent per sq. ft. ($)	Lease expiration	2009 sales per sq. ft. ($)
Barnes & Noble*	BB+	36,803	N/A	20.38	January 2020	N.A.
Forever 21	NR	27,300	6.3	54.95	January 2020	233
H & M	NR	20,160	4.6	36.00	January 2021	92
Express/Express Men	NR	12,330	2.8	46.80	January 2014	387
Anthropologie	NR	10,967	2.5	40.00	January 2021	81
Urban Outfitters	NR	10,000	2.3	29.50	January 2021	64

Table 23

Christiana Mall Junior Anchor Tenants And Major In-Line Tenants (cont.)

Pottery Barn	NR	9,771	2.2	33.39	January 2021	307
Abercrombie & Fitch	NR	9,471	2.2	30.37	January 2020	344
FYE	NR	9,373	2.2	65.00	February 2012	313
The Cheesecake Factory	NR	8,603	2.0	30.00	January 2031	738
Tilly's	NR	8,515	2.0	80.00	May 2020	128

*Not part of the collateral; tenant owned. NRA--Net rentable area. NR--Not rated. N/A--Not applicable. N.A.--Not available.

Table 24

Lease Rollover Schedule*

Year	No. of leases	NRA (sq. ft.)	% of sq. ft.	% of total base rent
2011	13	19,623	4.5	5.7
2012	11	30,928	7.3	6.6
2013	5	17,737	4.1	4.2
2014	10	39,527	9.1	8.3
2015	8	25,695	5.9	6.5
2016	12	19,546	4.5	6.8
2017	6	17,368	4.0	4.6
2018	10	12,609	2.9	4.4
2019	15	24,828	5.7	8.2
2020	26	110,631	25.4	23.7
2021 and beyond	12	90,452	20.8	15.3
Vacant	N/A	26,275	6.0	6.0

*As calculated by Standard & Poor's. We generally assume vacant tenants as those that have expired leases, month-to-month leases, are dark, are in litigation, are bankrupt, etc. NRA--Net rentable area. N/A--Not applicable.

Competitor Statistics

Table 25

Christiana Mall Primary Competitors

Property name	Owner	Year built/renovated	NRA (sq. ft.)	Distance from property (miles)	Occupancy (%)	Sales per sq. ft. ($)	Anchors
Concord Mall	Allied Properties	1969/1984	863,251	12 NE	98	450	Sears, Best Buy, and Barnes & Noble
Dover Mall	Simon Property Group	1982/1997	843,886	33 S	93	315	Boscov's, Macy's, JCPenney, Sears, and Carmike Cinema
King of Prussia Mall	Kravco-Simon	1962/2002	2,513,738	32 NE	99	600	Nordstrom's Bloomingdale's, Macy's, Lord & Taylor, Sears, JCPenney, and Neiman Marcus
Franklin Mills	Simon Property Group	1989/1998	1,437,685	46 N	95	290	Boscov's, Burlington Coat Factory, Marshall's, and Sam's Club

NE--Northeast. S--South. N--North.

SEC-STRS-E-0081909

Historical Cash Flow And Standard & Poor's Cash Flow

Table 26

Cash Flows						
	2007	**2008**	**2009**	**Appraiser**	**Issuer**	**S&P**
Effective gross income ($)	27,588,747	27,631,963	26,899,133	36,399,621	37,857,656	37,673,304
Total operating expenses ($)	7,477,738	7,268,062	6,802,423	8,015,857	9,058,664	9,058,664
Total capital items ($)	0	0	0	0	445,593	1,259,086
Net cash flow ($)	20,111,010	20,363,901	20,096,711	28,383,764	28,353,399	27,355,553

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The revenue calculations were based on in-place rents and recently executed new leases and the vacant in-line space was grossed-up at market rents.
- A 6% vacancy rate was assumed, which is in-line with the property's current vacancy rate.
- The expense reimbursements were grossed-up to 98% of operating expenses, which is in-line with the property's historical performance.
- The percentage rent was based on estimated figures for 2011, accounting for the extensive expansion and renovation.
- The "other income" was calculated based on the property's historical performance and includes temporary tenant income, other rental income, and miscellaneous revenues.
- The operating expenses were based on the property's historical performance. The real estate taxes were based on the 2010 estimate, which was higher than the appraiser's assumption.
- A management fee of 5% of effective gross income (EGI) minus recoveries was assumed and capped at $1 million.
- The replacement reserves were estimated at $0.30 per sq. ft. of the collateral gross leasable area.
- No TI expenses were assumed for anchor tenants because the spaces are tenant-owned.
- The TI expenses for the major tenants were assumed to be $17.00 per sq. ft. for new leases and $8.50 per sq. ft. for renewal leases.
- The TI expenses for the in-line tenants were assumed to be $20.00 per sq. ft. for new leases and $10.00 per sq. ft. for renewal leases.
- The LC expenses were estimated at 4% for new leases and 2% for renewal leases.
- The TI/LC assumptions were based on the in-place weighted average lease term of 10 years for major tenants and 10 years for in-line tenants, with LC expenses capped at 10 years.
- A renewal probability of 65% was assumed for the major and in-line tenants.
- Based on these assumptions, Standard & Poor's overall NCF variance for this property was negative 3.5%.
- Standard & Poor's applied an 8.00% capitalization rate to the NCF, resulting in a Standard & Poor's value of $341.9 million ($786 per sq. ft. of collateral).
- The quality score for this asset is 2.75, an above-average score.

This loan exhibits the following strengths:

- The pooled trust balance exhibits credit characteristics that are consistent with investment-grade obligations rated 'BBB' by Standard & Poor's.
- The property benefits from strong in-line sales performance of $549 per sq. ft., or $837 per sq. ft. including

Apple.
- The property is expected to benefit from a nearly complete $187.5 million renovation and expansion program that includes a new Nordstrom, Target, food court, and restaurant space.
- Christiana Mall is the dominant mall within its trade area. The property benefits from a diverse tenant mix of national anchor tenants and department stores.
- The loan benefits from a hard, in-place lockbox. However, according to the terms of the cash management agreement, there is no DSC trigger for the NCF sweep and all excess cash flow will be remitted to the borrower unless an event of default occurs.
- The property benefits from experienced management.

This loan exhibits the following concerns and mitigating factors:

- There will be significant rollover in 2020 as 26 leases representing 25.4% of the NRA will expire during the year. However, several of these leases were executed in 2009 and 2010 and, as such, reflect current market rental rates. In addition, as of September 2010, the average sales per sq. ft. of tenants with leases expiring in 2020 were more than $1,300 per sq. ft. (or more than $300 per sq. ft. if the recently opened Apple store is excluded).
- The collateral property includes a ground leased parcel that is not fully compliant with Standard & Poor's criteria. However, this ground lease parcel relates only to a portion of the parking lot that is not necessary for zoning compliance.
- The loan does not benefit from a guarantee with respect to the nonrecourse carve-outs. However, the borrower is required to cause GGP, GGP L.P., or an affiliate of GGP, at the lender's approval to deliver a limited nonrecourse carve-out guarantee with respect to the voluntary or collusive bankruptcy filing or the termination of a collateral ground lease resulting from insufficient parking at the property.
- The loan does not require rating agency confirmation with respect to a replacement property manager. However, any replacement property manager will be subject to the lender's approval and must be a reputable and experienced management organization with experience managing properties similar in size, scope, and value.
- The loan has an initial 60-month interest-only period. However, Standard & Poor's DSC and loan analysis was based on the debt service assuming a 30-year amortization schedule.
- There are no upfront or ongoing reserves for capital improvements or TI/LCs. However, if the DSC falls below 1.2x, monthly collections will commence, capped at $110,604 for capital expenditures and $553,021 for TI/LCs.
- The loan is sponsored by GGP, which filed for Chapter 11 bankruptcy protection on April 16, 2009. GGP emerged from bankruptcy in November 2010, marking the conclusion of one of the largest and more complex bankruptcy cases in U.S. corporate history.

2. Michigan Plaza

Table 27

Loan Profile

	Loan summary		Collateral summary
Trust amount	$179,502,675	**% of pool**	11.6%
Loan type	Fixed rate	**Originator**	Morgan Stanley Mortgage Capital Holdings LLC
Interest rate	4.94%	**Property type**	Office, central business district, class A-/B+
Amortization	30 years	**No. of properties**	One
Maturity date	Nov. 5, 2015	**Location**	Chicago
Sponsors	Sir Joseph Hotung and Loeb Partners Realty LLC	**Year built/renovated**	1982 and 1985/2002
Management	MB Real Estate Services LLC	**Total NRA**	1,924,666 sq. ft.
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and one independent director	**Physical occupancy as of Oct. 1, 2010***	78.4% leased and 71.8% occupied
		Economic occupancy as of Oct. 1, 2010*	75.8%
		Ownership	Fee simple

*As calculated by Standard & Poor's. SPE--Special-purpose entity. NRA--Net rental area.

Table 28

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A	179.5	93.3	96.4	1.21x	1.62x
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	179.5	93.3	96.4	1.21x	1.62x
Mezzanine	30.0	15.6	112.5	N/A	N/A
Total	209.5	108.9	112.5	0.87x	1.24x

*Calculated based on a Standard & Poor's stressed constant of 8.25% for the mortgage and the actual 11.3% constant on the mezzanine debt. **Calculated based on the actual constant and the issuer's NCF. LTV--Loan-to-value. DSC--Debt service coverage. N/A--Not applicable. NCF--Net cash flow.

Table 29

Structural Features

Lock box	Hard, in-place.
Ongoing reserves	Monthly collections for debt service, real estate taxes, insurance, operating expenses, and replacement reserves ($0.25 per sq. ft. per year). Assuming no event of default has occurred, the mezzanine debt is funded at the bottom of the waterfall. Monthly reserves for TI/LCs ($241,011 per month) will be funded if the balance in the TI/LC reserve falls below $4.0 million and/or the property is less than 70% leased.
Up-front reserves	$15.0 million for tenant improvement allowance ($27.61 per sq. ft. of space that is vacant or dark); taxes: $6,059,068; and insurance: $45,743.

Property And Loan Highlights

- The property is a two-building, class A-/B+ office complex located in the East Loop submarket of Chicago's Central Business District (CBD). It is part of the Illinois Center complex, an enclosed retail concourse that is interconnected to the Hyatt Regency, the Swiss Hotel, other office buildings, and a 500-space indoor parking garage. The property has direct access to the Randolph Street METRA Metro Station, the South Shore commuter rail system, and is located within three blocks of the "EL" trains. In addition, the Michigan Plaza landlord provides its tenants with private shuttle service to the three major train stations with suburban commuter rail service.

- The property's two towers include 205 and 225 North Michigan Avenue, which together comprise 1,924,666 sq. ft. The 205 tower is a 44-story building constructed in 1982, and the 225 tower is a 25-story building constructed in 1985. The two towers share a contiguous floor plan from the common lobby through the 16th floor. There is 45,000 sq. ft. of retail space with tenants that include CVS, Starbucks, Hallmark, and Sweetwater Grill. The weighted average rent for the property is $30.82 per sq. ft. gross, as calculated by Standard & Poor's.
- The sponsor is Loeb Partners Realty LLC (Loeb), a privately held real estate services firm that has invested in and managed the asset on behalf of the Loeb family, private investment groups, pension funds, and institutional investors. As of January 2010, Loeb had 32 properties in 10 states with more than 15 million sq. ft. of space.
- The property is managed by MB Real Estate, a full-service real estate firm that provides facilities management, leasing, property development, and other related services. Based in Chicago, MB Real Estate was founded in 1982 and manages more than 16 million sq. ft. of primarily office, retail, and industrial properties.

Tenant Summary

Table 30

Major Michigan Plaza Tenants

Tenants	S&P rating/outlook	Sq. ft.	Property NRA (%)	Base rent per sq. ft. ($)	Base rent (% of GPR)	Lease expiration
Blue Cross & Blue Shield	NR	225,231	11.7	17.78	9.4	March 2024
Fox Television Station (News Corp.)	BBB+/Stable	84,909	4.4	20.44	4.1	December 2022
Unilever N.V.*	A+/Stable	77,383	4.0	24.60	4.5	July 2013
Omnicom Group	BBB+/Stable	77,059	4.0	14.12	2.6	May 2016
Cramer-Krasselt	NR	76,261	4.0	20.06	3.6	June 2018

*Unilever has vacated its space, but continues to pay rent. For the purposes of our analysis, we assumed a 0% renewal probability for this tenant. NRA--Net rentable area. GPR--Gross potential rent. NR--Not rated.

Table 31

Lease Rollover Schedule*

Year	No. of leases	NRA (sq. ft.)	% of sq. ft.	% of total base rent
2010	1	1,237	0.1	0.1
2011	12	32,287	1.7	2.6
2012	19	95,842	5.0	8.0
2013	19	148,615	7.7	11.5
2014	13	66,731	3.5	5.9
2015	12	52,338	2.7	4.1
2016	14	259,161	13.5	18.2
2017	1	67,562	3.5	4.0
2018	13	178,354	9.3	10.4
2019	7	124,980	6.5	9.4
2020	6	69,316	3.6	4.9
2021 and beyond	12	362,299	18.8	20.9

Table 31

Lease Rollover Schedule* (cont.)				
Vacant (as of October 2010)	N/A	465,944	24.2	N/A

*As calculated by Standard & Poor's. We generally assume vacant tenants as those that have expired leases, month-to-month leases, are dark, in litigation, bankrupt, etc. The exception is Unilever ('A+', lease expires July 2013), for which we assumed a 0% renewal probability. NRA--Net rentable area. N/A--Not applicable.

Market And Competitor Statistics

Table 32

CoStar Chicago East Loop Market Data As Of Year-End 2010

Building class	Inventory (sq. ft.)	Overall vacancy (%)	Gross asking rent per sq. ft. ($)	YTD absorption (sq. ft.)	New construction (sq. ft.)
A	15,089,390	22.5	32.29	155,248	0
B	7,661,679	12.2	23.81	(97,516)	0
Blended A and B	22,751,069	19.0	29.43	57,732	0

YTD--Year-to-date.

Table 33

Appraiser Rent Comparable Data

Property name	Class	NRA (sq. ft.)	Year built	Stories	% leased	Lease date	Size (sq. ft.)	Initial rent per sq. ft. ($)*	Term (years)
150 North Michigan Ave	B	649,361	1984	41	68.2	June 2010	4,119	15.50	3
Two Illinois Center	B	980,362	1972	32	86.6	March 2010	7,032	14.00	10
One Illinois Center	B	1,002,950	1969	32	97.4	February 2010	99,204	13.50	11
One Illinois Center	B	1,002,950	1969	32	97.4	February 2010	5,810	12.85	1
Two Prudential Plaza	A	993,507	1990	64	86.2	January 2010	3,659	15.50	5
Two Illinois Center	B	980,362	1972	32	86.6	December 2009	184,042	15.50	10
Three Illinois Center	B	875,000	1980	30	66.9	August 2009	5,386	15.50	7.5
Two Prudential Plaza	A	993,507	1990	64	86.2	September 2009	4,119	15.50	10

*Leases are quoted net of taxes, utilities, and other operating expenses, which average $15.27 per sq. ft. NRA--Net rentable area.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 34

Cash Flows

	2008	2009	TTM ended July 2010	Appraiser (year 1)	Issuer	S&P
Effective gross income ($)	45,283,928	43,198,987	44,722,206	47,144,139	46,302,775	43,303,191
Total operating expenses ($)	23,713,693	24,480,008	24,503,352	24,161,869	25,516,018	24,654,947
Total capital items ($)	18,388,041	9,694,342	9,492,459	1,902,119	2,810,013	3,238,492
Other adjustments*	--	--	--	--	--	2,564,859
Net cash flow ($)	3,182,194	9,024,637	10,726,395	21,080,151	17,976,744	17,974,859

Table 34

Cash Flows (cont.)

*Standard & Poor's gave credit for the lesser of our assumed annual TI/LC reserves, or $3.0 million, which is the upfront $15.0 million leasing reserve normalized over the five-year loan term. TTM--Trailing 12 months. TI/LCs--Tenant improvements and leasing commissions.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The underwritten revenues were based on gross rent of $28.50 per sq. ft., which is based on the appraiser's concluded market rents, the subject's mix of net and gross leases, and the estimated 2010 expense reimbursements of $8.41 per sq. ft. Our assumed mark-to-market to $28.50 per sq. ft. represents a 7.1% discount versus the in-place rents (net of concessions).
- Additional vacancy was applied to space that is dark, expired, or otherwise expected to become vacant within the next few months. Excluding the Unilever space ('A+', 77,383 sq. ft., 4.0% of NRA, 4.5% of base rents, expires July 2013), our total vacancy is 24.2% of NRA.
- The expense reimbursements were based on the tenants' contractual obligations.
- Parking income was based on the issuer's estimated income of $790,000 per year from a lease agreement with the operator, Central Parking Systems. Although the current lease payment equals $1 million per year, the operator has requested to terminate its lease due to a change in the garage facility's projected profitability.
- Other income was based on the property's historical performance and appraisal estimates.
- Operating expenses, other than insurance premiums, were based on the property's trailing 12-month performance as of July 2010.
- The insurance premium expense was based on the current actual premium.
- A management fee of $1.0 million was assumed, which is equivalent to 2.3% of EGI. Standard & Poor's typically caps management fees at the greater of $1.0 million or 1.5% of EGI for office buildings, unless a higher amount is warranted.
- Replacement reserves were assumed to be $0.35 per sq. ft.
- TI expenses were assumed to be $14.00 per sq. ft. for new leases and $7.00 per sq. ft. for renewal leases.
- LCs were calculated using a rate of 4.0% and 2.0% for new and renewal tenants, respectively.
- The TI/LC assumptions were based on an assumed average lease term of ten years.
- A 65% renewal probability was assumed for all tenants except Unilever, for which we assumed a 0% renewal probability.
- The loan includes a $15.0 million upfront leasing reserve, which equals $3.0 million annually over the five-year loan term. In deriving its NCF, Standard & Poor's gave credit for $2.5 million, which is the lesser of our assumed annual TI/LC reserve amount and $3.0 million.
- Based on these assumptions, Standard & Poor's NCF variance for this property is 0.0%.
- Standard & Poor's applied a capitalization rate of 9.00% to our unadjusted NCF, and added $15.0 million to value, which resulted in a Standard & Poor's value of $186.2 million ($97 per sq. ft.).
- The quality score for this asset is 2.75, an above-average score.

This loan exhibits the following strengths:

- The property is well-located in the East Loop of the Chicago CBD. Access is convenient with an "EL" station located adjacent to the property.
- The property benefits from its location within Illinois Center, a mixed-use development that includes full-service hotels, office towers, an athletic facility, below-grade parking, and an array of retail services.

- The property benefits from a diverse tenant mix with more than 180 tenants, the largest of which comprises only 9.4% of base rents.
- The loan benefits from a hard lockbox with a meaningful trigger that is based on a first mortgage actual DSC of 1.44x or an all-in DSC of 1.10x, including the mezzanine loan at the actual constant. The current actual DSCs are 1.62x and 1.24x, respectively, based on Standard & Poor's NCF.
- The loan benefits from a $15 million upfront leasing reserve, which equals $25.22 per sq. ft. of vacant space.
- The property benefits from strong sponsorship and experienced management.

This loan exhibits the following concerns and mitigating factors:

- There is additional debt in the form of a $30.0 million mezzanine loan, which increases Standard & Poor's LTV ratio from 96.4% to 112.5%. Standard & Poor's took the loan structure and all additional debt into consideration when evaluating the loan and the deal.
- Although the property is 78.4% leased, physical occupancy is only 71.8% due to dark tenant spaces, including Unilever. This is partially mitigated by the $15.0 million upfront leasing reserve, which equals $27.61 per sq. ft. of vacant space. The Unilever ('A+') lease provides for $1.9 million in revenue per year through July 2013. Furthermore, the borrower has already invested approximately $13.7 million ($25.22 per sq. ft. of vacant space) in preparing vacant space for potential tenants, including a "speculative suite" program that enhances the borrower's ability to quickly accommodate new tenants. Standard & Poor's accounted for dark space in its analysis by assuming all non-investment-grade tenants were vacant, and by assigning a 0% renewal probability to the Unilever ('A+') space.
- The subject's submarket, Chicago's East Loop, has a total vacancy of 19% according to CoStar. With a significant overhang of available space, the leasing environment is highly competitive. However, the pipeline of new supply is minimal, and over the next five years, CBRE-EA is projecting modest growth in rents and declining vacancy levels. Standard & Poor's accounted for the weak market fundamentals by taking a mark-to-market adjustment to in-place rents. Furthermore, the property benefits from having low levels of annual lease expirations during the five-year loan term.

3. Pearlridge Center

SEC-STRS-E-0081916

Table 35

Loan Profile

	Loan summary		Collateral summary
Trust amount	$175,000,000	**% of pool**	11.3%
Loan type	Fixed rate	**Originator**	Morgan Stanley Mortgage Capital Holdings LLC
Interest rate	4.60%	**Property type**	Regional mall
Amortization	30 years after the initial 36-month interest-only period	**Location**	Honolulu
Maturity date	Nov. 1, 2015	**Year built/renovated**	1972/1996
Sponsors	Blackstone Real Estate Partners VI L.P. (parent: Blackstone Holdings ['A']) and Glimcher Realty Trust ('B+')	**Total mall NRA**	1,304,172 sq. ft.
Management	An affiliate of the sponsor	**Collateral NRA**	1,153,541 sq. ft.
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and two independent directors	**Physical occupancy as of September 2010**	99.6%
		Economic occupancy as of September 2010	99.7%
		Ownership	Fee/leasehold; the property is subject to seven ground leases

SPE--Special-purpose entity. NRA--Net rental area.

Table 36

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A	175.0	152	86.5	1.10x	1.59x
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	175.0	152	86.5	1.10x	1.59x
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	175.0	152	86.5	1.10x	1.59x

*Calculated based on a Standard & Poor's stressed constant of 8.25% and a 30-year amortization schedule. **Calculated based on the actual constant, a 30-year amortization schedule, and the issuer's NCF. LTV--Loan to value. DSC--Debt service coverage. N/A--Not applicable. NCF--Net cash flow.

Table 37

Structural Features

Lock box	Hard, in place.
Ongoing reserves	Monthly collections for debt service, ground rent, taxes and insurance, and a TI/LC reserve ($1.45 per sq. ft. on 475,000 sq. ft.).
Up-front reserves	Taxes ($1,040,394) and outstanding TIs ($840,750).

TI/LCs--Tenant improvements and leasing commissions.

Property And Loan Highlights

- The property is a 1.2 million-sq.-ft. enclosed regional shopping mall located in Honolulu, on the island of Oahu. It is located within one mile of Aloha Stadium, several country clubs, and is less than three miles from Honolulu Airport.
- The property was constructed in phases and consists of two distinct structures with separate food courts and

SEC-STRS-E-0081917

tenant mixes. The structures are within walking distance of one another and are connected by a monorail.

- The mall has two anchor tenants and four junior anchor tenants, each of which is part of the collateral. A third anchor, JCPenney, closed in January 2004. That anchor space was converted into interior mall shop space and two major tenant spaces: Border's Books and Price Busters, which are not part of the collateral.
- The mall has 279 tenants. Based on reporting tenants, the property's in-line sales for tenants occupying less than 10,000 sq. ft. for at least one year, excluding kiosk and food court tenants, were approximately $421 per sq. ft. as of September 2010, resulting in an occupancy cost of approximately 15%. Historical in-line sales for tenants occupying less than 10,000 sq. ft., including kiosk and food court tenants, as reported by the appraiser, were $498 in 2007, $504 in 2008, and $496 in 2009. The current in-place weighted average base rent for in-line tenants is $35.22 per sq. ft., whereas the weighted average base rent for all tenants is $17.27 per sq. ft.
- In addition to retail space, the property has been improved with 160,909 sq. ft. of office space, 9,909 sq. ft. of storage space, and a 54,149-sq.-ft. theater.
- The $175 million loan financed the $250 million acquisition of the subject property by Blackstone Real Estate Partners VI L.P. (Blackstone; parent: Blackstone Holdings ['A']) and Glimcher Realty Trust ('B+') in November 2010 (representing a 70% loan-to-cost ratio).
- Blackstone's real estate group was founded in 1992 and has raised a total of $29 billion since inception. Blackstone is a long-term holder of a diversified international asset pool, including office, hotel, healthcare, retail, and multifamily properties. In 2007, Blackstone completed its initial public offering, which totaled $7.6 billion and included a $3 billion investment by China Investment Co.
- Glimcher Realty Trust is a REIT based in Columbia, Ohio. It owns and/or manages 26 properties in 13 states with a total of 20.0 million sq. ft. Regional malls constitute the core of its portfolio.

Tenant Summary

Table 38

Pearlridge Center Anchor Tenants

Tenant	S&P rating	Occupied sq. ft.	% of collateral NRA	Base rent per sq. ft. ($)	Lease expiration	Sales per sq. ft. for the TTM ended September 2010 ($)
Sears	BB-	185,000	1.6	2.67	June 2029	219
Macy's	BB+	150,000	1.3	3.83	August 2014	279

NRA--Net rentable area.

Table 39

Pearlridge Center Junior Anchor And Major In-Line Tenants

Tenant	S&P rating	Occupied sq. ft.	% of collateral NRA	Base rent per sq. ft. ($)	Lease expiration	Sales per sq. ft. for the TTM ended September 2010 ($)
Bed Bath & Beyond	BBB	65,653	5.7	10.03	January 2021	N.A.
Longs Drug Store	BBB+*	26,500	2.3	3.26	February 2021	679
Toys "R" Us	NR	46,000	4.0	13.02	January 2029	368
Ross	NR	24,063	2.1	20.78	January 2014	460
Footlocker Triplex	NR	10,817	0.9	30.00	April 2018	301
Gap	BB+	17,616	1.5	20.00	November 2012	152

Table 39

Pearlridge Center Junior Anchor And Major In-Line Tenants (cont.)

Pearlridge Theater	NR	54,149	4.7	13.34	November 2012	110; $347,706/screen (as of 2009)

*The rating on the parent company, CVS Caremark Corp. NRA--Net rentable area. NR--Not rated. N.A.--Not available.

Table 40

Lease Rollover Schedule*

Year	No. of leases	NRA (sq. ft.)	% of	% of total base rent
2011	32	28,153	2.4	7
2012	28	126,633	11.0	12
2013	31	38,531	3.3	5
2014	28	256,640	22.3	12
2015	24	39,192	3.4	7
2016	20	68,325	5.9	10
2017	18	46,046	4.0	7
2018	23	115,571	10.0	16
2019	24	55,983	4.9	8
2020 and beyond	34	369,660	32.1	17
Vacant	N/A	8,807	0.8	N/A

*As calculated by Standard & Poor's. We generally assume vacant tenants as those that have expired leases, month-to-month leases, are dark, are in litigation, are bankrupt, etc. NRA--Net rentable area. N/A--Not applicable.

Competitor Statistics

Table 41

Pearlridge Center Primary Competitors

Property name	Owner	Year built	NRA (sq. ft.)	Distance from property (miles)	Occupancy (%)	Sales per sq. ft. ($)	Anchors
Ala Moana Center	General Growth Properties	1959/2004	2,370,000	10.5	99	1,125	Sears, Macy's, Neiman Marcus, and Nordstrom
Kahala Mall	N.A.	1967/1986	486,400	13.7	99	N.A.	Macy's, Barnes & Noble, Longs Drugs, and Whole Foods
Windward Mall	N.A.	1982/1994	508,167	14.4	100	N.A.	Macy's, Sears, Regal Cinemas, and Borders

NRA--Net rentable area. N.A.--Not available.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 42

Cash Flows

	2008	2009	In-place 2010	Appraiser	Issuer	S&P
Effective gross income ($)	42,914,383	41,139,458	43,670,936	43,228,556	42,392,113	41,849,051
Total operating expenses ($)	23,463,428	22,734,804	23,580,440	23,546,839	23,494,668	25,330,884
Total capital items ($)	0	0	0	1,520,453	1,729,688	1,410,779
Net cash flow ($)	19,450,955	18,404,654	20,090,496	18,161,264	17,167,757	15,851,703*

SEC-STRS-E-0081919

Table 42

Cash Flows (cont.)

*Standard & Poor's increased its NCF to account for the present value analysis of the ground rent expense. NCF–Net cash flow.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The gross potential rent was based on leases in-place as of the October 2010 rent roll, with vacant spaces grossed up by the average in-place rent by tenant type.
- A market rate vacancy of 5.0% for retail space, 7.5% for office space, and 10.0% for storage space was assumed because the property's in-place occupancy rate is greater than the market rate.
- The expense reimbursements were based on the tenants' contractual obligations and the property's historical performance.
- The percentage rent was based on the property's historical performance.
- The "other income" was calculated based on the property's historical performance and includes miscellaneous income and fares for the onsite monorail.
- The operating expenses were based on the property's historical performance, with consideration given to the appraiser's estimates.
- A management fee of 5% of the EGI minus recoveries was assumed, but capped at $1 million.
- The replacement reserves were estimated at $0.30 per sq. ft. of the collateral gross leasable area.
- The TI expenses for the anchor tenants were assumed to be $2.00 per sq. ft. for new leases and $1.00 per sq. ft. for renewal leases.
- The TI expenses for the major tenants were assumed to be $10.00 per sq. ft. for new leases and $5.00 per sq. ft. for renewal leases.
- The TI expenses for the in-line tenants were assumed to be $12.00 per sq. ft. for new leases and $5.00 per sq. ft. for renewal leases;
- The TI expenses for the office tenants were assumed to be $23.00 per sq. ft. for new leases and $11.50 per sq. ft. for renewal leases.
- The TI expenses for the theater tenant were assumed to be $12.00 per sq. ft. for new leases and $5.00 per sq. ft. for renewal leases.
- The LC expenses were estimated at 4% for new leases and 2% for renewal leases.
- The TI/LC assumptions were based on lease terms of 10 years for the anchor, major, in-line, and office tenants, as well as for the theater tenant. Leasing commissions were capped at 10 years. With respect to lease terms, we may adjust our assumptions in certain situations, including instances where a tenant has an early termination option or the lease term that the borrower indicated for a particular tenant is unrealistically long and does not reflect a typical market lease term. In the latter case, the rent roll that the borrower submits may inadvertently include the original lease terms plus extensions and overstate current lease terms.
- A renewal probability of 65% was assumed for all tenants with the exception of the theater tenant, which was assigned a 60% renewal probability.
- Based on these assumptions, Standard & Poor's overall NCF variance for this property was negative 7.7%.
- Standard & Poor's applied an 8.00% capitalization rate to the NCF, resulting in a Standard & Poor's value of $202.2 million ($175 per sq. ft. of the total collateral).
- The quality score for this asset is 3.0, an average score.

This loan exhibits the following strengths:

- The property has exhibited strong historical performance with occupancy of more than 99% since 2008 and current occupancy of 99.6%. This is generally in line with competing malls and evidence of the relatively strong Honolulu retail market.
- The property has a large mix of local and national anchor and in-line tenants, including Sears, Macy's, Bed Bath & Beyond (the first in Hawaii), Gap, Footlocker, and Toys "R" Us. The property exhibited in-line sales of $421 per sq. ft. as of September 2010, reflecting an occupancy cost of 15%.
- In the event that either Macy's or Pearlridge West Theaters fails to renew its lease within six months of lease expiration, and the borrower has not entered into new leases for the majority of the respective spaces, the borrower is required to make monthly TI/LC reserve payments of $333,333 per month for Macy's (up to $2.0 million) and/or $250,000 per month for Pearlridge West Theaters (up to $1.5 million).
- The loan is structured with a cash flow sweep upon an event of default or the DSC dropping below 1.20x, tested quarterly, based on the 12-month projected underwritten NCF and actual debt service. The current actual DSC is 1.47x based on Standard & Poor's NCF.
- The property benefits from strong sponsorship and experienced management by Blackstone (80% ownership) and Glimcher Realty Trust (20% ownership).

This loan exhibits the following concerns and mitigating factors:

- Due to the fact that the mall was constructed in phases, the layout is not typical of enclosed shopping centers. The mall has two separate interior mall buildings that are accessible by foot or monorail. However, each component has its own food court and mix of retail tenants.
- 22.3% of the leases representing 256,640 sq. ft. and 12% of potential gross income will expire in 2014. This is partially due to the expiration of the Macy's lease, which accounts for 150,000 sq. ft. and 13% of NRA. As a mitigant, the loan requires an additional monthly payment of $333,333 into the TI/LC reserve up to $2.0 million in the event that Macy's does not renew its lease or a suitable replacement tenant is not signed six months before the lease expiration. Furthermore, Macy's reported strong sales of $279 per sq. ft. as of October 2010.
- The loan has an initial 36-month interest-only period. However, Standard & Poor's DSC and loan analysis was based on the debt service assuming a 30-year amortization schedule.
- The property is subject to seven ground leases. Six of the leases are subject to a master lease through 2058, with renewal options through 2078. The seventh ground lease, on which the Territorial Savings & Loan Building is constructed, expires in 2031 with no renewal options. Furthermore, the lessor is not required to enter into a new lease with the lender if the ground lease is terminated for any reason, including rejection in bankruptcy. However, this portion of the subject property constitutes less than 1% of total gross leasable area and rental collections and is located on the periphery of the property away from the main mall structures.
- The borrower is permitted to sell the property and transfer ownership interests to a "qualified transferee" without obtaining rating agency confirmation or lender consent. The loan documents require that the transferee is a qualified experienced operator and that it satisfy SPE requirements.

4. W.P. Carey Industrial Portfolio

Table 43

Loan Profile

Loan summary		Collateral summary	
Trust amount	$116,880,584	**% of pool**	7.5%
Loan type	Fixed rate	**Originator**	Morgan Stanley Mortgage Capital Holdings LLC
Interest rate	5.17%	**Property type**	Single-tenant, industrial warehouse; and single-tenant office class B
Amortization	30 years	**No. of properties**	20
ARD date	Jan. 5, 2021	**Location**	Various
Final maturity date	Jan. 5, 2041	**Year built/renovated**	Various
Sponsor	W.P. Carey & Co. LLC	**Total NRA**	3,259,821 sq. ft.
Management	Managed by the tenant unless an event of default occurs under the master lease	**Ownership**	Leased fee
Borrower SPE provisions	Bankruptcy remote with one independent director and a nonconsolidation opinion		

ARD--Anticipated repayment date. SPE--Special-purpose entity. NRA--Net rental area.

Table 44

Total Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A	116.9	36	84.7	1.28	1.85
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	116.9	36	84.7	1.28	1.85
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	116.9	36	84.7	1.28	1.85

*Calculated based on a Standard & Poor's stressed constant of 8.50%. **Calculated based on the actual constant and the issuer's NCF. LTV--Loan to value. DSC--Debt service coverage. N/A--Not applicable. NCF--Net cash flow.

Table 45

Structural Features

Lock box	Hard, in-place.
Ongoing reserves	On-going monthly reserves for taxes, insurance, and capital expenditures are waived except upon an event of default or if the tenant is in material default, the master or replacement lease is not in full force, or evidence of tax or insurance payments is not provided. TI/LC collections will commence if a property is no longer occupied by the master tenant or an acceptable replacement tenant.
Up-front reserves	$2,815,000 to cover potential environmental remediation.

TI/LCs--Tenant improvements and leasing commissions.

Property And Loan Highlights

- The collateral for the loan consists of the leased fee interest in 26 General Parts Internal Inc. (GPI) distribution centers and four office properties that are geographically diversified across 25 states.
- The loan funds the $225 million purchase of the portfolio (52% loan to cost). The properties were previously owned by an affiliate of GPI, and the sale involved a leaseback to an affiliate of GPI. The properties are currently

SEC-STRS-E-0081922

operated by affiliates of GPI, including CARQUEST Auto Parts Inc. (CARQUEST).

- The aggregate square footage attributable to the distribution centers is 3,176,238 sq. ft. while the office buildings comprise 83,583 sq. ft. The four office properties are located within a single office park, and the GPI affiliates use them as their headquarters.
- There is one non-cancelable, triple-net lease (tenant pays all operating expenses, including real estate taxes and capital expenditures) covering all 30 properties with an initial term of 20 years expiring in December 2030. The lease provides for six five-year extension options. The current in-place rent is $5.21 per sq. ft. with rent escalations of 5% every five years. The lease allows the tenant to sublease up to 50% of the gross leasable area with no consent or approval of the landlord.
- The property transfer is a sale-leaseback agreement in which W.P. Carey & Co. LLC (W.P. Carey) negotiated to purchase the portfolio from GPI and lease the properties to the GPI affiliates. All of the facilities are considered to be critical to GPI's business operations, and the GPI affiliates are currently occupying all of the properties within the portfolio.
- GPI primarily operates as CARQUEST and is an international distributor of replacement products for cars, trucks, off-road equipment, buses, agricultural equipment, and recreational vehicles. CARQUEST operates primarily as a distributor to commercial customers (83% of sales) with 17% of sales to retail customers.
- The sponsor is W.P. Carey, an investment management firm that specializes in long-term sale-leaseback and build-to-suit financing for a global portfolio of companies. W.P. Carey was founded 37 years ago and has a portfolio of approximately $10 billion.

Unique Loan Features

- The loan provides for substitution of up to 14 of the 30 properties during the course of the loan with 60 days notice. Substitution is subject to rating agency confirmation, as well as a set of preconditions with respect to the quality of the property being substituted. There are no collateral release provisions, except for the aforementioned substitutions.
- The loan is an ARD loan. If the loan is not paid by the expected maturity date, the loan hyperamortizes and the interest rate on the loan will step up by a minimum of 5%.
- The loan is structured such that there is no cap on the trade payables and the trade payables are not limited to short-term debt obligations. However, trade payables are limited to debts incurred from managing the properties, and they are expected to be limited given the single-tenant nature of the portfolio.
- A partial cash flow sweep will be triggered if the loan hyperamortizes due to an expiration of the initial term; a material event of default occurs; the tenant or subtenant fails to occupy at least 75% of the property (as calculated based on allocated tenant rent); or tenant bankruptcy occurs.

Property And Market Details

Property summary

Table 46

Property Details

Property address	City	State	Site area (acres)	Total NRA (sq. ft.)	% of portfolio NRA	Year built/renovated	Ceiling height	No. of dock doors
4001 Hawkins NE	Albuquerque	New Mexico	4.5	70,000	2.15	1985/2000	20' - 26'	13

SEC-STRS-E-0081923

Table 46

Property Details (cont.)

4602 SE Delaware Ave	Ankeny	Iowa	10.7	111,125	3.41	1997	30'	19
34928 McMurtrey Ave.	Bakersfield	Calif.	10.4	148,061	4.54	2001	32'	25
155 Perry Road	Bangor	Maine	6.5	94,328	2.89	1967/1997	24'	12
2001 Oak Villa Boulevard	Baton Rouge	La.	9.1	125,371	3.85	2005	26'	23
508 McGraw St	Bay City	Mich.	8.3	162,481	4.98	1950/1974	14' - 25'	12
2635 Belknap Ave	Billings	Mon.	5.0	109,022	3.34	1956	20' - 25'	18
2830 Carquest Dr.	Brunswick	Ohio	9.6	122,814	3.77	2001	30'	19
10325 E. 49th Avenue	Denver	Colo.	10.8	126,591	3.88	2000	30'	21
1544 S. Girls School Rd.	Indianapolis	Ind.	7.6	103,648	3.18	1991	25'	20
7812 S 186th Place	Kent	Wash.	4.7	89,985	2.76	1995/2005	30'	19
21560 Grenada Ave	Lakeville	Minn.	11.9	137,614	4.22	1981/1996	30'	19
1991 Lakepointe Drive	Lewisville	Texas	9.8	149,500	4.59	2000	32'	16
1989 Georgetown Road	Lexington	Ky.	10.0	100,348	3.08	1995	25'	18
1906 N Peach Ave	Marshfield	Wisc.	13.7	134,603	4.13	1950	15' - 23'	15
3065 Selma Highway	Montgomery	Ala.	8.6	142,451	4.37	1993/2007	28'	18
417 Brick Church Park Drive	Nashville	Tenn.	6.6	81,599	2.50	1989	20'	13
1700 SW 38th Ave.	Ocala	Fla.	11.1	165,509	5.08	2001/2008	28'	25
802 S 51st Ave	Phoenix	Ariz.	8.3	95,362	2.93	1988	24'	16
14819 N Lombard St	Portland	Ore.	6.8	104,825	3.22	1996	26'	20
2635 East Millbrook Road	Raleigh	N.C.	12.7	149,115	4.57	1979/1997	26'	25
4721 Hargrove Road	Raleigh	N.C.	3.7	31,304	0.96	1997	N/A	N/A
4729 Hargrove Road	Raleigh	N.C.	5.5	36,296	1.11	1998	N/A	N/A
4709 Hargrove Road	Raleigh	N.C.	1.1	7,359	0.23	1987/2005	N/A	N/A
4705 Hargrove Road	Raleigh	N.C.	0.7	8,624	0.26	1995	N/A	N/A
795 Columbia Avenue	Riverside	Calif.	7.3	154,092	4.73	2004	30'	26
900 N Independence Blvd	Romeoville	Ill.	7.0	137,548	4.22	1994/2003	24'	20
7751 Nieman Road	Shawnee	Kan.	8.0	122,640	3.76	1999	24'	19
7337 Airways Blvd	Southaven	Miss.	10.5	111,143	3.41	1997	24'	19
3661 Valley Pike	Winchester	Va.	9.3	126,463	3.88	2000	30'	18
Total	N/A	N/A	239.8	3,259,821	100.00	N/A	N/A	N/A

NRA--Net rentable area. N/A--Not applicable.

Standard & Poor's reviewed market data provided by CoStar Group and CBRE-EA to develop an opinion of the markets in which the properties operate. In our market analysis, we looked at each property's submarket. Ten of the 30 properties are located outside of the MSAs that CBRE-EA tracks. The CoStar data presented in table 47 includes properties within a five-mile radius of the collateral property. The appraiser provided submarket vacancy rates, as

SEC-STRS-E-0081924

well as vacancy rates for comparable properties.

Market statistics

Table 47

Market Data

Address	City	State	CBRE-EA submarket vacancy (%)	CoStar submarket vacancy (%)	Appraiser's submarket vacancy (%)	Appraiser's rent comparables vacancy (%)	Average CBRE-EA, CoStar, and appraiser (%)
4001 Hawkins NE	Albuquerque	New Mexico	12.40	6.70	9.00	11.10	9.80
4602 SE Delaware Ave	Ankeny	Iowa	N/A	4.70	1.50	0.00	2.07
34928 McMurtrey Ave.	Bakersfield	Calif.	N/A	3.90	N/A	43.20	23.55
155 Perry Road	Bangor	Maine	N/A	28.60	8.70	N/A	18.65
2001 Oak Villa Boulevard	Baton Rouge	La.	N/A	16.40	26.20	47.00	29.87
508 McGraw St	Bay City	Mich.	N/A	57.50	33.70	64.10	51.77
2635 Belknap Ave	Billings	Mon.	N/A	9.60	5.00	N/A	7.30
2830 Carquest Dr.	Brunswick	Ohio	11.40	6.00	7.50	26.50	12.85
10325 E. 49th Avenue	Denver	Colo.	14.80	7.10	N/A	N/A	10.95
1544 S. Girls School Rd.	Indianapolis	Ind.	17.10	7.70	11.30	6.40	10.63
7812 S 186th Place	Kent	Wash.	15.50	8.90	N/A	N/A	12.20
21560 Grenada Ave	Lakeville	Minn.	14.80	8.30	9.40	6.80	9.83
1991 Lakepointe Drive	Lewisville	Texas	19.10	20.20	N/A	10.40	16.57
1989 Georgetown Road	Lexington	Ky.	N/A	5.70	5.60	31.20	14.17
1906 N Peach Ave	Marshfield	Wisc.	N/A	N/A	15.00	0.00	7.50
3065 Selma Highway	Montgomery	Ala.	N/A	22.60	10.80	N/A	16.70
417 Brick Church Park Drive	Nashville	Tenn.	12.20	7.20	11.40	0.00	7.70
1700 SW 38th Ave.	Ocala	Fla.	N/A	7.50	10.90	36.30	18.23
802 S 51st Ave	Phoenix	Ariz.	22.10	16.80	10.80	19.20	17.23
14819 N Lombard St	Portland	Ore.	10.30	8.90	7.30	N/A	8.83
2635 East Millbrook Road	Raleigh	N.C.	12.30	12.00	34.60	2.70	15.40
4721 Hargrove Road	Raleigh	N.C.	13.60	13.70	22.60	8.50	14.60
4729 Hargrove Road	Raleigh	N.C.	13.60	13.70	22.60	8.50	14.60
4709 Hargrove Road	Raleigh	N.C.	13.60	13.70	22.60	8.50	14.60

SEC-STRS-E-0081925

Table 47

Market Data (cont.)

4705 Hargrove Road	Raleigh	N.C.	13.60	13.70	22.60	8.50	14.60
795 Columbia Avenue	Riverside	Calif.	17.30	18.70	10.00	28.50	18.63
900 N Independence Blvd	Romeoville	Ill.	16.80	13.80	13.80	0.00	11.10
7751 Nieman Road	Shawnee	Kan.	10.10	5.80	8.20	28.10	13.05
7337 Airways Blvd	Southaven	Miss.	26.20	10.50	16.40	10.90	16.00
3661 Valley Pike	Winchester	Va.	N/A	29.90	20.00	16.30	22.07

CBRE--C.B. Richard Ellis. CoStar--CoStar Group. N/A--Not applicable.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 48

Cash Flows

	Issuer	S&P
Effective gross income	16,128,178	19,141,029
Total operating expenses	509,311	5,359,488
Total capital items	1,422,536	1,064,001
Net cash flow	14,196,331	12,717,540

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The triple-net base rents were based on in-place contract rents adjusted downward by approximately $0.30 per sq. ft. to market rent levels.
- A weighted average vacancy was assumed at 10%, which we based on the submarket conditions for the properties in the portfolio. Standard & Poor's vacancy conclusion was also based on our assessment of each property's current and future market conditions.
- The leases are triple-net of expenses. Therefore, expense reimbursements were based on the tenant being responsible for all property-related operating expenses with the exception of management fees. Expense reimbursements equal the total expenses less management fees.
- The operating expenses were based on the appraiser's and Standard & Poor's market estimates, which equal $1.64 per sq. ft.
- A management fee of 3.0% of EGI was assumed;
- The TI expenses for the distribution centers were $3.00 per sq. ft. for new leases and $1.50 per sq. ft. for renewal leases.
- The TI expenses for the office buildings were assumed at $11.00 per sq. ft. for new leases and $5.50 per sq. ft. for renewal leases.
- The LCs were calculated using a rate of 4.0% and 2.0% for new and renewal tenants, respectively.
- The TI/LC assumptions were based on the master lease term of 20 years.
- A 65% renewal probability was assumed for each tenant lease.
- The replacement reserves were estimated at $0.15 per sq. ft. for industrial space and $0.30 per sq. ft. for office

space.

- Based on these assumptions, Standard & Poor's NCF variance for this property is negative 10.4%.
- Standard & Poor's applied a weighted average capitalization rate of 9.22% to the NCF, which resulted in a Standard & Poor's value of $137.9 million, or $42 per sq. ft. Capitalization rates ranged from 9.00% to 9.50%, accounting for location, market, age, and other unique features.
- The weighted average quality score for these assets is 3.00, an average score.

This loan exhibits the following strengths:

- The loan is cross-collateralized and cross-defaulted by 30 properties that are geographically diversified across 15 MSAs.
- Approximately 62.2% of the portfolio by allocated loan amount (19 properties) is located within major MSAs, according to CBRE-EA data. The remainder of the portfolio (37.8% and 11 properties) is located within secondary and tertiary markets. However, the loan benefits from the geographic diversity of the assets, which are located across 23 states.
- The loan features a hard, in-place lockbox.
- The property benefits from W.P. Carey's sponsorship and experienced management.

This loan exhibits the following concerns and mitigating factors:

- The properties in the portfolio are leased to a single non-rated tenant. However, the collateral properties comprise 26 of the tenant's 29 distribution centers and are therefore deemed critical to the tenant's continued operations. The collateral also includes the tenant's office headquarters. In addition, a partial cash trap is triggered if the tenant occupies less than 75% of the portfolio by allocated tenant rent.There is limited historical operating data as the loan is acquisition financing. In addition, the property was previously owned and occupied by a GPI affiliate. However, the leases are absolute triple net, whereby the tenant pays all operating expenses, including real estate taxes, management fees, and capital expenditures.
- Based on an analysis of market rents provided by Costar and CBRE-EA, the portfolio's weighted average in-place rent appears to be slightly above the market average. As a result, Standard & Poor's decreased the in-place rents to market levels. Additionally, the master lease is a long term 20-year non-cancellable lease expiring in 2030, and the properties are identified as critical to GPI/CARQUEST's operations.
- The loan is structured such that there is no cap on the trade payables and they are not limited to short-term debt obligations. However, trade payables are limited to debts incurred from managing the properties, and these are expected to be limited given the single-tenant nature of the portfolio.
- Phase I environmental studies were completed by ATC Associates Inc. on Oct. 15, 2010, with findings and recommendations encapsulated in a post closing environmental obligations schedule (PCO). Failure to comply with the PCO will trigger an event of default according to the master lease. The cost to remediate has been estimated at $2.815 million by Professional Services Industries Inc. and a $2.815 million reserve was funded to account for this potential expense. Phase II environmental assessments were recommended for two properties: Bangor, Maine, and Bay City, Mich. The phase II environmental report for the Bangor property indicated that no further action was required. The phase I report for the Bay City property called for an investigation of contamination from former underground storage tanks (USTs), historical operations, and dumping of materials, to be completed within 30 days after acquisition of the property and has not yet been completed. However, $2.23 million of the reserve was allocated to this property.

5. Extra Space Portfolio

Table 49

Loan Profile

Loan summary		Collateral summary	
Trust amount	$82,185,000	**% of pool**	5.3%
Loan type	Fixed rate	**Originator**	Banc of America Mortgage Capital Holdings LLC
Interest rate	5.85%	**Property type**	Self-storage
Amortization	30 years	**Location**	Various
Maturity date	Feb. 1, 2021	**Year built/renovated**	Various/various
Sponsor	Extra Space Storage Inc.	**Total NRA**	1,198,398 sq. ft.
Management	An affiliate of the sponsor	**Total units**	11,473
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and one independent director	**Economic occupancy as of Jan. 1, 2011**	82.0%
		Physical occupancy as of Jan. 1, 2011	84.4%
		Ownership	Fee

SPE--Special-purpose entity. NRA--Net rental area.

Table 50

Total Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A	82.2	68.6	89.9	1.30x	1.60x
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	82.2	68.6	89.9	1.30x	1.60x
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	82.2	68.6	89.9	1.30x	1.60x

*Calculated based on a Standard & Poor's stressed constant of 8.5%. **Calculated based on the actual debt service amount and the issuer's NCF. LTV--Loan to value. DSC--Debt service coverage. N/A--Not applicable. NCF--Net cash flow.

Table 51

Structural Features

Lock box	Soft, in place.
Ongoing reserves	Monthly collections for real estate taxes and replacement reserves.
Up-front reserves	Taxes ($761,495).

Property And Loan Highlights

- The loan is secured by the fee interests in 16 Extra Space self-storage properties consisting of 11,473 units totaling 1,198,398 sq. ft. The properties were constructed between 1980 and 2004, with an average age of approximately 15 years.
- The portfolio properties are spread across nine states. The top three state concentrations account for 58.3% of

SEC-STRS-E-0081928

the units. The largest concentrations are in California (three properties, 25.9% of units), New Jersey (three properties, 21.0% of units), and Massachusetts (two properties, 11.4% of units).

- The properties range in size from 459 units to 1,636 units and total between 47,525 sq. ft. and 125,387 sq. ft. Physical occupancies range from 75.4% to 90.7%, with a weighted average portfolio occupancy of 84.4% as of Jan. 1, 2011.
- Twelve of the properties include climate-controlled storage units, with a percentage of units ranging from 12.8% to 100.0%. The portfolio's overall percentage of climate-controlled units equals 37.6%.
- The loan permits the release of individual properties based on a release price equal to 125% of the allocated loan amount, subject to a minimum DSC test for the remaining properties equal to the greater of the DSC immediately preceding release and 1.40x.
- The loan sponsor is Extra Space Storage Inc. (EXR). EXR is a REIT based in Salt Lake City and is the second-largest operator of self-storage facilities in the U.S. EXR's portfolio consists of approximately 770 self-storage properties situated across 33 states and Washington, D.C. The company's properties comprise approximately 500,000 units and more than 50 million sq. ft. of rentable space.

Portfolio Summary

Table 52

Extra Space Portfolio

Extra Space property location	State	Year built	Physical occupancy (%)*	Total units	Total sq. ft.	Climate-controlled units (%)	Allocated loan amount ($)
Hayward	Calif.	1980	75.4	1,636	125,387	0.0	8,900,000
Hazlet	N.J.	1987	87.3	1,164	117,825	24.1	8,100,000
Seattle	Wash.	1999	90.7	752	67,155	100.0	7,650,000
Beaverton	Ore.	1980	87.0	770	103,130	0.0	6,435,000
Stoneham	Mass.	2003	90.0	760	62,935	40.5	6,225,000
Plainville	Mass.	1998	84.9	551	69,811	31.4	5,250,000
Toms River	N.J.	1999	88.3	668	77,845	32.7	5,175,000
Richmond	Va.	2000	76.0	550	72,763	96.7	5,125,000
Richmond	Calif.	1984	78.0	745	62,205	0.0	4,750,000
Stafford	Va.	2004	85.1	679	74,835	41.8	4,600,000
Hawthorne	Calif.	1991	88.4	584	47,525	0.0	4,000,000
Linden	N.J.	1998	89.4	577	60,763	100.0	3,925,000
Charleston	S.C.	2000	86.9	459	49,034	100.0	3,650,000
Stone Mountain	Ga.	1998	85.1	483	72,120	28.8	2,975,000
Columbia	S.C.	2000	88.3	521	59,265	100.0	2,925,000
Crest Hill	Ill.	2003	80.8	574	75,800	12.8	2,500,000
Total	N/A	N/A	84.4	11,473	1,198,398	37.6	82,185,000

*Represents physical occupancy per the Jan. 1, 2011 rent roll. N/A--Not applicable.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 53

Cash Flows

	2008	2009	TTM ended October 2010	Appraiser	Issuer	S&P
Effective gross income ($)	15,355,043	14,728,111	15,039,215	14,612,528	15,039,215	14,843,702
Total operating expenses ($)	4,796,007	4,780,150	4,845,390	5,197,039	5,555,756	5,554,598
Total capital items ($)	0	0	0	0	179,760	179,760
Net cash flow ($)	10,559,036	9,947,961	10,193,825	9,415,489	9,303,700	9,109,345

TTT--Trailing 12 months.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The revenue calculations were grossed-up based on borrower-provided trailing 12-month net collections.
- An 18% economic vacancy rate was assumed, which is consistent with the borrower-provided trailing 12-month net collections.
- The "other income" was calculated based on the property's historical performance and included retail rental income, late fees, and merchandise sales.
- The operating expenses were based on the property's historical performance.
- A management fee of 5.0% of EGI was assumed.
- The replacement reserves were estimated at $0.15 per sq. ft. of the gross leasable area.
- Based on these assumptions, Standard & Poor's overall NCF variance for this property was negative 2.1%.
- Standard & Poor's applied a weighted average capitalization rate of 9.96% to the NCF, which resulted in a Standard & Poor's value of $91.4 million, or $76 per sq. ft. Capitalization rates ranged from 9.75% to 10.25%, accounting for location, market, age, climate control, and other unique features.
- The quality scores for these assets range from 2.75 to 3.25, resulting in a weighted average portfolio quality score of 3.00, an average score.

This loan exhibits the following strengths:

- The loan is secured by 16 cross-collateralized and cross-defaulted self-storage properties located in nine states.
- Approximately 91.5% of the portfolio's units are located within major MSAs, according to CBRE-EA data. The remainder of the portfolio is located within secondary and tertiary markets.
- The portfolio has exhibited relatively stable performance since 2008. The portfolio's weighted average occupancy level was 83.7% in 2008, 83.9% in 2009, and 84.4% as of the most recent trailing 12-month period.
- Approximately 37.6% of the units are climate-controlled, with four properties benefiting from 100% climate-controlled units.
- The loan benefits from strong release provisions requiring a release price equal to 125% of the allocated loan amount. In addition, release is subject to rating agency confirmation and the DSC after release must be at least equal to the greater of the DSC prior to release and 1.40x.
- The property benefits from EXR's sponsorship and experienced management.

This loan exhibits the following concerns and mitigating factors:

- Standard & Poor's considers self-storage facilities a relatively less-stable property type because of the limited barriers to entry. We considered the volatility of the assets by applying more conservative capitalization rates and capital structure assumptions.
- The loan is structured with only a soft lockbox whereby the borrower or manager deposits all property revenue

into a lockbox account within five days of receipt. According to the terms of the cash management agreement, there is a cash flow sweep but it is only triggered upon a DSC of 1.10x, which we consider to be less robust. The cash trap period ends when the DSC equals or exceeds 1.20x for the immediately preceding six month period. The current actual DSC is 1.57x based on Standard & Poor's NCF.

- Self-storage performance is usually linked to the overall health of the residential market. However, the portfolio has exhibited relatively stable performance despite current weakness in the residential sector.

6. Hilton Times Square

Table 54

Loan Profile

	Loan summary		Collateral summary
Trust amount	$92,188,874	**% of pool**	6.0%
Loan type	Fixed rate	**Originator**	Banc of America Mortgage Capital Corp.
Interest rate	4.97%	**Property type**	Full-service hotel
Amortization	30 years	**Location**	New York
Maturity date	Nov. 1, 2020	**Year built/renovated**	2000/2007
Sponsor	Sunstone Hotel Partnership LLC	**No. of guest rooms**	460
Management	Interstate Hotels & Resorts	**Occupancy reforecast as of October 2010**	88.4%
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and one independent director	**ADR reforecast as of October 2010**	$288.58
		RevPAR reforecast as of October 2010	$255.01
		Ownership	Leasehold

SPE--Special--purpose entity. ADR--Average daily rate. RevPAR--Revenue per available room.

Table 55

Debt Structure

	Total debt outstanding				
	Amount (mil. $)	**Amount per guest room ($)**	**S&P beginning LTV ratio (%)**	**S&P DSC***	**Issuer DSC****
A	92.2	200,411	94.8	1.10x	1.84x
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	92.2	200,411	94.8	1.10x	1.84x
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	92.2	200,411	94.8	1.10x	1.84x

*Calculated based on a Standard & Poor's stressed constant of 10.0%. **Calculated based on the actual constant and the issuer's NCF. LTV--Loan-to-value. DSC--Debt service coverage. N/A--Not applicable. NCF--Net cash flow.

Table 56

Structural Features	
Lock box	Soft.
Ongoing reserves	Replacement reserve equal to 4.0% of total revenue.

SEC-STRS-E-0081931

Table 56

Structural Features (cont.)	
Up-front reserves	$3.45 million PIP reserve; $104,500 deferred maintenance; $499,238 tax reserve, which must be replenished if the taxes are not paid; and $188,032 ground rent.

PIP--Property improvement plan.

Property And Loan Highlights

- The property is located in New York City on 42nd Street between 7th and 8th Avenues in the heart of Times Square.
- The property was developed in 2000 and has 460 guest rooms. The hotel has a restaurant and bar, 5,749 sq. ft. of meeting space, a fitness center, and a business center. It is part of a mixed-use development containing a 25-screen AMC theater and various retail components.
- As of the October 2010 reforecast, which includes actual performance through October 2010 and projections for the remainder of 2010, the property achieved an occupancy rate of 88.4%, ADR of $288.58, and revenue per available room (RevPAR) of $255.01. Net cash flow was $10,380,787. The hotel's RevPAR penetration rate was 106.7% as of the trailing 12-month period ended October 2010.
- The property currently benefits from a PILOT program through 2019, whereby the hotel is subject to base and percentage rent in lieu of direct taxes. A second PILOT program will begin in 2020 through 2029 during which the hotel will be subject to full property tax payments as well as recapture obligations. In its analysis, Standard & Poor's accounted for the significant increase in property taxes that is expected to occur in 2020 when the initial PILOT program benefits expire.
- The property is subject to two ground leases that will expire in 2091 and 2095, respectively. The current ground rent payment is approximately $1.6 million, or 3.4% of total revenue. Ground rent increases by approximately 3.0% per year. However, in 2020, the base rent component will adjust to the higher of the previous year's base rent or 10% of the land's fair market value.
- In addition to the trust balance, additional debt in the form of a mezzanine loan is permitted, subject to a maximum LTV of 65%, a DSC ratio of 1.35X, and rating agency confirmation.
- The sponsor is Sunstone Hotel Investors Inc., a lodging REIT that has interests in 31 hotels. The property is managed by Interstate Hotels & Resorts, which manages and/or has ownership interests in 227 hotels.

The property has received approximately $2.6 million in capital expenditures since 2008. In addition, a $9.0 million ($19,565 per guest room) property improvement plan (PIP) is expected to be completed in 2012. The major components of the project will include guest bathroom upgrades; new guest room carpeting, mattresses, drapes, and lighting; some new guest room case goods; new corridor carpeting; and public area upgrades.

The hotel's demand is primarily generated by the commercial transient sector (70% of occupied room nights), with additional room nights generated by leisure travelers (20%) and meeting and group demand (10%). With the exception of the Renaissance Times Square, the Hilton has limited meeting space relative to most of its competitors and, therefore, generates the majority of its demand from corporate transient travelers (see table 57 for a summary of the hotel's primary competitive set based on the Smith Travel Research report we were provided).

Figure 57

Hilton Times Square Competitive Set

	Year built/last renovated	No. of guest rooms	Meeting space (sq. ft.)
Hilton Times Square	2000/2006-07	460	5,749
Renaissance Times Square	1995/2007	310	1,730
Crowne Plaza Times Square	1989/2008	770	23,000
Millennium Broadway	1995/N/A	750	110,000
Westin Times Square	2002/N/A	863	34,000

N/A--Not applicable.

The hotel has outperformed the competitive set in both occupancy and ADR over the past three years and achieved a RevPAR penetration rate of 117.8%, 109.5%, and 106.7% in the trailing 12-month periods ending October 2008, 2009, and 2010, respectively (see table 58).

Figure 58

Hilton Times Square Penetration Versus Competitive Set

	Occupancy (%)	ADR (%)	RevPAR (%)
TTM October 2008	110.1	107.1	117.8
TTM October 2009	101.8	107.5	109.5
TTM October 2010	100.0	106.7	106.7

Source: Smith Travel Research. ADR--Average daily rate. RevPAR--Revenue per available room. TTM--Trailing 12 months.

In addition to the existing competitive set, the 547-guest room InterContinental Times Square opened in July 2010 and is fully competitive with the Hilton due to its location and full-service orientation. The hotel's general manager indicated that the Element Hotel by Starwood, which recently opened, will also be competitive due to its 418-guest room count and proximate location.

Due to the recent economic downturn, the U.S. hotel industry experienced unprecedented performance declines in 2009 as RevPAR decreased by 16.7%, the industry's largest-recorded single-year decline. RevPAR for hotels located in New York City declined by 26.4% during the same period. However, due to strengthened demand, particularly in the corporate transient sector, and limited supply growth in the U.S., the industry's overall performance improved significantly in 2010. In 2010, RevPAR for the U.S. hotel industry increased by 5.5%, while New York City RevPAR increased by 12.9%. Based on estimates from HVS, PKF, and Smith Travel Research, 2011 RevPAR growth for the U.S. is expected to range from 6% to 8%, while, according to CBRE-EA, Manhattan RevPAR growth is projected to increase by 8.2% in 2011 (see table 59 for a summary of the New York City hotel sector's performance).

Figure 59

New York City Hotel Sector Performance

	2007	2008	2009	2010
ADR ($)	269.74	276.02	216.07	232.29
Occupancy (%)	83.4	81.9	77.0	80.9
RevPAR ($)	224.93	$226.02	166.44	187.93
% change	N/A	0.5	(26.4)	12.9

Source: Smith Travel Research. ADR--Average daily rate. RevPAR--Revenue per available room. N/A--Not applicable.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 60

Cash Flows

Year of operations	2008	2009	October 2010 (reforecast)	Appraiser	Issuer	S&P*
ADR ($)	346.00	265.78	288.58	308.06	288.58	315.75
Occupancy (%)	89.7	85.8	88.4	89.0	88.4	86.0
RevPAR ($)	310.53	228.05	255.01	274.17	255.01	271.55
% change	N/A	(26.6)	11.8	7.5	0.0**	6.5
Net cash flow ($)	18,528,433	8,495,231	10,380,787	13,356,000	10,909,972	10,149,317
% change	N/A	(54.2)	22.2	28.7	5.1**	(7.0)
NCF margin (%)	31.9	19.8	21.7	26.1	22.8	20.1

*Standard & Poor's NCF includes a positive adjustment for the present value of ground rent and tax expense. **The issuer's percentage change is versus the October 2010 reforecast. ADR--Average daily rate. RevPAR--Revenue per available room. N/A--Not applicable. NCF--Net cash flow.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- Standard & Poor's underwritten rooms revenue was based on actual, historical, and projected occupancies and ADRs; historical penetration rates; and the subject's general market position relative to the competitive set.
- Departmental revenues were generally underwritten based on the property's historical performance, on a per-occupied-room basis.
- Departmental expenses were generally underwritten based on the property's historical departmental performance, on a per-occupied-room and percentage of revenue basis.
- Undistributed expenses were generally underwritten based on the property's historical expenses on a per-available-room basis.
- Franchise fees and management fees were based on contractual fees. The contractual management fees are capped at 1.5% of total revenue. Management, marketing, and franchise fees combined were 11.4%.
- Insurance expense was based on the appraiser's estimate.
- Property taxes were underwritten at $5.5 million, which was based on projected taxes at the conclusion of the PILOT program. However, the property currently benefits from the PILOT program, whereby actual property taxes are approximately $2.1 million. As such, Standard & Poor's increased its NCF by averaging the present value of the PILOT benefit over the nine years remaining in the initial PILOT program's term.
- Ground rent expense was $2.8 million, which is based on the estimated ground rent in 2030. The current ground rent expense is approximately $1.6 million. As such, Standard & Poor's increased its NCF by averaging the present value of the ground rent benefit over the next 20 years.
- A furniture, fixture, and equipment (FF&E) expense was underwritten at 4.0% of total revenue.
- Based on these assumptions, Standard & Poor's overall NCF variance for the loan was negative 7.0%.
- Standard & Poor's applied a capitalization rate of 10.75% to the property's adjusted NCF. The resulting value was increased as a present value analysis was completed to give credit for the difference between the current lower tax and ground rent expenses in place as compared to the estimated market plus recapture tax expense and ground rent expense that were underwritten, yielding a value of $97.3 million ($211,498 per room).
- The quality score for this asset is 2.75, an above-average score.

This loan exhibits the following strengths:

- The property is well located in the heart of Times Square in New York City. Due to the short-term nature of hotel "leases," the New York City hotel market has rebounded rapidly with the improvement in the U.S. economy. In 2010, New York City hotel market RevPAR improved by 12.9% versus 2009. In addition, based on projections from CBRE-EA, the New York City full-service hotel market is expected to achieve RevPAR growth of 8.2% in 2011.
- The property has outperformed its competitive set with a RevPAR penetration rate of 117.8%, 109.5%, and 106.7% in the trailing 12-month periods ending November 2008, 2009, and 2010, respectively.
- The property will benefit from a $9.0 million PIP, which will be implemented in 2012. However, only $3.45 million of the renovation amount was reserved. The loan is structured with an NCF sweep with a meaningful trigger based on an actual DSC of 1.35x for the immediately preceding 12-month period. The current actual DSC is 1.71x based on Standard & Poor's NCF.
- The property benefits from experienced management from Interstate Hotels & Resorts, as well as its brand affiliation with Hilton Hotels.

This loan exhibits the following concerns and mitigating factors:

- Hotels are volatile assets compared to other property types due to the daily nature of the pricing structure and their high operating expense ratios. However, Standard & Poor's underwriting and subordination levels reflect these concerns.
- The property's NCF declined significantly to $8.5 million in 2009 from $18.5 million in 2008. However, performance has improved as NCF increased to $10.4 million in 2010 and is budgeted to increase by approximately 10% in 2011 according to management. In addition, based on projections from CBRE-EA, the New York City full-service hotel market is expected to achieve RevPAR growth of 8.2% in 2011 and the U.S. hotel industry's RevPAR growth is expected to range between 6% and 8%, based on estimates from HVS, PKF, and Smith Travel Research.
- In addition to the trust balance, additional debt in the form of a mezzanine loan is permitted, subject to a maximum LTV of 65% and DSC ratio of 1.35X. However, issuance of the additional debt is subject to rating agency confirmation.
- The property currently benefits from a PILOT program through 2019, whereby the hotel is subject to base and percentage rent in lieu of direct taxes. The current property taxes of $2.1 million are expected to increase significantly in 2020 (upon loan maturity) according to the PILOT program's terms. In its analysis, Standard & Poor's accounted for the significant increase in property taxes that is expected to occur in 2020 when the initial PILOT program benefits expire. In addition, the property will benefit from the currently reduced PILOT payments relative to market-level property taxes through 2019.

7. National Grocery Portfolio

Table 61

Loan Profile

Loan summary		Collateral summary	
Trust amount	$79,915,984	**% of pool**	5.2%
Loan type	Fixed rate	**Originator**	Banc of America Mortgage Capital Corp.
Interest rate	5.05%	**Property type**	Retail--anchored
Amortization	30 years	**Location**	Pennsylvania and Connecticut
Maturity date	Jan. 1, 2016	**Year built/renovated**	Milford Marketplace: 2007; Settlers Ridge: 2009
Sponsors	J.W. O'Connor & Co. and O'Connor Associates L.P.	**Total NRA**	511,846 sq. ft.
Management	The Wilder Companies Ltd.	**Physical occupancy as of September 2010**	Milford Marketplace: 97.6% leased; Settlers Ridge: 97.2% leased
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and one independent director	**Economic occupancy as of September 2010**	94.9%
		Ownership	Settler's Ridge: fee; Milford Marketplace: ground lease

SPE--Special-purpose entity. NRA--Net rental area.

Table 62

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A	79.9	156	90.9	1.16x	1.59x
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	79.9	156	90.9	1.16x	1.59x
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	79.9	156	90.9	1.16x	1.59x

*Calculated based on a Standard & Poor's stressed constant of 8.25%. **Calculated based on the actual debt service and the issuer's NCF. LTV--Loan-to-value. DSC--Debt service coverage. N/A-Not applicable. NCF--Net cash flow.

Table 63

Structural Features

Lock box	Hard, in-place.
Ongoing reserves	Monthly collections for real estate taxes, replacement reserves ($0.12 per sq. ft. per year, up to $126,346), and TI/LCs ($6,000 per month capped at $225,000).
Up-front reserves	Tax: $402,601.

TI/LCs--Tenant improvements and leasing commissions.

Property And Loan Highlights

- The portfolio consists of two supermarket anchored retail properties. Settler's Ridge, located near Pittsburgh, Pa., is a 399,599-sq.-ft. center constructed in 2009. It is anchored by Giant Eagle, Barnes & Noble, Cinemark, LA Fitness, and REI, and has an additional 27 in-line tenants. It is 97.2% leased. Milford Marketplace, located in Milford, Conn., is an 112,247-sq.-ft. shopping center constructed in 2007. It is anchored by Whole Foods and has an additional 19 in-line tenants. It is 97.6% leased.

- The sponsor is purchasing the portfolio for a contract price of $117.5 million (68% loan to cost), $94.9 million of which was allocated to Settler's Ridge and $22.6 million of which was allocated to Milford Marketplace.
- Milford Marketplace is subject to a 30-year ground lease with eight, five-year renewal options. The current ground rent payment is $1 million, or 7.9% of effective gross revenue. The next ground rent increase is in 2012, when it steps up to $1,052,804. The ground rent expense increases by 5.3% in 2012, 1.8% in 2013, 5.7% in 2017, 10.9% in 2022, and 10.8% in 2027.
- J.W. O'Connor & Co., the sponsor, is a privately owned real estate and development firm that has been in operation for more than 25 years. It has acquired or developed more than $15 billion of properties during its history.
- A phase II construction project at the Settler's Ridge property is nearing completion and is expected to open in spring 2011. It will consist of 78,000 sq. ft. of retail space, anchored by Ross Dress for Less and Michaels. The sponsor has pre-negotiated terms and rights to purchase Settler's Ridge Phase II after completion by the developer.

Tenant Summary

Table 64

Milford Marketplace And Settler's Ridge Anchor And Major Tenants

Tenant	Property	S&P rating	Occupied sq. ft.	% of collateral NRA	Base rent per sq. ft. ($)	Lease expiration
Whole Foods	Milford Marketplace	BB	30,162	5.9	21.55	November 2024
Barnes & Noble	Settler's Ridge	NR	30,105	5.8	11.63	March 2020
Cinemark	Settler's Ridge	B+	53,236	10.4	23.25	October 2024
Giant Eagle	Settler's Ridge	NR	150,000	29.2	12 03	November 2034
LA Fitness	Settler's Ridge	NR	38,000	7.4	20.00	November 2024
REI	Settler's Ridge	NR	26,177	5.2	19.75	February 2020

NRA--Net rentable area. NR--Not rated.

Table 65

Milford Marketplace And Settler's Ridge Major In-Line Tenants

Tenant	Property	S&P rating	Occupied sq. ft.	% of portfolio NRA	Base rent per sq. ft. ($)	Lease expiration	Sales per sq. ft. for the TTM ended August 2010 ($)	Occupancy cost for the TTM ended August 2010 (%)
Cadillac Ranch	Settler's Ridge	NR	10,000	2.0	24.00	November 2024	469	7.9
Five Below	Settler's Ridge	NR	8,422	1.6	15.00	April 2020	N/A	N/A
Saga Steak House	Settler's Ridge	NR	7,000	1.4	23.45	April 2020	N/A	N/A
Peoples Bank	Milford Marketplace	NR	6,400	1.3	37.50	October 2032	N/A	N/A
Tenga Asian Bistro	Milford Marketplace	NR	6,370	1 2	28.00	April 2023	N/A	N/A
PF Chang's China Bistro	Settler's Ridge	NR	6,316	1.2	22.83	September 2024	560	5.7
Coldwater Creek	Milford Marketplace	NR	6,000	1.2	30.00	October 2017	356	10.0
Banana Republic	Milford Marketplace	BB+	6,000	1.2	27.00	January 2013	458	7.3

SEC-STRS-E-0081937

Table 65

Milford Marketplace And Settler's Ridge Major In-Line Tenants (cont.)

NRA--Net rentable area. TTM--Trailing 12 months. NR--Not rated. N/A--Not applicable.

Table 66

Lease Rollover Schedule*

Year	No. of leases	NRA (sq. ft.)	% of sq. ft.	% of total base rent
2011	0	0	0	0
2012	0	0	0	0
2013	3	14,000	3	4
2014	0	0	0	0
2015	9	16,511	3	5.
2016	1	2,750	1	1
2017	1	6,000	1	2
2018	7	25,460	5	8
2019	6	20,012	4	6
2020	13	93,924	18	17
Post-2020	12	319,135	62	58
Vacant	N/A	14,054	3	N/A

*As calculated by Standard & Poor's. We generally assume vacant tenants as those that have expired leases, month-to-month leases, are dark, are in litigation, are bankrupt, etc. NRA--Net rentable area. N/A--Not applicable.

Competitor Statistics

Table 67

Milford Marketplace Primary Competitors

Property name	Owner	Year built/renovated	NRA (sq. ft.)	Distance from property	Occupancy (%)	Anchors
Westfield Connecticut Post Mall	Westfield Connecticut Post	1960/2005	1,412,600	1.0	90	JCPenney, Dick's, Macy's, Sears, and Target
Westfield Trumbull Mall	Westfield Group	1962/1999	1,196,300	12.6	96	Macy's, Lord & Taylor, JCPenney, and Target
Milford Crossing	Starwood Ceruzzi Mdws LLC	2007/N/A	316,157	1.0	89	Wal-Mart, Petco, and Staples

NRA--Net rental area. N/A--Not applicable.

Table 68

Settler's Ridge Primary Competitors

Property name	Owner	Year built	NRA (sq. ft.)	Distance from property (miles)	Occupancy (%)	Anchors
Mall at Robinson	Robinson Mall JCP Assoc. Ltd.	2001	860,000	3	96.3	Macy's, Sears, JCPenney, and Dick's
Plaza at Robinson Town Centre	Zamagias Properties	1989	453,990	1.5	97.7	Marshall's and TJ Maxx
Raceway Plaza	Raceway Plaza II 2006 L.P.	1979	164,793	13	98.6	Wal-Mart and Lowes

NRA--Net rentable area.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 69

Cash Flows	September 2010-August 2011	Appraiser	Issuer	S&P
Effective gross income ($)	12,777,278	12,449,980	12,638,534	12,600,329
Total operating expenses ($)	3,719,611	3,605,976	4,005,283	4,660,905
Total capital items ($)	0	0	409,829	455,146
Net cash flow ($)	9,057,667	8,844,004	8,223,422	7,631,430*

*Standard & Poor's increased its NCF to account for the present value analysis of the ground rent expense. NCF--Net cash flow.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The GPR was based on the rents in-place and vacant in-line space was grossed up at the average in-line rent for each respective property.
- A 7.22% vacancy rate was assumed, based on a market vacancy of 5% for Milford Marketplace retail space, a market vacancy of 7% for Settler's Ridge retail space, and a vacancy of 10% on the Settlers Ridge theater and gym anchors.
- The expense reimbursements were based on the tenants' contractual obligations and the property's historical performance.
- The other income was based on the 2010 budget.
- The operating expenses, including property taxes and insurance, were based on historical performance, accounting for the appraiser's estimates.
- Ground rent expense was approximately $1.4 million, which is based on the estimated ground rent in 2030. The current ground rent expense is $1 million. As such, Standard & Poor's increased its NCF by averaging the present value of the ground rent benefit over the next 20 years.
- A management fee of 4% of EGI was assumed.
- The replacement reserves were estimated at $0.20 per sq. ft. of retail gross leasable area.
- The replacement reserves were estimated at $0.25 per sq. ft. of theater and gym gross leasable area.
- The TI expenses for anchor tenants were assumed to be $4.50 per sq. ft. for new leases and $2.25 per sq. ft. for renewal leases.
- The TI expenses for in-line tenants were assumed to be $9.00 per sq. ft. for new leases and $4.50 per sq. ft. for renewal leases.
- The TI expenses for theater and gym tenants were assumed to be $7.50 per sq. ft. for new leases and $3.75 per sq. ft. for renewal leases.
- The LC expenses were estimated at 4% for new leases and 2% for renewal leases.
- The TI/LC assumptions were based on an average lease term of 20 years for anchor tenants, 11 years for in-line tenants, and 15 years for theater and gym tenants, with LCs capped at 10 years. With respect to lease terms, we may adjust our assumptions in certain situations, including instances where a tenant has an early termination option or the lease term that the borrower indicated for a particular tenant is unrealistically long and does not reflect a typical market lease term. In the latter case, the rent roll that the borrower submits may inadvertently include the original lease terms plus extensions and overstate current lease terms;
- A renewal probability of 60% was assumed for LA Fitness and Cinemark, and 65% was assumed for all other tenants.

- Based on these assumptions, Standard & Poor's overall NCF variance for this property is negative 7.2%.
- Standard & Poor's applied a capitalization rate of 8.75% to the NCF, resulting in a Standard & Poor's value of $87.9 million ($171 per sq. ft.).
- The quality score for this asset is 2.50, an above-average score.

This loan exhibits the following strengths:

- The two properties in the portfolio were recently constructed in 2007 and 2009 and therefore are in above-average condition.
- The properties are leased to a variety of national anchor and major tenants, including Whole Foods, Barnes & Noble, Giant Eagle, REI, LA Fitness, and Cinemark. Each of the two properties, and the portfolio as a whole, are over 97% occupied.
- The loan is cross-collateralized and cross-defaulted by two properties, which may reduce the impact of an operating decline or tenant rollover at any individual property. Furthermore, the properties are geographically diversified and located in two different states.
- The loan is structured with a hard, in-place lockbox. In addition, the loan features a cash flow sweep with a trigger based on an actual DSC of 1.20x based on trailing six-month NOI. The cash sweep ends when the DSC exceeds 1.25x for the immediately preceding six-month period. The current actual DSC is 1.53x based on Standard & Poor's NOI.
- The properties are located in relatively strong suburban locations close to major MSAs. Settler's Ridge is located near Interstate 376 outside of Pittsburgh, Pa. There are an estimated 501,830 residents within a 10-mile radius of the property and the average household income is $81,489 within a three-mile radius. Milford Marketplace is located along Route 1, a heavily traveled commercial artery, in Milford, Conn. Milford has an estimated population of 54,040, with an average household income of $82,348.

This loan exhibits the following concerns and mitigating factors:

- Both of the portfolio properties were constructed within the past three years. As such, there is limited historical operating information and tenant sales data. Anchor and major tenants, with the exception of Cinemark and Barnes & Noble, are not required to report sales data.
- Thirteen tenants, representing 15% of gross potential rent (GPR), have termination options based on sales thresholds built into their leases. Based on 2009 reported sales, tenants representing 3.3% of GPR currently have the option to terminate their leases.
- The Settler's Ridge property is located just outside of the Pittsburgh MSA, an area that has been affected by a declining population base. The population within the Pittsburgh MSA decreased by 2.1% between 2000 and 2009 and is expected to further decline by 0.3% per year through 2014.

8. Murdock Plaza

Table 70

Loan Profile

Loan summary		Collateral summary	
Trust amount	$55,000,000	**% of pool**	3.6%
Loan type	Fixed rate	**Originator**	Morgan Stanley Mortgage Capital Holdings LLC
Interest rate	5.08%	**Property type**	Office, class A
Amortization	30 years after the initial 12-month interest-only period	**No. of properties**	One
Maturity date	Jan. 5, 2016	**Location**	Los Angeles
Sponsor	Kambiz Hekmat	**Year built/renovated**	1981
Management	An affiliate of the sponsor	**Total NRA**	222,768 sq. ft.
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and two independent directors	**Physical occupancy as of Nov. 1, 2010**	84.2%
		Economic occupancy as of Nov. 1, 2010	83.8%
		Ownership	81% leased and 19% fee-owned

SPE--Special-purpose entity. NRA--Net rental area.

Table 71

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A	55.0	246.9	106.9	1.0x	1.31x
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	55.0	246.9	106.9	1.0x	1.31x
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	55.0	246.9	106.9	1.0x	1.31x

*Calculated based on a Standard & Poor's stressed constant of 8.25%, assuming a 30-year amortization period. **Calculated based on the actual constant, a 30-year amortization schedule, and the issuer's NCF. LTV--Loan to value. DSC--Debt service coverage. N/A--Not applicable. NCF--Net cash flow.

Table 72

Structural Features

Lock box	Hard, in-place.
Ongoing reserves	Monthly collections for real estate taxes, insurance, replacement reserves, and TI/LCs capped at $3.5 million.
Up-front reserves	Taxes: $817,598, Insurance: $52,207.

TI/LCs--Tenant improvements and leasing commissions.

Property And Loan Highlights

- The property is a 17-story, class A office building located in the Westwood submarket of Los Angeles at the intersection of Westwood and Wilshire Boulevards. The property is currently 84.2% occupied.
- The property was built in 1981 by David Murdock of Dole Foods. The building contains 211,553 sq. ft. of office space, 11,171 sq. ft. of ground floor retail space, and a six level parking garage. The top floor is leased to The Regency Club, a members-only private dining club founded by Murdock in 1981.

- Approximately 81% of the property is situated on two ground leased parcels. Both ground leases expire in November 2076 with no extension options. The current ground lease payment is $730,498, which is approximately 7.2% of EGI. The payments are fixed until 2018, when the combined ground rent will reset to an amount equal to 8.0% of the then established fair market value of the land.
- The loan sponsor is Kambiz Hekmat, who founded Indivest Inc. in 1973 in Los Angeles. Indivest Inc. is a real estate development, investment, and management company. Mr. Hekmat has developed, constructed, and managed numerous residential and commercial properties in the greater Los Angeles area, including multiple class A office buildings in the Westwood submarket.
- The property is managed by an affiliate of the sponsor that has managed numerous commercial properties in the greater Los Angeles area.

Tenant Summary

Table 73

Murdock Plaza Tenants

Tenants	S&P rating	Sq. ft.	Property NRA (%)	Base rent per sq. ft. ($)	Base rent (% of GPR)	Lease expiration
Richardson & Patel	NR	23,019	10.3	48.59	10.4	October 2011
Castle & Cooke Inc.	NR	22,632	10.2	39.15	9.6	July 2015
The Regency Club	NR	18,282	8.2	27.68	5.5	June 2011
Family Office Financial Services	NR	17,968	8.1	50.09	9.3	July 2016
Wells Fargo Advisors	AA-	14,538	6.5	42.60	6.7	October 2016

NRA--Net rentable area. GPR--Gross potential rent. NR--Not rated.

Table 74

Lease Rollover Schedule*

Year	No. of leases	NRA (sq. ft.)	% of sq. ft.	% of total base rent
2011	15**	74,566	33.5	31.4
2012	3	7,870	3.5	4.0
2013	3	18,449	8.3	8.5
2014	2***	9,134	4.1	4.2
2015	4****	22,632	10.2	9.6
2016	4*****	37,910	17.0	18.5
2017	0	0	0.0	0.0
2018	1	14,538	6.5	7.6
2019	0	0	0.0	0.0
2020	0	0	0.0	0.0
2021	0	0	0.0	0.0
2022 and beyond	0	0	0.0	0.0
Vacant	N/A	37,669	16.9	N/A

*As calculated by Standard & Poor's. We generally assume vacant tenants as those that have expired leases, month-to-month leases, are dark, are in litigation, are bankrupt, etc. **Richardson & Patel has six leases and The Regency Club has two leases that expire in 2011. ***SSI Inc. has two leases that expire in 2014. ****Castle & Cooke has four leases that expire in 2015. *****Family Office Financial Services has two leases that expire in 2016. NRA--Net rentable area. N/A--Not applicable.

Market And Competitor Statistics

Table 75

CoStar Westwood Submarket Data As Of Fourth-Quarter 2010

Building class	Inventory (sq. ft.)	Overall vacancy (%)	Asking rent per sq. ft. ($)	New construction (sq. ft.)
A	5,736,353	15.7	39.27	25,500
B	1,018,963	7.4	27.45	27,000
Total/average	6,755,316	14.4	37.49	52,500

Table 76

Appraiser Rent Comparable Data

Property name	Class	NRA	Year built	Stories	Leased (%)	Lease date	Size (sq. ft.)	Effective rent per sq. ft. ($)	Term (years)
Center West	A	357,859	1990	23	70	July 2010	3,700	51.00	5
Westwood Place	A	194,884	1987	16	87	November 2010	2,500	36.00	5
AVCO Center	A	142,000	1972/1994	12	90	July 2010	3,876	31.80	5
Oppenheimer Tower	A	587,971	1970/1994	24	86	August 2010	13,539	38.40	8
10960 Wilshire Boulevard	A	595,600	1971	24	86	December 2010	50,337	39.60	10
One Westwood	A	201,923	1987	17	96	May 2010	3,000	34.20	5

NRA--Net rentable area.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 77

Cash Flows

	2008	2009	TTM ended November 2010	Appraiser	Issuer	S&P
Effective gross income ($)	10,791,466	10,882,170	10,678,430	11,184,679	10,337,908	10,076,806
Total operating expenses ($)	5,760,848	5,256,655	4,956,384	4,900,222	4,808,583	4,962,037
Total capital items ($)	0	0	0	0	848,578	685,842
Net cash flow ($)	5,030,618	5,625,515	5,722,046	6,284,457	4,680,746	4,547,764*

*Standard & Poor's increased its NCF to account for the present value analysis of the ground rent expense. TTM--Trailing 12 months. NCF--Net cash flow.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- We based the underwritten revenues on the in-place leases as of November 2010, and vacant space was grossed up at market rent levels.
- A vacancy rate of 17.6% was applied to the office space based on current submarket data.
- The expense reimbursements were based on the tenants' contractual obligations.
- The other income was based on the property's historical performance.
- Our operating expenses were based on the property's historical performance and budget projections.
- The ground rent was based on the future ground rent expenses assuming no land value growth. Standard & Poor's ground rent expense was $0.89 million, which is based on the estimated ground rent in 2018. The current ground rent expense is approximately $0.73 million. As such, Standard & Poor's increased its NCF by averaging

SEC-STRS-E-0081943

the present value of the ground rent benefit over the next seven years.
- A management fee equal to 4.0% of EGI was assumed.
- The replacement reserves were assumed to be $0.35 per sq. ft.
- The TI expenses for the office tenants were assumed to be $21.00 per sq. ft. for new leases and $10.50 per sq. ft. for renewal leases.
- The LCs were calculated using a rate of 4.0% and 2.0% for new and renewal tenants, respectively.
- The TI/LC assumptions were based on the in-place weighted average lease terms of seven years.
- A 65% renewal probability was assumed for all tenants.
- Based on these assumptions, Standard & Poor's NCF variance for this property is negative 2.8%.
- Standard & Poor's applied a capitalization rate of 8.75% to the NCF. The resulting value was increased as a present value analysis was completed to give credit for the difference between the current lower ground rent expense and the future estimated ground rent expense that was underwritten, yielding a value of $51.5 million ($231 per sq. ft.).
- The quality score for this asset is 2.75, an above-average score.

This loan exhibits the following strengths:

- The property is well located at the intersection of Wilshire and Westwood Boulevards, two of the main arteries running through the Westwood submarket of Los Angeles. The property is also approximately 0.5 miles from Interstate 405 (San Diego Freeway) and less than three miles from Interstate 10 (Santa Monica Freeway).
- The property has a diverse tenant mix including law firms, financial institutions, private venture capital firms, film production companies, a nonprofit foundation, an executive search firm, and a private members-only dining club. The largest tenant occupies only 10.3% of the NRA.
- The loan benefits from a hard, in-place lockbox. However, according to the terms of the cash management agreement, the triggers for the NCF sweep are less robust at only 1.05x DSC or an event of default. All excess cash flow will be remitted to the borrower until a trigger event occurs.

This loan exhibits the following concerns and mitigating factors:

- The property exhibits near-term rollover risk. Leases representing 33.5% of the NRA expire in 2011 due mainly to the rollover of Richardson & Patel LLP (10.3% of NRA) and The Regency Club (8.2% of NRA). The Regency Club, a members-only private dining club, has occupied the building since inception and has received visits from every U.S. President. In addition, the property serves as Richardson & Patel's west coast headquarters, and the tenant has expanded its space within the building multiple times. There are no upfront TI/LC reserves; however, there are ongoing TI/LC reserves of $64,973 per month capped at $3.5 million. In addition, if the DSC falls below 1.05x, the borrower must deposit the difference between $3.5 million and the current balance.
- The loan has an initial 12-month, interest-only period; however, Standard & Poor's DSC and loan analysis was based on the debt service assuming a 30-year amortization schedule.
- The loan has a high Standard & Poor's LTV ratio of 106.9%. Compared to the issuer's NCF, Standard & Poor's NCF was adjusted downward by 2.8%. However, the appraiser's value of $95.0 million, or $427 per sq. ft., reflects an implied cap rate of 4.9% based on the issuer's NCF. Standard & Poor's utilized a stabilized cap rate of 8.75%, resulting in a value of $51.4 million, or $231 per sq. ft., which reflects a 45.8% variance to the appraised value. After evaluating the appraiser's assumptions, we determined that the appraiser's 10% stabilized vacancy assumption differed from the historical performance of both the subject and the submarket. Furthermore, the CBRE-EA baseline forecast for the subject's Westwood submarket calls for only a modest decline in vacancy over

SEC-STRS-E-0081944

the next five years.

9. Station Place III

Table 78

Loan Profile

Loan summary		Collateral summary	
Trust amount	$54,740,072	**% of pool**	3.5%
Loan type	Fixed rate	**Originator**	Morgan Stanley Mortgage Capital Holdings LLC
Interest rate	5.245%	**Property type**	Office, central business district, class A
Amortization	30 years	**No. of properties**	One
Maturity date	Oct. 5, 2020	**Location**	Washington, D.C.
Sponsors	Fisher Brothers and Louis Dreyfus Property Group	**Year built/renovated**	2009
Management	An affiliate of the sponsor	**Total NRA**	505,402 sq. ft.
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and two independent directors	**Physical occupancy as of July 1, 2010**	98.8%
		Ownership	Fee

SPE--Special-purpose entity. NRA--Net rental area.

Table 79

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A-1	100.0	366	102.6	1.03x	1.31x
A-2	30.0	366	102.6	1.03x	1.31X
A-3	30.0	366	102.6	1.03x	1.31x
A-4	25.0	366	102.6	1.03x	1.31x
Total first mortgage	185.0	366	102.6	1.03x	1.31x
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	185.0	366	102.6	1.03x	1.31x

*Calculated based on a Standard & Poor's stressed constant of 8.25% on the full pari passu loan amount of $185.0 million. **Calculated based on the actual constant on the full pari passu loan amount and the issuer's underwritten NCF. LTV--Loan-to-value. DSC--Debt service coverage. N/A--Not applicable. NCF--Net cash flow.

Table 80

Structural Features

Lock box	Hard, in-place.
Ongoing reserves	Monthly collections for real estate taxes and springing for insurance and TI/LC reserves. Following the seventh anniversary of the closing date, $250,000 per month for rollover reserve funds ($1.50 per sq. ft. not leased to the U.S. Securities and Exchange Commission).
Up-front reserves	$22,670,782 for TI/LC reserves and $300,000 for a service reserve fund.

TI/LCs--Tenant improvements and leasing commissions.

Property And Loan Highlights

- The property is a newly constructed, class A office building located in Washington, D.C., adjacent to Union Station. The subject is part of an office complex that consists of three interconnected buildings with 1.6 million sq. ft. on 5.5 acres.
- The subject property contains 514,211 sq. ft. of office space, with three levels of underground parking containing 307 parking spaces.
- The sponsors of the bankruptcy-remote SPE borrower are Louis Dreyfus Property Group and Fisher Brothers. Louis Dreyfus Property Group has developed, acquired, and managed office buildings in North America and Europe for more than 35 years. Within the Washington, D.C. real estate market, it developed and owns 1101 New York Avenue NW (393,000 sq. ft.), the Four Seasons in Georgetown, and 2001 K Street, and is currently developing Lafayette Tower (801 Seventeenth St.). Fisher Brothers was founded in 1915 and is a privately held partnership that manages real estate properties, investment portfolios, and other businesses. It presently owns, manages, and leases more than 6 million sq. ft. to major corporate tenants.
- The property is managed by an affiliate of the sponsor.

Unique Loan Features

- The Station Place III loan is part of the Station Place III loan combination evidenced by four pari passu notes with an aggregate original principal balance of $185.0 million. Standard & Poor's analysis is based on the full loan amount of $185.0 million.

Tenant Summary

Table 81

Major Station Place III Tenants

Tenants	S&P rating/outlook	Sq. ft.	Property NRA (%)	Base rent per sq. ft. ($)	Base rent (% of GPR)	Lease expiration
Kaiser Foundation	A+	205,682	40.7	35.36	38.1	June 2024
U.S. Securities and Exchange Commission	AAA	201,998	40.0	33.00	34.9	January 2021
American Chemistry Council	NR	91,783	18.2	56.00	26.9	December 2025

NRA--Net rentable area. GPR--Gross potential rent. NR--Not rated.

Table 82

Lease Rollover Schedule

Year	No. of leases	NRA (sq. ft.)	% of sq. ft.	% of total base rent
2011	0	0	0.0	0.0
2012	0	0	0.0	0.0
2013	0	0	0.0	0.0
2014	0	0	0.0	0.0
2015	0	0	0.0	0.0
2016	0	0	0.0	0.0
2017	0	0	0.0	0.0

Table 82

Lease Rollover Schedule (cont.)				
2018	0	0	0.0	0.0
2019	0	0	0.0	0.0
2020	0	0	0.0	0.0
2021 and beyond	14	499,463	98.8	100.0
Vacant	N/A	5,939	1.2	N/A

NRA--Net rentable area. N/A--Not applicable.

Market And Competitor Statistics

Table 83

Capitol Hill Submarket Data As Of Fourth-Quarter 2010

Building class	Inventory (sq. ft.)	Overall vacancy (%)	Asking rent per sq. ft.	YTD absorption (sq. ft.)	New construction (sq. ft.)
A	24,204,753	19.0	51.65	2,962,260	414,029
B	7,286,508	10.0	42.03	(274,892)	0
C	1,546,921	5.8	36.39	(2,914)	0
Overall submarket	33,038,182	16.4	49.79	2,684,454	414,029

YTD--Year-to-date.

Table 84

Appraiser Rent Comparable Data

Property name	Class	NRA	Year built	Stories	Tenant	Lease date	Size (sq. ft.)	Initial rent per sq. ft.	Term (years)
Constitution Center	A	1,400,000	1979	10	SEC	August 2010	900,000	32.00	10.0
300 New Jersey	A	255,692	2009	10	Novak Druce & Quigg	March 2010	26,317	32.00	6.1
300 New Jersey	A	255,692	2009	10	Comcast	June 2010	20,000	45.00	9.6
The McPherson Building	A	239,174	1988	12	Booz Allen Hamilton	July 2010	67,617	38.00	7.0
The McPherson Building	A	239,174	1988	12	Chicago School of Professional Psychology	February 2010	16,000	30.00	10.0
City Center	A	345,772	1992	12	Dept of Treasury	August 2010	59,309	30.50	10.0
Columbia Center	A	385,500	2007	12	Natural Resource Defense Council	July 2010	29,000	31.00	10.0
Victor Building	A	319,257	2000	10	Board Source	May 2010	15,840	33.00	11.7

NRA--Net rentable area.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 85

Cash Flows

	2010 projection	2011 projection	Appraiser	Issuer	S&P
Effective gross income ($)	5,650,734	27,592,819	26,494,637	26,630,492	25,086,647
Total operating expenses ($)	7,340,730	9,342,621	8,663,995	9,822,471	9,976,457

Table 85

Cash Flows (cont.)					
Total capital items ($)	0	0	0	1,694,680	1,449,874
Net cash flow ($)	(1,689,996)	18,250,198	17,830,642	15,113,341	15,685,852*

*Standard & Poor's net cash flow includes normalized rents for Kaiser and the U.S. Securities and Exchange Commission.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The underwritten revenues were based on the in-place leases as of July 2010.
- The expense reimbursements were based on the tenants' contractual obligations.
- We estimated vacancy at market for noncredit tenants and according to our criteria for investment-grade tenants. We calculated a Kaiser ('A+') credit vacancy of 4.0% and used 8% for the remaining space, yielding a weighted average vacancy of 6.5%. As of July 2010, actual physical occupancy was 98.8%. Standard & Poor's calculated an economic vacancy of 6.5% versus the issuer's vacancy assumption of 6.2%.
- Other income was based on the property's projected performance, the appraiser's estimates, and comparable buildings in the market.
- The operating expenses were based on the property's projected performance, the appraiser's estimates, and comparable buildings in the market.
- A management fee of 3.0% of EGI was assumed.
- The replacement reserves were assumed to be $0.35 per sq. ft.
- The TI expenses were assumed to be $30.00 per sq. ft. for new leases and $15.00 per sq. ft. for renewal leases.
- The LCs were calculated using a rate of 4.0% and 2.0% for new and renewal tenants, respectively.
- The TI/LC assumptions were based on the in-place weighted average lease terms of 12.7 years, with LC expenses capped at 10.0 years.
- A 65% renewal probability was assumed for all tenants.
- Based on these assumptions, Standard & Poor's NCF variance for this property is 3.8%.
- Standard & Poor's applied a blended capitalization rate of 8.25% to the NCF and added the value of the U.S. Securities and Exchange Commission and Kaiser rent steps, which resulted in a Standard & Poor's value of $180.3 million ($357 per sq. ft.).
- The quality score for this asset is 2.75, an above-average score.

This loan exhibits the following strengths:

- The property is well-located in Washington, D.C. and is adjacent to Union Station, which provides Metro access, Amtrak train service, and retail outlets. In addition, the property is located five blocks from the U.S. Capitol.
- Investment-grade tenants comprise 80.7% of the building's total NRA and generate 73.1% of total GPR. Each of the three tenants has a lease term of 10 years or longer. As such, there is no rollover during the loan term.
- Since construction was completed in June 2009, the property has been 98.8% leased to three tenants: Kaiser Permanente ('A+', 40.7% of NRA through 2024), the U.S. Securities and Exchange Commission ('AAA'; 40.0% of total NRA through 2021), and The American Chemistry Council (18.2% of NRA through 2025).
- The loan benefits from a hard, in-place lockbox. However, according to the terms of the cash management agreement, the triggers for the NCF sweep are less robust at only 1.05x DSC or an event of default. All excess cash flow will be remitted to the borrower until a trigger event occurs.

This loan exhibits the following concerns and mitigating factors:

SEC-STRS-E-0081948

- The lease with the U.S. Securities and Exchange Commission (40.0% of the NRA and 34.9% of the GPR) expires in January 2021, three months after the loan maturity. Since 2004, the U.S. Securities and Exchange Commission has leased more than 1 million sq. ft. of space in Station Place I and Station Place II, its headquarters. In the event it does not extend its lease, the loan documents require the borrower to deposit $250,000 per month for the final 36 months of the loan term, resulting in a reserve balance of $9 million (nearly $45 per sq. ft. of the U.S. Securities and Exchange Commission space) at maturity to be used for TI/LC costs associated with re-tenanting the space.
- CoStar's fourth-quarter 2010 class A office vacancy rate for the Washington, D.C. Capitol Hill area is 19.0%. In addition, the appraiser cites vacancy rates at comparable buildings at an average of 19.9%. However, as of July 2010, the in-place vacancy at the property was 1.2%, which is well below the market vacancy levels and the vacancy rates at competitive properties, as identified by the appraiser. Since construction was completed, the property has been 98.8% occupied by three tenants on long lease terms. Furthermore, there is no rollover during the loan term.
- The property has no historical operating data because it was recently constructed in 2009. Standard & Poor's evaluated the appraiser's assumptions as well as comparables in the market to evaluate the property.

10. Princeton Forrestal Village

Table 86

Loan Profile

Loan summary		Collateral summary	
Trust amount	$41,210,910	**% of pool**	2.7%
Loan type	Fixed rate	**Originator**	Morgan Stanley Mortgage Capital Holdings LLC
Interest rate	5.475%	**Property type**	Mixed use, office, and retail
Amortization	30 years	**Location**	Princeton, N.J.
Maturity date	Jan. 5, 2016	**Year built/renovated**	1987-2010
Sponsor	Investcorp	**Total NRA**	549,336 sq. ft.
Management	Lincoln Equities Group LLC	**Physical occupancy as of Sept. 14, 2010**	89.3%
Borrower SPE provisions	Bankruptcy remote with a nonconsolidation opinion and two independent directors	**Economic occupancy as of Sept. 14, 2010**	90.1%
		Ownership	Leasehold

SPE--Special-purpose entity. NRA--Net rental area.

Table 87

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P DSC*	Issuer DSC**
A	41.2	75	98.5	1.14x	1.49x
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	41.2	75	98.5	1.14x	1.49x
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	41.2	75	98.5	1.14x	1.49x

SEC-STRS-E-0081949

Table 87

Debt Structure (cont.)

*Calculated based on a Standard & Poor's stressed constant of 8.25%. **Calculated based on the actual constant and the issuer's NCF. LTV--Loan-to-value. DSC--Debt service coverage. N/A--Not applicable. NCF--Net cash flow.

Table 88

Structural Features	
Lock box	Hard, in-place.
Ongoing reserves	Monthly collections for real estate taxes, insurance, replacement reserves, and TI/LCs (starting January 2012).
Up-front reserves	Taxes: $276,769; insurance: $22,080; replacement reserves: $859,017; TI/LCs: $604,271; outstanding TI/LC reserves: $1,238,528; and deferred maintenance: $238,920.

TI/LCs--Tenant improvements and leasing commissions.

Property And Loan Highlights

- Princeton Forrestal Village is a mixed-use development comprised of five office/retail buildings and one stand-alone office building (81.0% of the NRA), a stand-alone health club (11.3% of the NRA), two restaurants (5.9% of the NRA), and a day school (1.8% of the NRA).
- The property sits on a 41.9-acre campus that also includes the separately owned Westin Hotel and Conference Center and The Eden Institute, a school for autistic children and adults. These two properties are not part of the collateral.
- The property is located southeast of Princeton University and just north of the 2,200-acre Princeton Forrestal Center, Princeton University's corporate office and research complex. The property is located just off of Route 1.
- The weighted average rent for the office space is $23.59 per sq. ft. gross, and the weighted average rent for the retail space is $11.50 per sq. ft. The weighted average rent for the property overall is $19.27 per sq. ft., as calculated by Standard & Poor's.
- The loan sponsor is Investcorp US Real Estate LLC, which is wholly owned by Investcorp US Real Estate Ltd., a Cayman Islands company owned by Investcorp Bank B.S.C. It was formed to invest in and acquire commercial and residential real estate in the U.S. and serves as a guarantor for investments made by certain related Investcorp entities.
- The property is managed by Lincoln Equities Group LLC, based in Rutherford, N.J. The company currently operates a commercial real estate portfolio of more than 4 million sq. ft. of office and commercial facilities located in the metropolitan region.

Tenant Summary

Table 89

Major Princeton Forrestal Village Tenants

Tenants	S&P rating	Sq. ft.	Property NRA (%)	Base rent per sq. ft. ($)	Base rent (% of GPR)	Lease expiration
CAN DO Fitness	NR	60,385	11.0	15.00	8.6	December 2026
Reed Smith	NR	47,822	8.7	25.00	11.3	January 2020
Comag Marketing Group	NR	26,200	4.8	24.00	5.9	July 2016
North American Electric	NR	23,315	4.2	25.00	5.5	May 2013
Delval Acquisitions Sub LLC	NR	23,254	4.2	25.00	5.5	April 2014

NRA--Net rentable area. GPR--Gross potential rent. NR--Not rated.

SEC-STRS-E-0081950

Table 90

Lease Rollover Schedule*

Year	No. of leases	NRA (sq. ft.)	% of sq. ft.	% of total base rent
2011	18	48,385	8.9	8.1
2012	11	37,903	7.0	8.3
2013	6	50,325	9.3	11.0
2014	13	59,500	11.0	11.7
2015	11	37,180	6.8	7.4
2016	6	35,325	6.5	8.0
2017	3	23,580	4.3	3.5
2018	0	0	0.0	0.0
2019	4	21,925	4.0	4.9
2020	2	60,250	11.1	12.6
2021	0	0	0.0	0.0
2022 and beyond	11	105,772	19.5	13.8
Vacant	N/A	63,226	11.6	N/A

*As calculated by Standard & Poor's. We generally assume vacant tenants as those that have expired leases, month-to-month leases, are dark, are in litigation, are bankrupt, etc. NRA--Net rentable area. N/A--Not applicable.

Market And Competitor Statistics

Table 91

CBRE-EA Baseline Winter 2011 Forecast Data As Of Third-Quarter 2010

Year	Mercer County office estimated availability rate (%)	Mercer County office rent index ($ per sq. ft.)	New Brunswick office estimated availability rate (%)	New Brunswick office rent index ($ per sq. ft.)
2007	18.5	24.06	15.8	20.80
2008	13.7	24.38	19.1	20.07
2009	15.5	24.11	20.3	19.33
2010	14.1	24.37	20.8	18.95
2011	14.3	25.53	21.8	18.63
2012	13.9	26.67	20.8	18.77
2013	12.9	27.85	18.5	19.31
2014	12.3	28.83	16.3	20.03
2015	12.1	29.66	14.7	20.88

Note: This property falls in-between two CBRE-EA submarkets. CBRE-EA--CBRE Econometric Advisors.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 92

Cash Flows

	2008	2009	TTM ended July 2010	Appraiser	Issuer	S&P
Effective gross income ($)	11,196,873	12,152,256	11,930,863	12,291,543	11,489,109	11,200,028
Total operating expenses ($)	6,055,063	6,435,343	6,458,176	6,521,264	6,498,710	6,548,456
Total capital items ($)	0	0	0	0	813,017	837,248
Net cash flow ($)	5,141,810	5,716,913	5,472,687	5,770,279	4,177,381	3,874,324

SEC-STRS-E-0081951

Table 92

Cash Flows (cont.)

TTM--Trailing 12 months.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The underwritten revenues were based on the in-place rents as of September 2010.
- A vacancy rate of 12.0% was applied based on market trends in the submarket.
- The expense reimbursements were based on the tenants' contractual obligations.
- The other income was based on appraiser's projections.
- The operating expenses, other than the insurance premium, were based on the property's historical performance and budget projections.
- The insurance premium expenses was based the actual premium amount.
- A management fee of 4.0% of the EGI was assumed.
- The replacement reserves were assumed to be $0.30 per sq. ft.
- The TI expenses for the office tenants were assumed to be $11.00 per sq. ft. for new leases and $5.50 per sq. ft. for renewal leases.
- The TI expenses for the restaurant tenants were assumed to be $9.00 per sq. ft. for new leases and $4.50 per sq. ft. for renewal leases.
- The TI expenses for the gym/spa were assumed to be $7.00 per sq. ft. for new leases and $3.50 per sq. ft. for renewal leases.
- The TI expenses for the day school were assumed to be $5.00 per sq. ft. for new leases and $2.50 per sq. ft. for renewal leases.
- The LCs were calculated using a rate of 4.0% and 2.0% for new and renewal tenants, respectively.
- The TI/LC assumptions were based on the in-place weighted average lease terms of eight years the office tenants, 15 years for the restaurant tenants, 19 years for the gym/spa, and 20 years for the fitness center, with LC expenses capped at 10 years.
- A 65% renewal probability was assumed for office tenants, while a 60% renewal probability was assumed for all the other tenants.
- Based on these assumptions, Standard & Poor's NCF variance for this property is negative 7.3%.
- Standard & Poor's applied a capitalization rate of 9.25% to the NCF, which resulted in a Standard & Poor's value of $41.8 million ($76 per sq. ft.).
- The quality score for this asset is 2.75, an above-average score.

This loan exhibits the following strengths:

- The Princeton Forrestal Village campus is well-located directly off of Route 1, a major artery that leads to I-287, I-295, the New Jersey Turnpike, and the Garden State Parkway.
- The loan features a hard, in-place lockbox. In addition, the loan is structured with a cash flow sweep with a meaningful trigger based on a debt yield falling below 10%, tested quarterly. The current debt yield is 11.3% based on Standard & Poor's NOI.
- The property benefits from strong sponsorship and experienced management.

This loan exhibits the following concerns and mitigating factors:

- The property's retail space (188,198 sq. ft. and 24% of the collateral NRA) is poorly occupied compared to the office space and management noted that historically it has had difficulty trying to lease the retail space. Management has converted some of the retail space to offices and has been successful in leasing the converted space. Despite the weak retail occupancy, overall the property has had consistent occupancy of approximately 90% over the past three years and has an evenly distributed rollover schedule.

- In addition to the trust balance and only in connection with the borrower's exercise of its option to purchase the land covered by its ground lease for $8.0 million, which expires in June 2017, additional debt in the form of a mezzanine loan is permitted subject to a maximum loan to cost ($5.2 million) of 65%. The aggregate of the first mortgage plus the future mezzanine loan cannot exceed 80% LTV and the DSC ratio cannot be less than 1.20x.

Related Criteria And Research

- Methodology And Assumptions For Analyzing The Major Property Types In U.S. CMBS Transactions, published June 14, 2010.
- Methodology And Assumptions: Capitalization Rates For Major Property Types In U.S. CMBS Transactions, published June 14, 2010.
- U.S. CMBS Rating Methodology And Assumptions For Single-Borrower And Large Loan Transactions Remain Unchanged, published July 6, 2009.
- U.S. CMBS Rating Methodology And Assumptions For Conduit/Fusion Pools, published June 26, 2009.
- Principles-Based Rating Methodology For Global Structured Finance Securities, published May 29, 2007.
- Servicer Evaluation: Midland Loan Services Inc., published April 27, 2009.
- CMBS Property Evaluation Criteria: The Rating Process For CMBS Transactions, published Sept. 1, 2004.
- CMBS Property Evaluation Criteria: Commercial Property Cash Flow Analysis, published Sept. 1, 2004.
- CMBS Property Evaluation Criteria: Guidelines For Analysis Of Major Property Types, published Sept. 1, 2004.
- CMBS Property Evaluation Criteria: Insurance Criteria For CMBS Transactions, published Sept. 1, 2004.
- CMBS Property Evaluation Criteria: Ground Lease Requirements In CMBS Transactions, published Sept. 1, 2004.
- U.S. CMBS Legal And Structured Finance Criteria: Property-Specific And Large Loan Transactions, published May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Special-Purpose Bankruptcy-Remote Entities, published May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Legal Opinions, published May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Appendix I: Insurance Criteria For U.S. CMBS Transactions, May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Appendix II: Eligible Investment Criteria For 'AAA' Rated Structured Transactions, published May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Appendix III: Revised Article 9 Of The Uniform Commercial Code: New Standard & Poor's Criteria, published May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Appendix IV: Standard & Poor's Defeasance Criteria For U.S. CMBS Transactions, published May 1, 2003.
- U.S. CMBS Legal and Structured Finance Criteria: Appendix V: Form Of Notice Regarding Defeasance Of Mortgage Loan, published May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Appendix VI: Intercreditor Agreement, published May 1, 2003.

- U.S. CMBS Legal And Structured Finance Criteria: Appendix XIII: Revised Legal Criteria For Multi- And Single-Member LLCs, published May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Appendix XV: Typical Factors Considered By Courts In Determining Existence Of A True Sale, published May 1, 2003.
- U.S. CMBS Legal And Structured Finance Criteria: Appendix XVI: Select Specific Opinion Criteria/Language, May 1, 2003.

SEC-STRS-E-0081955

May 17, 2011

EXHIBIT V

Presale:

J.P. Morgan Chase Commercial Mortgage Securities Trust 2011-C4

Primary Credit Analyst:
Lucienne Fisher, New York (1) 212-438-4719; lucienne_fisher@standardandpoors.com

Secondary Contact:
James Digney, New York (1) 212-438-1832; james_digney@standardandpoors.com

Table Of Contents

GOVERNMENT EXHIBIT
92
D-03302

SP-CMBS 00285398

Table Of Contents (cont.)

Table Of Contents (cont.)

Presale:

J.P. Morgan Chase Commercial Mortgage Securities Trust 2011-C4

$1.45 Billion Commercial Mortgage Pass-Through Certificates Series 2011-C4

This presale report is based on information as of May 17, 2011. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings As Of May 17, 2011

Class	Preliminary rating(i)	Preliminary amount ($)	Recommended credit support (%)
A-1	AAA (sf)	77,861,000	18.375
A-2	AAA (sf)	336,403,000	18.375
A-3	AAA (sf)	353,150,000	18.375
A-3FL(ii)	AAA (sf)	125,000,000	18.375
A-4	AAA (sf)	226,811,000	18.375
A-SB	AAA (sf)	61,976,000	18.375
X-A(ii)	AAA (sf)	1,181,201,000(iii)	N/A
X-B(ii)	NR	265,906,233(iii)	N/A
B	AA (sf)	48,840,000	15.000
C	A (sf)	72,356,000	10.000
D	A- (sf)	23,515,000	8.375
E	BBB (sf)	48,840,000	5.000
F	BB+ (sf)	14,471,000	4.000
G	BB- (sf)	19,898,000	2.625
H	B (sf)	18,089,000	1.375
NR	NR	19,897,233	0.000

(i)The rating on each class of securities is preliminary and subject to change at any time. (ii)Interest-only class. (iii)Notional amount. NR--Not rated. N/A--Not applicable.

Profile

Closing date	June 23, 2011.
Collateral	Forty-two loans that are secured by 84 properties.
Underwriter and mortgage loan seller	JPMorgan Chase Bank N.A. (100% of the portfolio).
Depositor	JPMorgan Chase Commercial Mortgage Securities Corp.
Master servicer	Midland Loan Services Inc., a division of PNC Bank N.A.
Special servicer	Torchlight Loan Services LLC.
Trustee	Wells Fargo Bank N.A.

Rationale

The preliminary ratings assigned to J.P. Morgan Chase Commercial Mortgage Securities Trust 2011-C4's (JPMCC 2011-C4's) $1.45 billion commercial mortgage pass-through certificates reflect the credit support provided by the

SP-CMBS 00285401

subordinate classes of certificates; the liquidity provided by the trustee; and the underlying loans' economics, geographic diversity, and property type diversity. In our analysis, we determined that, on a weighted average basis, the pool has a debt service coverage (DSC) of 1.26x based on a weighted average Standard & Poor's Ratings Services loan constant of 8.22%, a beginning loan-to-value (LTV) ratio of 86.6%, and an ending LTV ratio of 77.6%. (Note: Standard & Poor's excluded the Sheraton Chicago Hotel and Towers loan ($68.0 million, 4.7% of the pool balance), which is secured by the fee interest on the land beneath the hotel, from all of our calculated DSC and LTV ratios. We analyzed this loan separately from the general pool.)

To calculate the number of loans, we considered each group of cross-collateralized and cross-defaulted loans as one loan.

Strengths

This transaction exhibits the following strengths:

- As a whole, the transaction reflects economics that are slightly better than the Standard & Poor's archetypical pool based on Standard & Poor's stressed beginning and ending LTV ratios of 86.6% and 77.6%, respectively, for the pooled trust balance. The transaction's beginning and ending LTV ratios, based on appraisal values, are 61.1% and 54.8%, respectively.
- The transaction has a weighted average DSC of 1.26x based on a Standard & Poor's loan constant of 8.22%, which is stronger than the archetypical pool (1.20x). Standard & Poor's DSCs for loans within the trust range from 0.88x to 1.80x and are based on stressed loan constants ranging from 7.75% to 10.00%, depending on the property type.
- Three loans (21.3% of the pool balance) have trust balances that exhibit credit characteristics consistent with obligations rated investment-grade by Standard & Poor's: Newport Centre ('bbb-', 13.8%), Sheraton Chicago & Hotel Tower ('bbb', 4.7%), and Flushing Plaza ('bbb-', 2.8%).
- All of the loans in the pool have borrowing entities that are structured as special-purpose entities (SPEs). In addition, loans representing 85.7% of the pool balance have borrowers that are structured with both a nonconsolidation opinion and at least one independent director, including all of the top 10 loans.
- The trust benefits from scheduled amortization, which reduces the Standard & Poor's weighted average LTV ratio to 77.6% at maturity from 86.6% at issuance. However, the amortization benefit is lessened somewhat by the 12 loans (13.8% of the pool balance) that feature full-term interest-only payments through maturity. But, the full-term interest-only loans, excluding the Sheraton Chicago Hotel & Towers loan, have a weighted average Standard & Poor's stressed LTV ratio of 77.7%, which is below the weighted average beginning Standard & Poor's stressed LTV ratio for the pool of 86.6% and consistent with the ending LTV for the pool of 77.6%.
- Lockboxes are in place for 27 loans (91.9% of the pool balance). However, only 23 loans (81.3% of the pool balance) require monthly collections for real estate taxes. Ten loans (24.3%) require monthly collections for insurance, 18 loans (74.2%) require monthly collections for tenant improvement and leasing commission (TI/LC) reserves, and 25 loans (75.4%) require monthly collections for capital expenses, not including springing reserves. Twenty-four of the loans with lockboxes (82.2%) have hard lockboxes and three loans (9.7% of the pool balance) have soft lockboxes. In addition, 15 loans (8.1% of the pool balance) provide for springing lockboxes. Generally, soft and springing lockboxes are triggered by an event of default, the anticipated repayment date, DSC conditions, or a specific tenant event.
- The transaction includes 61 properties (91.1% of the pool balance) that are located in metropolitan statistical

Table 16

Stressed Scenario Analysis For JPMCC 2011-C4						
'AAA' credit enhancement level (%)	18.375					
'BBB-' credit enhancement level (%)	4.625					
'B' credit enhancement level (%)	1.375					
NCF haircut assumption (%)(i)		**(0)**	**(10)**	**(20)**	**(30)**	**(37.9) (ii)**
DSC (x)		1.73	1.56	1.39	1.22	1.09
Trust pool loss (%)		(0.0)	(0.1)	(1.5)	(6.5)	(18.375)

(i)The NCF decline is compared with Standard & Poor's estimate of the pool's most recent NOI (adjusted for estimated TI/LCs and capital expenditure reserves). (ii)Breakeven NCF haircut assumption. JPMCC 2011-C4--J.P. Morgan Chase Commercial Mortgage Trust 2011-C4. NCF--Net cash flow. DSC--Debt service coverage (based on the pool's actual debt service). NOI--Net operating income. TI/LCs--Tenant improvements/leasing commissions.

Credit Evaluation

Our analysis included the following:

- We conducted site inspections for 78.6% of the loan balance.
- We analyzed 21 of the 42 loans, representing 86.5% of the pool balance.
- Our loan-level reviews included analyzing property-level operating statements and rent rolls.
- We reviewed third-party appraisal, environmental, and engineering reports for each of the select properties.
- We reviewed legal matters that we believe are relevant to our analysis, as outlined in our criteria. We completed a legal review for six of the loans (52.6% of the pool balance). We reviewed the current drafts of major transaction documents, including the offering circular, PSA, and other legal documents to verify compliance with Standard & Poor's criteria and to understand the mechanics of the underlying loans and the transaction.

For more information on our analysis of the cash flow and valuation of the various property types, the top 10 loan characteristics, and Standard & Poor's DSC and LTV ratio stratification ranges, see tables 17-19.

Table 17

Standard & Poor's DSCR Range Based On A Weighted Average Stressed Constant Of 8.22%

DSCR range (x)(i)	No. of loans	Loan balance ($)	% of pool
Greater than 1.65	1	3,100,000	0.2
1.55 to 1.65	1	39,920,137	2.9
1.50 to 1.54	2	13,730,000	1.0
1.45 to 1.49	1	7,750,000	0.6
1.40 to 1.44	5	115,626,000	8.4
1.35 to 1.39	3	194,694,644	14.1
1.30 to 1.34	4	323,610,503	23.5
1.25 to 1.29	3	52,116,758	3.8
1.20 to 1.24	4	151,018,889	11.0
1.15 to 1.19	4	51,656,650	3.7
1.10 to 1.14	6	172,292,449	12.5
1.05 to 1.09	4	171,580,270	12.4
1.00 to 1.04	1	6,977,259	0.5
0.95 to 0.99	1	64,290,458	4.7
0.90 to 0.94	0	0	0.0

SP-CMBS 00285419

Table 17

Standard & Poor's DSCR Range Based On A Weighted Average Stressed Constant Of 8.22% (cont.)			
Less than 0.90	1	10,743,215	0.8
Total	41	1,379,107,233	100.0

(i)We excluded Sheraton Chicago Hotel & Towers from our calculation. DSCR--Debt service coverage ratio (based on Standard & Poor's constant and NCF). NCF--Net cash flow.

Table 18

Standard & Poor's DSCR Range Based On An Actual Debt Constant

DSC range (x)(i)	No. of loans	Loan balance ($)	% of pool
Greater than 1.65	15	252,578,113	18.3
1.55 to 1.65	3	454,603,198	33.0
1.50 to 1.54	2	49,611,184	3.6
1.45 to 1.49	4	54,481,362	4.0
1.40 to 1.44	5	165,235,005	12.0
1.35 to 1.39	5	154,131,211	11.2
1.30 to 1.34	3	118,521,935	8.6
1.25 to 1.29	2	54,911,551	4.0
1.20 to 1.24	1	64,290,458	4.7
1.15 to 1.19	0	0	0.0
1.10 to 1.14	0	0	0.0
1.05 to 1.09	0	0	0.0
1.00 to 1.04	0	0	0.0
0.95 to 0.99	1	10,743,215	0.8
0.90 to 0.94	0	0	0.0
Less than 0.90	0	0	0.0
Total	41	1,379,107,233	100.0

(i)We excluded Sheraton Chicago Hotel & Towers from our calculation. For the interest-only loans, debt service is calculated based on the actual amortizing loan constant. DSCR--Debt service coverage ratio (based on the actual constant and Standard & Poor's NCF). NCF--Net cash flow.

Table 19

Standard & Poor's Beginning LTV Ratios

Beginning LTV ratio range (%)(i)	No. of loans	Loan balance ($)	% of pool
Less than 50	0	0	0
51 to 60	0	0	0
61 to 70	1	3,100,000	0.2
71 to 75	5	261,219,224	18.9
76 to 80	8	310,320,644	22.5
81 to 85	2	43,378,976	3.1
86 to 90	4	57,887,274	4.2
91 to 95	10	303,781,786	22.0
96 to 100	4	228,111,564	16.5
101 to 105	2	18,388,443	1.3
106 to 110	3	77,885,648	5.6
111 to 115	1	64,290,458	4.7
Greater than 115	1	10,743,215	0.8

convert to a hard lockbox. However, because the property manager collects rents for deposit into the lockbox, cash management during an event of default is not as stringent as for a commercial property.
- The property benefits from Sun's sponsorship and experienced management. The sponsor has experience owning and managing MHC and RV properties and owns more than 47,000 sites across 18 states.

This loan exhibits the following concerns and mitigating factors:

- Three of the properties are improved with seasonal RV pads. Siesta Bay, Lake San Marino, and Groves dedicate 8%, 50%, and 47% of their pad sites to seasonal tenants, respectively. These properties are located in Florida, and occupancy levels for the seasonal sites falls to 15% to 20% during the summer months. However, as a component of the 11-property portfolio, seasonal sites account for only 10% of the physical sites and 8% of the portfolio's 2010 EGI. Furthermore, the permanent sites within Siesta Bay, Lake San Marino, and Groves have three-year average occupancy rates of approximately 99%.
- Three of the properties are located in Michigan. Michigan has seen vacancy and unemployment rates above the national average, along with a declining population. The three Michigan properties have vacancy rates above the portfolio average, with 36% for Lafayette Place and 34% for Creekwood in 2010. Richmond Place has faired better with 17% vacancy in 2010. Sun has attempted to increase occupancy at these sites through its Sun-owned home program, renting in-place manufactured homes rather than pad sites. Furthermore, Sun is based out of Michigan and has experience in this market.
- Five of the properties reported vacancy rates of 15% to 35% for permanent sites as of the March 2011 rent roll. However, in all but one case, the collateral properties are outperforming the market according to the appraisers' competitive set vacancy estimates. Occupancy at the properties improved during first-quarter 2011.
- Only 37.1% of the loan amount is allocated to properties within primary MSAs. The remaining 62.9% is allocated to properties within secondary and tertiary markets.
- The sponsor is cashing out approximately $8.6 million of the $115 million in loan proceeds. However, the sponsor has a market capitalization of $645.4 million as of Jan. 13, 2011.
- The sponsor must refinance $184,707,796 of debt in 2011 (including the $115,000,000 being refinanced by JP Morgan) and $533,402,885 in 2014. These refinancings represent a significant portion of Sun's total long-term debt of $1,253.9 million as of Sept. 30, 2010. The debt maturing in 2014 represents maturing Fannie Mae and Bank of America portfolios that Sun plans to refinance/remargin.
- The properties are insured by Landmark American Insurance Co., which Standard & Poor's does not rate. However, Standard & Poor's grandfathered in Landmark American Insurance Co.'s status as an acceptable insurer so long as it maintains an 'A:XII' rating from A.M. Best and does not increase its participation or priority in the insurance coverage. In the event that the insurance providers changes, future insurers must be rated a minimum of 'A-' by Standard & Poor's. We took this into consideration when evaluating this loan.

4. Rincon Center

Table 43

Loan Profile

Loan Summary		Collateral summary	
Trust amount	$109,886,759	% of pool	7.6%
Loan type	Fixed rate	Originator	JPMorgan Chase Bank N.A.

Table 43

Loan Profile (cont.)			
Interest rate	5.13%	Property type	Office, central business district, class A
Amortization	30 years	No. of properties	One
Maturity date	May 1, 2021	Location	San Francisco
Sponsor	Hudson Pacific Properties	Year built/renovated	1940/1989
Management	An affiliate of the sponsor	Total NRA	541,026 sq. ft.
Borrower SPE Provisions	An SPE with a nonconsolidation opinion and at least one independent director	Physical occupancy as of March 16, 2011	89.1%
		Economic occupancy as of March 16, 2011(i)	88.5%
		Ownership	Fee simple

(i)As calculated by Standard & Poor's. SPE--Special-purpose entity. NRA--Net rental area.

Table 44

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P actual DSCR(i)	S&P DSCR(ii)
A	109.9	203.12	96.4	1.40	1.11
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	109.9	203.12	96.4	1.40	1.11
Mezzanine	N/A	N/A	N/A	N/A	N/A
Total	109.9	203.12	96.4	1.40	1.11

(i)Calculated based on Standard & Poor's NCF and the actual debt service. (ii)Calculated based on a Standard & Poor's NCF and a stressed constant of 8.25%. LTV--Loan to value. DSCR--Debt service coverage ratio. N/A--Not applicable. NCF--Net cash flow.

Table 45

Structural Features	
Lock box	Hard, in place.
Ongoing reserves	Monthly collections are made for real estate taxes ($152,668 per month compared to estimated taxes of $179,490 per month) and insurance ($74,197 per month).
Upfront reserves	There are upfront reserves for real estate taxes ($610,674; equal to approximately four months of real estate taxes) and insurance ($121,664; equal to approximately two months of ongoing insurance payments). An additional $1,409,139 collection is made for TI/LC reserves ($2.60 per sq. ft.).
Other reserves	The lender will require rollover reserves of $19.25 per sq. ft. and $18.00 per sq. ft. should AT&T and Chartis give notice of non-renewal, respectively.

TI/LC--Tenant improvement and leasing commission.

Property And Loan Highlights

- The property is a mixed-use development that features 541,026 sq. ft. of office and retail space. A residential portion of the development, which is not part of the collateral, features 320 luxury apartment units and is known as Rincon Towers. The property is situated in San Francisco's Financial District, along the waterfront.
- The collateral consists of the office and retail portions of both buildings and excludes the residential component. The former post office building, which was originally constructed in 1940 and expanded in 1989, is known as Rincon One. Developed in 1989, Rincon Two consists of the six-story office and retail portion of Rincon Towers. Rincon One is an historic building that is now listed on the National Register of Historic Places.
- The property's office component comprises approximately 454,724 sq. ft. and is approximately 94% leased to 10

tenants, including three investment-grade tenants comprising 66% of total NRA. Additionally, the property offers approximately 86,302 sq. ft. of retail and food court space that is approximately 62.7% leased to 23 tenants.

- The bankruptcy-remote SPE borrower's sponsor is Hudson Pacific Properties Inc. (Hudson Pacific), a full-service, vertically integrated real estate company focused on owning, operating, and acquiring high-quality office properties and state-of-the-art media and entertainment properties in select growth markets primarily in Northern and Southern California. Hudson Pacific's current portfolio includes 12 office properties aggregating approximately 3.4 million sq. ft. in San Francisco, Beverly Hills, Calif., Los Angeles, Orange County, Calif., and San Diego, Calif. Additionally, Hudson Pacific owns two media and entertainment developments totaling 900,000 sq. ft. in Hollywood, Calif. Hudson Properties completed an initial public offering (IPO) in June 2010 and trades on the New York Stock Exchange under the HHP ticker symbol.
- The loan funds the purchase of the property for a reported acquisition price of $185,000,000. The borrower contributed equity of $75,500,000 to complete the acquisition.
- An affiliate of the sponsor manages the property.

Tenant Summary

Table 46

Major Rincon Center Tenants

Tenants	S&P rating/outlook	Sq. ft.	Property NRA (%)	Base rent per sq. ft. ($)	Base rent (% of GPR)	Lease expiration
Chartis(i)	A-/Stable	166,757	30.8	41.36	38.4	July 2017
AT&T	A-/Stable	155,964	28.8	36.63	24.1	August 2013
State of California(ii)	A-/Negative	35,452(iii)	6.6	45.27	9.0	July 2012
Intrax Cultural Exchange	NR	23,683	4.4	30.00	4.0	May 2023
Luce Forward Hamilton & Scripps LLC	NR	22,000	4.1	11.01	1.4	May 2017

(i)Credit rating of parent company. (ii)California's general obligation rating. (iii) Includes 571 sq. ft. of storage area also leased by the State of California. NRA--Net rentable area. GPR--Gross potential rent. NR--Not rated.

Table 47

Lease Rollover Schedule(i)

Year	No. of leases	NRA (sq. ft.)	% of sq. ft.	% of total base rent
2011	3	4,224	0.8	0.6
2012	13	50,580	9.4	9.3
2013	10	162,133	30.0	29.0
2014	5	16,644	3.1	3.4
2015	6	9,909	1.8	2.0
2016	5	13,651	2.5	2.0
2017	10	195,948	36.2	34.6
2018	2	4,405	0.8	0.7
2019	1	1,027	0.2	0.2
2020	0	0	0.0	0.0
2021	0	0	0.0	0.0
2022 and beyond	1	23,683	4.4	3.4
Vacant	N/A	58,438	10.8	N/A

SP-CMBS 00285439

Table 47

Lease Rollover Schedule(i) (cont.)

(i)As calculated by Standard & Poor's. Tenants that have expired leases, month-to-month leases, are in litigation, are bankrupt, etc. are generally assumed to be vacant. NRA—Net rentable area. N/A--Not applicable.

Market And Competitor Statistics

Table 48

CoStar South Financial District Market Data As Of March 2011

Building class	Inventory (sq. ft.)	Overall vacancy (%)	Gross asking rent per sq. ft. ($)	YTD absorption (sq. ft.)	New construction (sq. ft.)
A	19,502,951	12.0	39.63	68,775	0
B	5,449,238	24.0	24.20	(7,758)	0
Blended A and B	24,952,189	15.0	36.82	61,017	0

YTD–Year to date.

Table 49

Appraiser Rent Comparable Data As Of First-Quarter 2011

Property name	Class	NRA (sq. ft.)	Year built	Stories	% leased	Lease date	Size (sq. ft.)	Effective rent per sq. ft. ($)	Term (years)
303 Second Street	A	731,962	1988	10	95.4	May 2011	17,522	33.00	3
Foundry Square II	A	473,700	2002	9	100.0	March 2011	25,897	30.00	3
Hills Plaza	A	392,545	1925, 1989	7	91.1	March 2011	63,817	44.00	5
303 Second Street	A	731,962	1988	10	95.4	February 2011	36,620	32.50	10.5
303 Second Street	A	731,962	1988	10	95.4	September 2010	30,000	32.00	5
Howard Hawthorne Center	B	88,423	1929	5	82.3	September 2010	22,514	34.00	3

NRA–Net rentable area.

Historical Cash Flow And Standard & Poor's Cash Flow

Table 50

Cash Flows

	2008	2009	2010	Appraisal	Issuer	S&P
Effective gross income ($)	18,559,923	20,123,327	20,204,040	21,746,418	21,152,122	20,602,365
Total operating expenses ($)	9,165,164	9,225,070	9,115,101	10,063,579	9,783,071	10,011,318
Total capital items ($)	25,417	5,705	0	1,252,255	898,820	1,077,486
Other adjustments(i)	0	0	0	0	0	524,161
Net cash flow ($)	9,369,342	10,892,552	11,088,939	10,430,584	10,470,231	10,037,722

(i)Standard & Poor's gave credit for the credit tenant rent steps and normalized them over the 10-year loan term.

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The underwritten revenues were based on gross rent of $38.67 per sq. ft., which was based on the appraiser's estimated market rent, the subject's in-place and executed leases, and the budgeted expense reimbursements of

$3.81 per sq. ft.

- The in-place base rent for office tenants was marked-to-market based on the appraiser's estimated market rent assumption of $34.00 per sq. ft.
- A 13.0% vacancy rate was assumed since the building is currently outperforming the market and is expected to do so going forward.
- The expense reimbursements were based on the property's historical performance.
- The parking income was based on the property's historical performance.
- The "other income" was calculated based on the property's historical performance and includes service, atrium, and seating income, as well as percentage rent.
- The operating expenses were based on the property's historical performance.
- A management fee of 4.0% of EGI was assumed.
- The replacement reserves were assumed to be $0.35 per sq. ft.
- The TI expenses for the office tenants were assumed to be $18.50 per sq. ft. for new leases and $9.25 per sq. ft. for renewal leases.
- The TI expenses for the retail tenants were assumed to be $10.25 per sq. ft. for new leases and $5.00 per sq. ft. for renewal leases.
- The LC expenses were calculated using rates of 4.0% and 2.0% for new and renewal tenants, respectively.
- The TI/LC assumptions were based on the in-place weighted average lease terms of 10.0 years for the office tenants and 7.5 years for the retail tenants with LC expenses capped at 10.0 years. With respect to lease terms, we may adjust our assumptions in certain situations, including instances where a tenant has an early termination option or the lease term that the borrower indicated for a particular tenant is unrealistically long and does not reflect a typical market lease term. In the latter case, the rent roll that the borrower submits may inadvertently include the original lease terms plus extensions and overstate current lease terms.
- A 65% renewal probability was assumed for all tenants.
- Based on these assumptions, Standard & Poor's NCF variance for this property was negative 4.1%.
- Standard & Poor's applied an 8.75% capitalization rate to the unadjusted NCF, and added $5.2 million to the property's value for credit tenant rent steps, resulting in a Standard & Poor's value of $114.0 million ($211 per sq. ft.).
- The quality score for this asset is 2.50, an above-average score.

This loan exhibits the following strengths:

- The property is well-located in San Francisco's South Financial District. Additionally, the property is situated two blocks from the Bay Bridge, the Embarcadero station (BART and MUNI lines), and the Ferry Building. Additionally, the property is within three blocks of the Transbay Transit Terminal, which is about to undergo a multi-billion dollar redevelopment and is anticipated to be San Francisco's primary transportation hub upon completion.
- The property benefits from a strong tenant base, with approximately 56.8% of the property's NRA leased by investment-grade rated companies, including two of the largest tenants, which lease 50.3% of the NRA.
- The loan benefits from a hard, in-place lockbox . However, according to the terms of the cash management agreement, there is a cash flow sweep but it is only triggered upon a DSCR that is below 1.15x, which we consider to be less robust.
- The property benefits from experienced sponsorship and experienced management.

This loan exhibits the following concerns and mitigating factors:

- The property's lease rollover schedule is uneven, with a significant amount of space rolling in 2013 (30.0% of NRA) and 2017 (36.2%). However, the loan is structured with rollover reserves for AT&T and Chartis should either tenant elect not to renew its lease. In addition, the tenants have leased space at the property for several years.
- The property's in-place average rent is considered above market. On a weighted average, the in-place base rent per sq. ft. of $38.31 paid by office tenants is considered above market based on the appraiser's concluded market rent of $34.00 per sq. ft. Standard & Poor's considered the above market rents in its analysis.
- The property was originally constructed in 1940 and is of an older vintage. However, the property was extensively renovated and expanded between 1985 and 1989 and has achieved Energy Star certification. Additionally, Rincon One is listed on the National Register of Historic Places due to the historical significance of the post office branch.
- The properties are insured by Affiliated FM Insurance Co., which has been pre-approved as an insurer so long as it maintains a rating equal to 'A–' or better from Standard & Poor's. In the event that the insurance provider changes, future insurers must be rated a minimum of 'A-' by Standard & Poor's. We took this into consideration when evaluating this loan.

5. Pacific Commons

Table 51

Loan Profile

Loan summary		Collateral summary	
Trust amount	$93,694,621	% of pool	6.5%
Loan type	Fixed rate	Originator	J.P. Morgan Chase Bank N.A.
Interest rate	5.13%	Property type	Anchored retail
Amortization	30 years	Location	Fremont, Calif.
Maturity date	March 1, 2016	Year built/renovated	2004-2007
Sponsors	TPG Fund VI	Total NRA	865,495 sq. ft.
Management	Catellus Development Corp., an affiliate of the sponsor	Collateral NRA	865,495 sq. ft.
Borrower SPE provisions	An SPE with a nonconsolidation opinion and at least one independent director	Physical occupancy as of Feb. 23, 2011	97.8%
		Economic occupancy as of Feb.23, 2011(i)	93.8%
		Ownership	Fee

(i)As calculated by Standard & Poor's. SPE--Special-purpose entity. NRA--Net rental area. N/A--Not applicable.

Table 52

Debt Structure

	Amount (mil. $)	Amount per sq. ft. ($)	S&P beginning LTV ratio (%)	S&P actual DSCR(i)	S&P DSCR(ii)
A	93.7	108.79	99.5	1.34	1.07
B	N/A	N/A	N/A	N/A	N/A
Total first mortgage	93.7	108.79	99.5	1.34	1.07
Preferred equity	18.8	21.77	119.5	1.03	0.86
Total	112.5	130.56	119.5	1.03	0.86

Table 52

Debt Structure (cont.)

(i)Calculated based on Standard & Poor's NCF and the actual debt service for the A note and the initial three-year rate of 7% for the preferred equity. (ii)Calculated based on a Standard & Poor's NCF and a stressed constant of 8.25% for the A note and the year-four rate of 10% for the preferred equity. LTV--Loan to value. DSCR--Debt service coverage. N/A--Not applicable.

Table 53

Structural Features	
Lock box	Hard, in place.
Ongoing reserves	Monthly collections for real estate taxes (equal to nearly 1/12 of the annual tax bill), replacement reserves ($10,323 per month, or $0.14 per sq. ft. per year, capped at $123,873), and TI/LC reserves ($41,435 per month, or $0.57 per sq. ft. per year, capped at $497,200).
Upfront reserves	There are upfront reserves for real estate taxes ($558,134, which equals nearly 1/6 of the annual tax bill) and one month of collections for the replacement and TI/LC reserves. Reserves of $134,200 were collected for required repairs.Additionally, there is a rent reserve totaling $1,815,645, which includes a rent reserve of $862,875 for Babies "R" Us/Toys "R" Us, a TI reserve of $677,380 for Nordstrom, a TI reserve of $114,329 for Any Mountain, a TI reserve of $63,742 for Varitka, a rent reserve of $62,278 for Nordstrom, and a TI reserve of $35,041 for Pasha.

TI/LCs—Tenant improvements and leasing commissions.

Property And Loan Highlights

- The property is an 845,495-sq.-ft. anchored retail center in Fremont, Calif., of which 485,566 sq. ft. is subject to a ground lease. The property was constructed between 2004 and 2007, and comprises 19 single-story buildings, of which five are freestanding ground lease spaces. The property encompasses 68.81 total acres, which includes 29.29 acres of ground lease space that the owner has leased to tenants such as Costco, Lowe's, and Kohl's.
- The property is situated 15 miles north of San Jose, Calif., in the Fremont, Calif./Hayward, Calif./Union City, Calif., submarket of the Oakland, Calif., MSA. It is in close proximity to I-880, which has in excess of 200,000 commuters daily.
- Ground leases account for 56.1% of the total property NRA. The three largest ground lease spaces are Lowe's (162,730 sq. ft.), Costco (156,728 sq. ft.), and Kohl's (97,940 sq. ft.). The fourth-largest ground lease space, PC Retail Properties (51,657 sq. ft.) is subject to the ground tenant's purchase option, which the lenders anticipate the tenant will exercise in 2014.
- The property has 11 anchor and major tenants, accounting for 32.0% of the total property NRA, with 28 in-line tenants making up the remaining 11.9% of the property. The three largest anchor tenants are Toys "R" Us/Babies "R" Us (47,807 sq. ft., 5.5% of NRA), Ashley Furniture (45,523 sq. ft., 5.3%), and Jo-Ann Stores (35,095 sq. ft., 4.1%).
- ~~In connection with TPG Fund VI's acquisition of the property, the seller, ProLogis, made a $18.8 million~~ preferred equity investment in the property. The terms of the investment dictate a return of 7.0% until the third anniversary of the acquisition, 8.0% until the fourth anniversary, and 10.0% until the fifth anniversary. After the fifth anniversary of the acquisition, the preferred equity investor's return will accrue at the 15.0% default rate until its investment is redeemed in full.
- The loan sponsor is TPG Fund VI, an $18.9 billion global buyout fund that was launched in 2008 and has $5.2 billion of equity placed to date. The fund is managed by TPG (formerly known as Texas Pacific Group), a major private equity firm founded in 1992. TPG has approximately $47.0 billion of assets under management. TPG has extensive commercial real estate investment experience, having engaged in past transactions with companies such as Harrah's Entertainment, ST Residential, Neiman Marcus, Debenhams, and PETCO, as well as making other investments across a range of industries. TPG Fund investors include New York State Common Retirement Fund,

California Public Employees' Retirement System, Pennsylvania State Employees' Retirement System, and China's State Administration of Foreign Exchange.

Tenant Summary

Table 54

Pacific Commons Ground Lease Tenants(i)

Tenant	S&P rating	Occupied sq. ft.	% of collateral NRA	Base rent per sq. ft. ($)	Lease expiration
Lowe's	A	162,730	18.80	5.16	November 2029
Costco	A+	156,728	18.11	4.38	January 2029
Kohl's	BBB+	97,940	11.32	5.81	January 2025
PC Retail Properties	NR	51,657	5.97	7.86	January 2062
Market Broiler Fremont	NR	6,738	0.78	18.55	June 2012
Applebee's	B	6,613	0.76	18.90	March 2027
In-N-Out Burger	NR	3,160	0.37	48.06	September 2024

(i)Ground lease tenants are not required to report sales figures.
NRA--Net rentable area. N/A--Not applicable. NR--Not rated.

Table 55

Pacific Commons Anchor And Major Tenants

Tenant	S&P rating	Occupied sq. ft.	% of collateral NRA	Base rent per sq. ft. ($)	Lease expiration	2010 sales per sq. ft. ($)
Toys "R" Us/Babies "R" Us	B	47,807	5.52	19.00	June 2021	N/A
Ashley Furniture	NR	45,523	5.26	11.22	September 2012	35
Jo-Ann Stores	B	35,095	4.05	18.45	April 2017	107
Nordstrom Rack	A-	33,869	3.91	17.00	March 2021	N/A
DSW	NR	24,601	2.84	18.43	January 2015	151
Staples	BBB	20,411	2.36	22.50	December 2016	N/A
Bassett Furniture Direct	NR	17,205	1.99	16.72	January 2015	226
Old Navy	BB+	16,800	1.94	18.00	January 2015	308
Claim Jumper	NR	13,254	1.53	24.45	April 2026	476
Any Mountain	NR	12,167	1.41	12.75	October 2020	N/A
Party America	NR	10,120	1.17	24.20	October 2014	139

NRA--Net rentable area. N/A--Not applicable. NR--Not rated.

Table 56

Lease Rollover Schedule(i)

Year	No. of leases	NRA (sq. ft.)	% of sq. ft.	% of total base rent
2011	1	2046	0.24	0.77
2012	5	63,213	7.30	8.51
2013	1	2,500	0.29	0.77
2014	6	26,600	3.07	7.49
2015	12	81,140	9.37	16.35

SP-CMBS 00285444

Table 56

Lease Rollover Schedule(i) (cont.)

2016	4	34,537	3.99	8.34
2017	3	39,141	4.52	7.10
2018	3	8,284	0.96	2.98
2019	0	0	0.00	0.00
2020	2	15,383	1.78	2.37
2021	2	81,676	9.44	12.67
2022 and beyond	7	492,082	56.86	26.48
Vacant	N/A	18,893	2.18	N/A

(i)As calculated by Standard & Poor's. Tenants that have expired leases, month-to-month leases, are dark, are in litigation, are bankrupt, etc. are generally assumed to be vacant. NRA--Net rentable area. N/A--Not applicable.

Competitor Statistics

Table 57

Pacific Commons Primary Competitors

Property name	Owner	Year built/renovated	NRA (sq. ft.)	Distance from property (miles)	Occupancy (%)	Sales per sq. ft. ($)	Anchors
Gateway 101 Shopping Center	HD Development of Maryland Inc.	1997	303,947	17.1	100.0	N/A	Home Depot, Office Depot, and Sports Authority
Creekside Landing	Regency Centers Corp.	2012 (est.)	468,104	5.6	N/A	N/A	N/A(i)
Sunnyvale Town Center	RREEF America LLC	1972	183,683	15.8	100.0	N/A	Target and Macy's
~~McCarthy Ranch~~	~~Sobrato~~ Development Cos.	~~1993~~	~~566,752~~	~~7.3~~	~~69.7~~	~~N/A~~	~~Wal-Mart, Best Buy,~~ and Ross Dress for Less
~~Union Landing~~	~~Century Theatres~~ Inc.	~~1993~~	~~802,212~~	~~9.8~~	~~98.9~~	~~N/A~~	~~Wal-Mart, Lowe's,~~ Office Max, and Lucky Stores

~~(i)Under construction. Source: CoStar Realty Information Inc. N.A.--Not available.~~

Historical Cash Flow And Standard & Poor's Cash Flow

Table 58

Cash Flows

	2008	2009	2010	Appraiser	Issuer	S&P
Effective gross income ($)	15,106,865	13,706,357	12,694,688	14,175,399	15,144,983	14,914,650
Total operating expenses ($)	5,578,045	6,034,660	5,033,438	4,739,687	5,967,583	6,194,085
Total capital items ($)	0	0	0	0	548,696	482,081
Net cash flow ($)	9,528,820	7,671,697	7,661,250	9,435,712	8,628,704	8,238,484

The following points summarize Standard & Poor's analytic assumptions for this loan:

- The underwritten revenues were based on a base rent of $13.24 per sq. ft., which was based on the appraisers estimated market rent, the subject's in-place rent, and the executed leases.

SP-CMBS 00285445

- A 6.3% vacancy rate was assumed, which is lower than the Fremont submarket. This lower vacancy rate reflects the presence of highly rated tenants with long lease terms.
- The expense reimbursements were calculated at 72% of operating expenses, which is higher than the property's historical performance. In-place occupancy is also higher than historical occupancy, due to the re-tenanting of spaces previously vacated by bankrupt tenants. Consequently, we anticipate expense reimbursements will be higher than they have been historically.
- The operating expenses were based on the property budget and historical performance. The real estate taxes were based on the property budget and reflect potential adjustments in the property's tax assessment following its recent sale.
- A management fee of 4.0% of EGI was assumed.
- The replacement reserves were estimated at $0.20 per sq. ft. of the fee-owned collateral gross leasable area. Ground lease parcels were excluded from this calculation.
- TI expenses for anchor space were assumed to be $6.00 per sq. ft. for new leases and $3.00 per sq. ft. for renewal leases. TI expenses for in-line space were assumed to be $13.00 per sq. ft. for new leases and $6.50 per sq. ft. for renewal leases.
- The LC expenses were estimated at 4% for new leases and 2% for renewal leases.
- The TI/LC assumptions were based on the in-place weighted average lease term of 9.4 years for anchor tenants and 9.0 years for in-line tenants. With respect to lease terms, we may adjust our assumptions in certain situations, including instances where a tenant has an early termination option or the lease term that the borrower indicated for a particular tenant is unrealistically long and does not reflect a typical market lease term. In the latter case, the rent roll that the borrower submits may inadvertently include the original lease terms plus extensions and overstate current lease terms.
- A renewal probability of 65% was used for anchor tenants and in-line tenants.
- Based on these assumptions, Standard & Poor's overall NCF variance for this property was negative 4.5%.
- Standard & Poor's applied an 8.75% capitalization rate to the NCF, resulting in a Standard & Poor's value of $94.2 million ($109 per sq. ft. of collateral).

This loan exhibits the following strengths:

- The property is well-located within the Fremont/Hayward/Union City submarket of the Oakland MSA. The property benefits from direct access to I-880, a major commuter route.
- The property benefits from a well-distributed leasing structure, lacking concentration with respect to tenant rollover and rental amounts. The years with the highest tenant rollover are 2015 and 2021, with 9.4% of NRA ~~expiring each year. Among the anchor and ground lease tenants, six tenants contribute between 5.2% and 8.3%~~ of annual base rent. All other anchor and ground lease tenants contribute less than 4.7% of annual base rent. All in-line tenants contribute less than 1.9% of annual base rent.
- The three largest ground lease tenants are investment-grade rated entities and comprise 48.2% of the property's NRA. The leases for Lowe's, Costco, and Kohl's extend through November 2029, January 2029, and January 2025, respectively.
- The loan is structured with a hard, in-place lockbox. However, according to the terms of the CMA, there is a cash flow sweep but it is only triggered by a DSCR that is below 1.10x for a trailing three month period, which we consider to be less robust. A cash trap event will also be triggered during a borrower bankruptcy. During a cash trap event, all excess cash flow will be placed within the lender's control.
- The property was constructed between 2004 and 2007 and is in good condition.

EXHIBIT W

From: Duka, Barbara
Sent: Monday, March 21, 2011 11:59 AM
To: Ramkhelawan, Gregory; Hu, Haixin
Cc: Digney, James; Pollem, Kurt; *MQR; Hansen, Lisa
Subject: RE: Request for Model Owner Approval on model # 253

Haixin, New Issuance would use the actual (if higher) but look at both if the actual constant is lower than the Table 6.

From: Ramkhelawan, Gregory
Sent: Monday, March 21, 2011 10:22 AM
To: Duka, Barbara; Hu, Haixin
Cc: Digney, James; Pollem, Kurt; *MQR; Hansen, Lisa
Subject: RE: Request for Model Owner Approval on model # 253

Good Morning Haixin,

Hope all's well.

As a point of clarification related to the below, CMBS Surveillance generally employs the higher of the pre-defined stress constants, and the actual in-place constants.

Thanks,

Greg

From: Duka, Barbara
Sent: Sunday, March 20, 2011 1:58 PM
To: Hu, Haixin
Cc: Digney, James; Ramkhelawan, Gregory; Pollem, Kurt; *MQR; Hansen, Lisa
Subject: RE: Request for Model Owner Approval on model # 253

Haixin

I reviewed your report and have some minor comments:

1. On page 2, Summary of key model assumptions, I would like to incorporate that surviellience typically reviews loans in their analysis, which are typically limited to the Top 10 (for performing loans). In evaluating these loans, they incorporate the property evaluation criteria. The concepts I am trying to get is that we may look at a subset of performing loans and that is up to a max of the top 10 (typically). Another subtle point is I would like to take out manually derives.....we adjust the reported cash flows and derive value by generally applying the property evaluation criteria.

GOVERNMENT EXHIBIT 20 D-03302

2. Page 5, 3.1, 4th bullet – S&P cap rates......these cap rates should be those the analyst believes is appropriate and in accordance with our property evaluation criteria

Right below that, I would like to add that New Issuance GENERALLY (evaluates 60-65% of the pool).....Also, I would prefer not to describe the calculations of ratios as manual.....they are calculated in excel for the subset of loans we evaluate and extrapolated against the ones we do not. For the Surviellience paragraph here, same comments as #1 above

3. Loan constants: In New Issue, given our larger sample set and the analysis (which considers building in forecasts at the property level and extrapolating against the remainder of the pool) -- we consider both the constants in Table 6 and the actual constants (adjusted for interest only loans to reflect the amortizing constant). For Surviellience, given the smaller performing loan sample size and the analysis (which does not incorporate forecasts on the loans not evaluated – typically outside the Top 10 loans), we feel that using the higher Table 6 constants is appropriate (as it includes an additional level of cash flow stress).

Also, in evaluating your recommendations, I would actually like to highlight that in the last point that you make: the stochastic model which we are developing is meant to incorporate forward looking cash flow forecasts. Also, for New Issuance we do incorporate forward looking assumptions at the property level and extrapolate them against the balance of the pool we did not evaluate. For Surviellience, we limit the analysis (typically) to the Top 10 and the nonperforming or subperforming loans. We then add an additional layer of stress by using the constants in Table 6 (which is typically higher than the actual constant).

Please let me know what else you need from me.

From: Hu, Haixin
Sent: Friday, January 28, 2011 11:57 AM
To: Duka, Barbara
Cc: Digney, James; Ramkhelawan, Gregory; Pollem, Kurt; *MQR; Hansen, Lisa
Subject: Request for Model Owner Approval on model # 253

Dear Barbara,

We were informed that you recently took Eric Thompson's role as the model owner of the CMBS Framework Model. The original report was sent to Eric on Nov 8th, 2010. James Digney and his team have been working with me on the revision of the report. Please find attached the latest draft copy of the MQR report on the CMBS Framework Model, which is MQR model #253.
<< File: #253_CMBS_Framework_Model_Report_20110119_marked.pdf >>

Please reply with corrections and comments, if any. We will amend the report to correct any factual errors, and your response to our report will be included verbatim in the final report. Before the report can be issued, it must contain an email from you, the Model Owner, that there are no factual inaccuracies in the report, and that you are comfortable with the assumptions that

- 'AAA' incremental stresses to NCF are appropriate to represent the most stressed economic condition;
- Loan constants used to derive debt service are appropriate to estimate the debt service amount;
- Capitalization rates used to determine S&P and 'AAA' values are appropriate;

Also, as the Model Owner, on the basis of the attached draft report, do you Approve the model, meaning, in the language of Appendix A of the Model Use policy,

" I approve the addition of the aforementioned model to Ratings Services Approved Model Library, consistent of the requirements, as applicable, of the Model Use Policy and the Model Quality Review Policy and related Guidelines and the Model Development and Criteria Process Guidelines.

The **Model Owner** Approval denotes that the model documentation is complete and available, Model Quality Review has been performed or an exemption has been granted, external-use model documentation and criteria article (as applicable) have been posted to sandp.com and that the model and its documentation are available in the Model Repository and have been shared with the appropriate members of the analytical staff. The Model Owner approval also indicates that the model is suitable for its intended analytical use (typically defined by the type of product rated, and occasionally, by the type of analysis performed) as outlined in the model's documentation (which may be based on input the Model Owner obtained from the Analytical Managers or the Model Governance Group). "

After the Model Owner and Criteria Officer have approved the final version of this report, MQR will request ink signatures on a hard copy of Appendix A for the Official Business Record of these approvals, as required by the Model Use policy.

Please note that we have a different process for factual errors than for your disagreement with our analysis. If you find factual errors in our draft report, we will correct the report. However, if you disagree with our analysis, we will not change the analysis in the report, but rather we will insert your rebuttal verbatim into the Model Owner Approval section of the report.

Best regards,
Haixin

From: Hu, Haixin
Sent: Wednesday, January 19, 2011 3:28 PM
To: Digney, James
Cc: Ramkhelawan, Gregory; Henschke, David; Pollem, Kurt; Duka, Barbara; *MQR; Hansen,

EXHIBIT X

STANDARD &POOR'S

Model Quality Review Group

Memorandum

To: Adelson, Mark
From: MQR
Re: MQR Review of CMBS Framework Model Application in GSMS 2001-GC4
Date: August 15, 2011

Brief Summary

The Model Quality Review (MQR) Group was tasked to compare the GSMS 2011-GC4 Model SH +IL Prop Types 20110705 FINAL.xls ("GSMS model") provided by the business with the AAA Framework Model Template.xls saved in MDTS ("MDTS model"). The GSMS deal data used in the tests conducted by the MQR include Principal Balance, Balloon Balance, Property Type, S&P NCF, S&P Capitalization Rates, Loan Maturity, Actual Loan Interest Rate and Interest Rate Cap by Property Type.

Based on the tests performed by the MQR, we reached the following conclusions:

1. The results produced by the GSMS model are different from those estimated by the MDTS model. The AAA CE estimated in the GSMS model is 11.5% as opposed to 16.5% estimated in the MDTS model. As discussed below, the 16.5% AAA CE estimated in the MDTS model is based on preset Incremental Stress Factor of 2004. 2011 Incremental Stress was not available in the MDTS model. If the 2011 Incremental Stress estimated in the GSMS model is adopted, the MDTS model would produce an AAA CE of 17.1%. This is the benchmark MQR used in the following tests.
2. The main driver of the discrepancy is the manually entered AAA Value, AAA NCF, and AAA DSC. MQR's test results show that, all else constant, the estimated AAA CE drops to 12.6% with manually entered AAA Value, AAA NCF, and AAA DSC.
3. Using the maximum of actual loan constant and the criteria prescribed loan constant makes almost no difference in terms of the final estimated

GOVERNMENT EXHIBIT 26 D-03302

AAA CE for the GSMS deal. However, taking the weighted average of maximum loan constant and actual loan constant does cause a noticeable marginal drop of 2.3% on the estimated AAA CE.

4. Interest rate calculation method also has a noticeable marginal effect on the estimated AAA CE.
5. Adding the Additional Debt to the LTV calculation does not have much impact the final estimated AAA CE.

Table 1 shows the results in the GSMS model:

Table 1: GSMS Results

Term Default	Term Loss	Maturity Default	Maturity Loss	Total Default Balance	AAA CE
32.78%	-9.20%	17.93%	-2.34%	50.72%	11.5%

Table 2 shows the results in the MDTS model used as the benchmark in the following tests:

Table 2: MDTS Benchmark

Term Default	Term Loss	Maturity Default	Maturity Loss	Total Default Balance	AAA CE
50.1%	-16.3%	5.0%	-0.8%	55.1%	17.1%

Discrepancy Analysis

Assumption 1: 'AAA' Incremental Stresses to NCF

The version reviewed by MQR has the Incremental Stress Factors calibrated for the period from 1995 to 2009 as shown in Table 5 of the MQR report. MQR report documented that Incremental Stress is derived from the national average effective rents reported by Torto Wheaton Research.

The GSMS deal was rated in 2011, and thereby uses a set of incremental stresses not available in the MDTS model. We noticed that the incremental stresses used in GSMS are separately calculated within the GSMS model in Sheets 'Calcs' and 'Stats and Charts'. First, the GSMS model calculates the percentage decline of NCF for loans that are reviewed individually ONLY:

$$AAA.NCF.Decline = \frac{NCF^{S\&P} - FullAAATermNCF}{NCF^{S\&P}} \tag{1}$$

Then the GSMS model calculates the weighted average of AAA NCF Decline by property type. It is further adjusted by excluding some loans based on the analyst's judgment. The resulting property level weighted average AAA NCF Decline is used as 2011 Incremental Stress Factor.

Notice that the GSMS model uses only the 'Full AAA Term NCF' determined outside the model, i.e., reviewed individually, to estimate the Incremental Stress Factor. For those not reviewed individually, their 'Full AAA Term NCF' is calculated as described in the MQR report (#253).

MQR applied both the preset Incremental Stresses of 2004 and the estimated Incremental Stresses utilized in the GSMS deal to the GSMS data, and the results are shown below:

Table 3: Preset Incremental Stresses of 2004

Term Default	Term Loss	Maturity Default	Maturity Loss	Total Default Balance	AAA CE
49.49%	-15.26%	9.54%	-0.78%	59.03%	16.5%

Table 4: Estimated Incremental Stresses Utilized in GSMS Deal

Term Default	Term Loss	Maturity Default	Maturity Loss	Total Default Balance	AAA CE
50.1%	-16.3%	5.0%	-0.8%	55.1%	17.1%

Since the MDTS model does not contain the 2011 AAA Incremental Stress Factor, the MQR decided to adopt those estimated in the GSMS model in the following tests, and uses Table 4 as the benchmark for comparison purposes.

Assumption 2: Loan Constants

The MDTS model uses Loan Constants specified in Table 6. During our review process, the MQR was informed that the Loan Constant used to calculate AAA Debt Service is typically the higher of the actual loan constant and that specified in Table 6.

The GSMS model, however, takes a third approach which is a weighted average of the two methods discussed above. Let $Loan.Constant^{Criteria}$ be the loan constants specified in the criteria, and $Loan.Constant^{Max}$ be the higher of the actual loan constant and that specified in Table 6. The loan constant used in GSMS deal is calculated as:

$$Loan.Constant^{GSMS} = \alpha \times Loan.Constant^{Max} + (1-\alpha) \times Loan.Constant^{Criteria} \quad (2)$$

where α is called "S&P Constant Blend" and set at 50% in the GSMS model.

MQR applied the three approaches to the GSMS data. It appears that the 'criteria' approach and the 'maximum' approach generate almost identical AAA CE results. It is not surprising given that only one loan in the GSMS deal is affected by these two different approaches. The 'weighted-average' approach, on the other hand, produces a much lower AAA CE as shown in Table 7.

EXHIBIT Y

GOVERNMENT EXHIBIT 136 D-03302

From: Barnes, Susan
Sent: Friday, November 18, 2011 3:34 PM
To: Jacob, David; Adelson, Mark; Vignola, David; Griep, Cliff
Cc: Bukspan, Neri; Moskowitz, Dina; Leibowitz, David
Subject: TPER on CMBS GS Mtg Sec Trust 2011-GC4
Attachments: TPER CMBS GS 111611.DOC

Sensitivity: Confidential

Dear Colleagues,
As required under the Targeted Post Event Review Procedures section 4.9, I am sending you the attached Targeted Post Event Review performed on the above referenced transaction. As this report involves a sensitive matter, please do not disseminate this report further without speaking to either Neri or me.
Also as you may recall, the SEC requested a copy of this report in connection with the upcoming exam. The report was submitted today with an indication
that the practice areas have not yet had an opportunity to review or respond.

Kindly note in the Recommendations section of the report there are recommendations to the Analytic Practice, the Criteria organization, Model Quality Review team, Quality, and Compliance. To close out this review, responses need to be provided by those functions. In that regard, I will be conducting individual meetings with each team to share the relevant recommendations portion of the report, discuss the recommendations, and obtain their responses.

If you have any questions feel free to contact me.

Regards, Susan

Nov 16, 2011

Confidential
Targeted Post Event Review
Structured Finance Americas
GS Mortgage Securities Trust 2011-GC4

Scope

1. This targeted post event review ("TPER") was performed by Susan Barnes, Senior Quality Officer, Americas Structured Finance. It arises out of an investor inquiry received by David Jacob regarding the preliminary ratings assigned on July 12, 2011 to GS Mortgage Securities Trust 2011-GC4 (the "GS transaction"). The initial purpose of this TPER was to assess whether criteria were appropriately applied in the rating of the GS transaction. The review ultimately expanded to assess the application of criteria to conduit/fusion transactions rated in 2011 and surveillance practice for conduit/fusion transactions. Lastly, the review includes recommendations for changes to the conduit/fusion criteria.

2. The review process included discussions with analysts and other S&P personnel, and a review of documents referenced herein.

Summary of Conclusions

3. The conduit/fusion criteria published in June 2009 and updated in November 2010 is unclear regarding the use of loan constants in the analysis for new issue and surveillance.

4. Although differing views have been expressed:

(i) The Quality organization ("Quality") believes it is reasonable to conclude that the analytical practice received a criteria interpretation from the Criteria organization in January 2011 regarding the use of constants in conduit/fusion transactions and therefore, the Criteria Process Guidelines did not apply (the Criteria Process Guidelines specifically state that criteria interpretations are not governed by the Criteria Process Guidelines); and

(ii) Based on Quality's assessment of the application of the conduit/fusion criteria generally (other than the use of constants) in rating of the 2011 new issuances, we have determined that the analytical practice did not in all cases

Observations Regarding External Communication

24. Since January 2011, the analytical practice has published tables in its presale reports that list the Debt Service Coverage Ratio ("DSCR") range based on the constants in Table 1 and the range based on the actual constants for the loans. The blended constants used in the analysis, however, were not specified. The tables are titled "Standard and Poor's DSCR Range Based on a Weighted Average Stressed Constant of xx%," and "Standard and Poor's DSCR Range Based On An Actual Debt Constant of xx%." These are tables 17 and 18 respectively in the presale report published on July 12, 2011 for the GS transaction.

25. The pre-sale reports published in 2011 have also stated in the "Conduit/fusion methodology" section that: "In determining a loan's DSCR, Standard & Poor's will consider both the loan's actual debt constant and a stressed constant based on property type as further detailed in our conduit/fusion criteria."

26. Upon an inquiry regarding the inclusion of the stressed and actual constants (and the resulting DSCR range) in the presale reports, Duka stated in a July 25, 2011 meeting that she decided not to publish the blended constants used in the analysis (and the resulting DSCR range) because the new issue process with respect to constants differed from that of surveillance and she didn't want to have to explain the difference.

Observations Regarding RAMP

27. The RAMP does not describe how the conduit/fusion criteria was applied or the analytical results, and it does not mention the application of the blended approach, as per the RAMP guidelines and the statement by the analytical practice in its response to the MQR Framework Model review. Rather, the RAMP refers to the presale report for this ~~information. (See paragraph 31 herein.)~~

~~28. A sector outlook is described in the RAMP but was not included in the presale report.~~

29. Appendix A to the RAMP for the GS transaction states that the model listed on the model repository list was used; the Primary Analysts Statements section states that "alternative procedures" were utilized.

Observations Regarding Model Quality Review

30. The MQR, which was conducted in late 2010 and the first half of 2011, identified that the model was using a "combination" of the actual constant and the constants in Table 1 of the criteria.

EXHIBIT Z

STANDARD &POOR'S

Structured Finance

Global Rating Analysis and Methodology Profile (RAMP) Guidelines

Issued by:
Global Structured Finance

Applies to:
Global Structured Finance Ratings

Version:
01 August 2010 (amending version 26 March 2009)

OVERVIEW

This document provides guidelines for preparing a Structured Finance new issue or surveillance Ratings Analysis and Methodology Profile (RAMP). It provides guidance on the information analysts should present to committee and is designed to provide global consistency across Structured Finance practices.

The RAMP template has the following sections:

- **Basic Transaction and Committee Information.** This first section of the RAMP lists the transaction details, such as issuer, issue name, series, participant information, and rating recommendations. It also includes committee information.

- **Transaction Summary and Rating Rationale.** This is the main presentation to committee and includes the transaction summary and the rating rationale.

- **Appendix.** The Appendix presents pertinent information that supports the rating recommendation and rating rationale. It includes:
  A. Credit Analysis
  B. Payment Structure and Cash Flow Mechanics
  C. Counterparty Risks
  D. Legal and Regulatory Profile and Risks
  E. Operational Risks
  F. Surveillance Instructions
  G. Analyst and Chair Statements
  H. Exhibits

Objectives of the RAMP
The RAMP is a Standard & Poor's template that analysts use to present financial, structural, and other information to a rating committee. It outlines the analyst's rating recommendation.

The RAMP's objective is to explain the rating recommendation to voting committee members through the application of criteria. The RAMP captures the key drivers of the issue being rated, the relevant facets of the analysis, the pertinent information considered, and the underlying criteria and applicable assumptions, as well as the committee's final decision and the rationale for the rating.

The analyst prepares an initial version of the RAMP for the committee. After the committee meeting, the analyst finalizes the RAMP so that it captures the committee's considerations, providing the basis for its rating opinion. It provides the definitive record of the rating and serves as a first document for initiating surveillance.

Guiding Principles
The RAMP should provide rating committee members with a summary of the transaction and its structure. The analyst should present his/her recommendation and rationale to the committee; the RAMP should clearly delineate these.

When preparing a RAMP, analysts should follow these guiding principles:

- Transparency
- Clarity
- Relevance
- Opinion
- Criteria Support
- Brevity.

Analysts should present the committee with a complete RAMP that includes enough information so that the committee can make a decision. Analysts are encouraged to summarize sections of the documents, rather than cutting and pasting information into the RAMP. However, if an analyst has a concern or questions about interpretation and consistency of document language, it's fine to include the relevant language in the presentation.

The RAMP should document the outcome of the committee deliberations and any pertinent items, including assumptions that the committee makes and precedents considered. The RAMP should also outline clarifications that the committee seeks, and the resolution of those items (e.g., issues relating to the credit and cash flow analysis, structure, legal and/or operational and administrative risks).

When is a RAMP Necessary?
Analysts should present a complete RAMP any time a committee is proposing or making a rating decision. This includes preliminary and final ratings, rating affirmations, withdrawals (except as noted below), suspension of an existing rating, a CreditWatch action, or the assignment of a new outlook. Analysts should follow the business procedures for their practices in deciding whether a RAMP is required when they're issuing a Rating Agency Confirmation. In general, if the RAC is considered to be material and a committee is convened to make a decision about the

EXHIBIT AA

STANDARD
&POOR'S

Ratings Services

Model Use Guidelines

GOVERNMENT
EXHIBIT
196
D-03302

Issued by:
Policy Governance Group

Applies to:
Ratings Services

Effective date:
7 September 2010

Refers to policy:
Model Use Policy

Related Policies and Guidelines:
These guidelines should be read in conjunction with the, Avoiding Selective Disclosure Policy, Model Development Guidelines, Model Documentation Guidelines, Model Implementation Guidelines, Model Quality Review Policy and Ratings Committee Policy

1.0 Defined Terms:

Capitalized terms not defined herein have the meanings assigned in the Ratings Services Glossary of Terms for Policies and Guidelines.

2.0 Scope

These Guidelines outline the procedures that Standard & Poor's Ratings Services' ("Rating Services") Analysts should employ when utilizing quantitative models that provide input to Rating Decisions. They also outline procedures Analysts and Analytical Managers should follow in obtaining approval for, and in documenting modifications or adaptations to, models or their designated inputs. In addition, these Guidelines address the dissemination of model information to the public and the actions required concerning the adoption of a new or revised model.

3.0 Context

3.1 These Guidelines apply to quantitative models used by Ratings Services Analysts in all Ratings Services practices. They apply solely to models that represent a substantial component in determining a Credit Rating. That is, the model's results are discussed by a Rating Committee and contribute significantly to the determination of the rating level assigned or provide significant input to formulating the Credit Rating.

3.2 For purposes of these Guidelines, quantitative models include calculation tools which produce output that is considered by Rating Committees and which is sensitive to: (i) Analyst input, and (ii) assumptions that correspond to Credit Rating Criteria. Such models are also subject to the Model Quality Review Policy

Ratings Services employees are required to comply with this policy and guidelines. Failure to comply may result in disciplinary action up to and including termination of employment.

4.18 *RAMP documentation.* The RAMP should prominently list all models (internal or external) that provide significant input to the rating decision and whether they were obtained from the Approved Model Library or the Alternative Procedures were used.

4.19 *Outline Model key assumptions.* The RAMP should outline the key assumptions used in the model and the reasons for their use (e.g., stress test assumptions). When key assumptions may be selected from several alternatives in accordance with our Criteria or may be selected as a point within a range, the RAMP should provide the Analyst's rationale for the selection.

4.20 *Document material differences in output of Model and rating.* If a model provides a specific indicative rating level or credit enhancement levels, the RAMP should document the rationale for any material differences between the Credit Rating implied by the model and the final Credit Rating assigned or credit enhancement present in the transaction. If the Credit Rating implied by the model was the same as the final Credit Rating, the RAMP should also document this outcome. For purposes of these Guidelines, material difference means a difference of two or more notches between a rating implied by a model and the Credit Rating determined by the Rating Committee.

4.21 *Document modifications to a model.* All modifications to a model that provide significant input to the Rating Committee decision or to the model's approved assumptions, including their rationale and, where appropriate, their impact on the analysis, should be documented, prominently indicated in the RAMP, and discussed by the rating committee.

4.22 *Additional documentation.* When Criteria Officer concurrence is required, his/her approval should also be documented in the RAMP or an attachment thereto.

4.23 *Documentation of Alternative Procedures.* When Alternative Procedures were used, they should be documented in an appendix to the RAMP together with the Analytical Manager's approval, and the approval of the practice's Criteria Officer when the model embodies substantial elements of Criteria.

4.24 *RAMP affirmations regarding model use.* The Primary Analyst and the Rating Committee Chair are required to sign the following statements (as applicable) to be included in the RAMP:

Primary Analyst's Statements:

a) The model(s) used for purposes of this Credit Rating, including input(s) and output(s) was appropriate, consistent with Ratings Services Model Use Policy and analytical Criteria.

EXHIBIT BB

GOVERNMENT EXHIBIT 158 D-03302

From: Milano, Patrick
Sent: Monday, January 10, 2011 9:02 AM
To: Bukspan, Neri; Leibowitz, David; Vignola, David
Cc: Manzi, Rosaleen
Subject: RE: Communication

Privileged & Confidential

Thanks Neri and my apologies for not catching that.

Pat

From: Bukspan, Neri
Sent: Monday, January 10, 2011 9:00 AM
To: Milano, Patrick; Leibowitz, David; Vignola, David
Cc: Manzi, Rosaleen
Subject: RE: Communication

Privileged & Confidential

Pat,

Thanks – ps note that this is the essence of my second e.mail to Susan and her response to me and will be performed – and any substantive criteria related feedback will bediscussed, and our conclusions shared, with the criteria organization including Frank and Mark.

From: Milano, Patrick
Sent: Monday, January 10, 2011 8:54 AM
To: Bukspan, Neri; Leibowitz, David; Vignola, David
Cc: Manzi, Rosaleen
Subject: RE: Communication

Privileged & Confidential

Neri,

I have read all of the emails and I am not sure I can comment on whether this has been satisfactorily been closed out. It appears from the emails that lots of discussions took place which is helpful, but did quality take one of the deals in question and look at it in detail – i.e. level 2 review to ensure that the criteria was applied appropriately and where the deal presented a circumstance that required some judgment in terms of criteria application that we have reviewed it with Mark to ensure he understands and approves of it. Since this is new criteria the feedback to Mark is important in my view.

I have nothing further to add.

Thanks,
Pat

From: Bukspan, Neri
Sent: Friday, January 07, 2011 2:14 PM
To: Milano, Patrick; Leibowitz, David; Vignola, David
Cc: Manzi, Rosaleen
Subject: Fw: Communication

Privileged & Confidential

Pat, David and David,

Following your email yesterday, I met with Susan and discussed the anonymous e.mail that Pat received and the points in the e.mail that allude to potential areas of analytical process and policies that may not have been followed. We determined that we will convene a discussion with the committee chair, Majid and the practice CCO, Frank Parisi, both independent members of the criteria organization, to obtain further information and insight. The assertions and areas we looked at and the conclusions of our discussions are summarized below.

Please read the e.mail below bottom up and advise whether there is anything else that is needed from our end.

Safe journey home!

Neri Bukspan
neri_bukspan@standardandpoors.com
212/438-1792

From: Barnes, Susan
To: Bukspan, Neri
Sent: Fri Jan 07 13:53:37 2011
Subject: RE: Communication

This is in the pre-rating process and may be reflected in a preliminary rating if issued post agreed upon criteria application. It may possibly be picked up in a file review this month from November production but most likely next month from December ratings. This would only impact new issue ratings.

I could check to see if the agreed upon criteria application was applied or the criteria constant per the archetypical pool. However to be clear, I believe the 'blended approach' for the application of the criteria was appropriately determined and a rating committee may use either approach depending upon the property characteristics as it deems appropriate.

From: Bukspan, Neri
Sent: Friday, January 07, 2011 12:49 PM
To: Barnes, Susan
Subject: Re: Communication

Susan,

Thanks. One point of clarification re: application of criteria and as discussed yesterday. Is this on issues during the pre rating levels analysis or now can be observed through file reviews. If the answer is yes (I) have we done any for these and if so whether we concluded criteria were properly applied or (II) do you think we should consider going through one or two.

Thx.

Neri Bukspan
neri_bukspan@standardandpoors.com
212/438-1792

From: Barnes, Susan
To: Bukspan, Neri

Sent: Fri Jan 07 10:57:38 2011
Subject: Communication

Neri,
Following our discussion yesterday, I had separate discussions with Majid Geramian and Frank Parisi. The criteria committee alluded to in the email occurred earlier this week and was attended by both of them. I've determined this was the committee referenced in the email based on my conversation with Frank who stated that in that meeting they discussed the large loan criteria, specifically cashflow stresses addressing business cycle, as well as this is the only CMBS criteria committee thus far attended by Majid, so it seems reasonable to assume this is the meeting referenced in the email.

Based on the email there are 3 main points either sited or alluded to:

1) Appropriateness of criteria assumptions: The author of the email states that the new criteria officer (Majid) believes the EGI stresses in the cashflow criteria may be too conservative and that Barbara agrees. Based on my discussion with Majid and Frank, there was a discussion in that criteria committee on this point. This appears appropriate and expected of a criteria committee.
2) Potential commercial considerations in the criteria committee: The author of the email states that 'Barbara' is concerned her criteria is so conservative that she isn't competitive. I asked both Majid and Frank if they recall any commercial aspects being discussed in the criteria committee. Both did not. I further asked both if they recall any discussion in this meeting where they can infer a motive other than analytic. Both did not however, as Majid is relatively new to the organization it is difficult for him to really opine.
3) Potential misapplication of criteria: The author of the email states 'she (Barbara) is using an average of the in-place interest rate and the criteria constants, ones she voted for, in the c/f model, to get the levels down. I wonder what Quality would say about that. She said today that she's looking to add 6 new issuance analysts because she's so busy.'
    a. The first sentence may infer that the criteria are not being appropriately applied. I asked Frank if he recalled discussing the use of in-place interest rate versus the criteria constants. Frank stated that he had a couple of conversations with Barbara and Eric Thompson on the use of the criteria constants versus the in-place interest rates. Frank recalled first discussing with them the need to document and substantiate any request for criteria exceptions. Upon further review Barbara presented and discussed with Frank the analytic results of the analysis when applying both methods. In addition, they discussed the differences of the market and property characteristics to those of the archetypical loan. Frank decided that since the characteristics differed from the archetypical pool, the criteria assumptions used could be tailored to the property characteristics and no criteria needed to be modified or created. In essence this is a question of criteria application not a criteria change. In that same meeting they decided it was appropriate to use the average of the in-place interest rate and the criteria constant where the property characteristics differed from the archetypical pool as those discussed in that meeting. This is the practice referenced by the author of the email.
    b. The author states the criteria application of assumptions being applied were derived to 'get the levels down'. Based on my conversation with Frank, I do not believe commercial aspects influenced the decision to tailor the application of the criteria assumptions for the property characteristics.

Based on the above I do not see the need to look further into this. Please let me know if you disagree. I do think the CMBS AMs should explicitly communicate the application of the criteria assumptions referenced in 3a above to the analytic staff. I will follow up with Barbara Duka on this point.

Regards, Susan

EXHIBIT CC

STANDARD & POOR'S

Global Credit Portal

RatingsDirect

GOVERNMENT EXHIBIT 104 D-03302

July 12, 2011

Presale:

GS Mortgage Securities Trust 2011-GC4

Primary Credit Analyst:
Louis Cicerchia, New York 212 438-5221; louis_cicerchia@standardandpoors.com

Secondary Contacts:
James Digney, New York (1) 212-438-1832; james_digney@standardandpoors.com
Lucienne Fisher, New York (1) 212-438-4719; lucienne_fisher@standardandpoors.com

Table Of Contents

Presale:

GS Mortgage Securities Trust 2011-GC4

$1.48 Billion Commercial Mortgage Pass-Through Certificates Series 2011-GC4

This presale report is based on information as of July 12, 2011. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings As Of July 12, 2011

Class	Preliminary rating(i)	Preliminary amount ($)	Recommended credit support (%)
A-1	AAA (sf)	85,249,000	14.500
A-2	AAA (sf)	332,497,000	14.500
A-3	AAA (sf)	90,651,000	14.500
A-4	AAA (sf)	753,667,000	14.500
X-A(ii)	AAA (sf)	1,262,064,000(iii)	N/A
X-B(ii)	NR	214,034,883(iii)	N/A
B	AA-(sf)	60,889,000	10.375
C	A- (sf)	62,734,000	6.125
D	BBB(sf)	35,058,000	3.750
E	BB(sf)	23,986,000	2.125
F	B (sf)	16,606,000	1.000
G	NR	14,761,883	N/A

(i)The rating on each class of securities is preliminary and subject to change at any time. (ii)Interest-only class. (iii)Notional amount. NR--Not rated. N/A--Not applicable.

Profile

Closing date	July 28, 2011.
Collateral	Seventy loans that are secured by 130 properties.
Underwriters and mortgage loan sellers	Goldman Sachs Mortgage Co., Citigroup Global Markets Realty Corp., and Starwood Property Mortgage Sub-3 LLC.
Depositor	GS Mortgage Securities Corp. II.
Master servicer	Wells Fargo Bank N.A.
Special servicer	Torchlight Loan Services LLC.
Trustee	Deutsche Bank National Trust Co.

Rationale

The preliminary ratings assigned to GS Mortgage Securities Trust 2011-GC4's (GSMST 2011-GC4's) $1.48 billion commercial mortgage pass-through certificates reflect the credit support provided by the subordinate classes of certificates; the liquidity provided by the trustee; and the underlying loans' economics, geographic diversity, and property type diversity. In our analysis, we determined that, on a weighted average basis, the pool has a debt service coverage ratio (DSCR) of 1.25x based on a weighted average Standard & Poor's Ratings Services loan constant of 8.31%, a DSCR of 1.54x based on the weighted average in-place loan constant of 6.75%, a beginning loan-to-value

(LTV) ratio of 86.8%, and an ending LTV ratio of 75.6%.

To calculate the number of loans, we considered each group of cross-collateralized and cross-defaulted loans as one loan. We counted Lake Buena Vista Factory Stores Phase I (1.9% of the pool balance) and Phase II (0.5%) as one loan.

Strengths

This transaction exhibits the following strengths:

- As a whole, the transaction reflects economics that are better than Standard & Poor's archetypical pool based on Standard & Poor's stressed beginning and ending LTV ratios of 86.8% and 75.6%, respectively, for the pooled trust balance. The transaction's beginning and ending LTV ratios, based on appraisal values, are 61.4% and 53.5%, respectively. Additionally, the transaction's stressed DSCR of 1.25x is higher than the archetypical pool's DSCR of 1.20x.
- The transaction has an 18.0% concentration in multifamily, student housing, and manufactured housing properties, which is higher than the archetypical pool's multifamily concentration of 15.0%. Standard & Poor's views multifamily as one of the more stable commercial property types. Additionally, the transaction has a lower concentration in lodging properties (7.2%), which we view to be the most volatile property type, than the archetypical pool (10.0%).
- The transaction has a weighted average DSCR of 1.25x based on a Standard & Poor's loan constant of 8.31%, which is stronger than the archetypical pool (1.20x). Standard & Poor's DSCRs for loans within the trust range from 0.98x to 1.92x and are based on stressed loan constants ranging from 7.75% to 10.00%, depending on the property type. Using the pool's weighted average actual loan constant of 6.75%, the transaction's DSCR is 1.54x.
- One loan, Museum Square (4.0% of the pool balance, 'aa'), the fifth-largest loan in the pool, has a trust balance that exhibits credit characteristics consistent with obligations rated investment-grade by Standard & Poor's.
- All of the loans in the pool have borrowing entities that are structured as special-purpose entities (SPEs). In addition, loans representing 62.9% of the pool balance have borrowers that are structured with both a nonconsolidation opinion and at least one independent director, including all of the top 10 loans.
- The trust benefits from scheduled amortization, which reduces Standard & Poor's weighted average LTV ratio to 75.6% at maturity from 86.8% at issuance. However, the amortization benefit is lessened somewhat by the 17 loans (21.9% of the pool balance) that feature partial- or full-term interest-only payments through maturity. The nine full-term interest-only loans (13.1%) have a weighted average Standard & Poor's stressed LTV ratio of 68.1% and the eight partial interest-only (8.8%) loans have a weighted average beginning Standard & Poor's stressed LTV ratio of 92.4% and an ending LTV of 84.0%.
- Lockboxes are in place for 54 loans (82.2% of the pool balance). However, only 62 loans (76.1% of the pool balance) require monthly collections for real estate taxes. Fifty-three loans (63.4%) require monthly collections for insurance, 21 loans (40.0% of the pool balance excluding multifamily, hotel, and self-storage properties) require monthly collections for tenant improvement and leasing commission (TI/LC) reserves, and 16 loans (73.0% of the pool balance) require monthly collections for capital expenses, not including springing reserves. Forty-two of the loans with lockboxes (73.2%) have hard lockboxes and 12 loans (9.0% of the pool balance) have soft lockboxes. In addition, 15 loans (16.5% of the pool balance) provide for springing lockboxes. Generally, soft and springing lockboxes are triggered by an event of default, the anticipated repayment date (ADR), DSCR conditions, or a specific tenant event.

Collateral quality

Based on our analysis, the portfolio has a DSCR of 1.25x using a weighted average Standard & Poor's loan constant of 8.31% and a DSCR of 1.54x using the weighted average in-place loan constant of 6.75%. Our DSCR reflects the adjustments that we made to the banker's underwritten net cash flow (NCF) for the properties based on the properties' historical and projected operating statements, the third-party reports, and the assets' competitive positions in their respective markets.

On a weighted average basis, we decreased the portfolio's NCF by 5.4%. This decrease typically reflects adjustments to rental rates, occupancy levels, operating expenses, capital expenditure reserves, and TI/LC assumptions.

For the pool, Standard & Poor's weighted average beginning LTV ratio is 86.8% and the ending LTV ratio is 75.6%. We applied a 9.03% weighted average capitalization rate to our NCF. The capitalization rates are a function of each property's asset type, quality, tenancy, position in the competitive set, and current and future market conditions (see table 2 for more information on our analysis of the various property types' cash flow and valuation).

Table 2

Cash Flow Analysis And Valuation

Property type	% of pool	DSCR (x)(i)	% NCF diff.(ii)	Cap rate (%)	Beg. LTV ratio (%)	End. LTV ratio (%)	Value per sq. ft. ($)
Regional mall	25.1	1.17	(6.6)	8.38	87.0	70.5	200
Office	19.3	1.38	(7.9)	9.25	80.6	73.3	125
Retail anchored	11.1	1.27	(4.1)	8.96	91.9	72.1	118
Student housing	8.9	1.19	(4.6)	8.74	85.8	84.6	111,508(iii)
Retail single tenant	8.5	1.36	(3.4)	8.95	80.5	78.4	130
Hotel	7.2	1.08	(3.5)	11.22	91.4	91.2	83,509(iiii)
Multifamily	7.1	1.27	(4.8)	8.54	81.6	72.5	41,770(iii)
Retail unanchored	6.0	1.26	(3.7)	9.42	99.1	76.9	243
Manufactured housing	1.9	1.51	(1.2)	8.90	75.7	66.4	24,785(iii)
Mixed use	1.7	1.11	(2.3)	8.86	96.8	82.4	135
Industrial	1.6	1.13	(6.3)	9.50	103.5	94.9	40
Self-Storage	1.4	1.18	(0.8)	10.25	86.6	86.4	71
Total	100.0	1.25	(5.4)	9.03	86.8	75.6	

(i)Based on a weighted average stressed Standard & Poor's loan constant of 8.31%. (ii)The difference between Standard & Poor's estimated NCF and the underwriter's estimated NCF as a percentage of the underwriter's estimated NCF. (iii)Value per unit. (iiii)Value per available room. DSCR--Debt service coverage ratio. NCF--Net cash flow. LTV--Loan to value.

Borrower/loan concentrations

GGP is the sponsor of the Park Place Mall loan (13.5% of the pool balance), the largest loan in the pool, making it the largest sponsor in the transaction (see table 3 for the sponsor concentration).

Table 3

Sponsor Concentration

Borrower	Pooled trust balance (mil. $)	No. of loans	% of pool
Largest	199.6	1	13.5
Top five	533.3	5	36.1
Top 10	747.7	13	50.7

For a summary of the top 10 loans in the pool, see table 4.

Table 4

Top 10 Loans

Property name	Property type	% of pool	Trust DSCR (x)(i)	% NCF diff.(ii)	Cap rate (%)	Beg. LTV (%)	End. LTV (%)	Value per unit/sq. ft. ($)
Park Place Mall	Regional mall	13.5	1.06	(4.6)	8.00	91.62	75.95	455.67
Copper Beech Portfolio	Student housing	8.1	1.20	(4.6)	8.74	91.40	84.96	123,370.33
Parkdale Mall and Parkdale Crossing	Regional mall	6.4	1.27	(9.0)	9.00	86.17	65.88	147.47
Shoppes at Chino Hills	Anchored retail	4.1	1.25	(3.0)	8.75	84.73	70.13	189.91
Museum Square	Office	4.0	1.92	(10.9)	8.75	55.25	55.25	191.15
Cole Portfolio	Retail single tenant	3.2	1.49	(3.7)	9.15	74.39	74.39	126.33
Riverside on the James	Office	3.1	1.16	(10.9)	9.00	94.91	84.14	182.24
Ashland Town Center	Regional mall	2.9	1.30	(3.4)	8.50	79.04	64.79	122.61
AppleTree Business Park	Office	2.6	1.21	(5.9)	9.75	97.59	81.96	92.93
Lake Buena Vista Factory Stores Phase I and II	Anchored retail	2.4	1.53	(2.9)	10.25	81.41	69.61	186.82
Total	N/A	50.2	1.27	(5.8)	8.73	85.68	73.79	

(i)Calculated based on a Standard & Poor's NCF and a stressed constant of 8.25% for all loans except Copper Beech Portfolio, which was stressed at an 8.00% constant. (ii)The difference between Standard & Poor's estimated NCF and the underwriter's estimated NCF as a percentage of the underwriter's estimated NCF only. DSCR--Debt service coverage ratio. NCF--Net cash flow. LTV--Loan to value. N/A--Not applicable.

Geographic diversity

The pool consists of properties located in 35 states and exhibits geographic concentration in that 41.3% of the assets are located in the top three states. The top five and top 10 state concentrations are 59.0% and 79.4%, respectively (see table 5 for the top five concentrations and table 6 for the largest concentration of properties by MSA).

Table 5

Top Five State Concentrations

State	% of pool
Texas	15.0
Arizona	14.5
California	11.8
New York	9.4
Virginia	8.3
30 other states	40.9

Table 6

Top 10 Metropolitan Statistical Area Concentrations

Metropolitan statistical area(i)	% of pool
Tucson, Ariz.	13.5
Houston	8.0
Richmond, Va.	7.2
Los Angeles	5.1

Credit Evaluation

Our analysis included the following:

- We conducted site inspections for 59.1% of the loan balance.
- We analyzed 32 of the 70 loans, representing 74.2% of the pool balance.
- Our loan-level reviews included analyzing property-level operating statements and rent rolls.
- We reviewed third-party appraisal, environmental, and engineering reports for each of the select properties.
- We reviewed legal matters that we believe are relevant to our analysis, as outlined in our criteria. We completed a legal review for five of the loans (36.1% of the pool balance). We reviewed the current drafts of major transaction documents, including the offering circular, PSA, and other legal documents to verify compliance with Standard & Poor's criteria and to understand the mechanics of the underlying loans and the transaction.

For more information on our analysis of the cash flow and valuation of the various property types, the top 10 loan characteristics, and Standard & Poor's DSCR and LTV ratio stratification ranges, see tables 17-20.

Table 17

Standard & Poor's DSCR Range Based On A Weighted Average Stressed Constant Of 8.31%

DSCR range (x)	No. of loans	Loan balance ($)	% of pool
Greater than 1.65	4	86,064,845	5.8
1.55 to 1.65	4	22,623,489	1.5
1.50 to 1.54	4	59,721,304	4.0
1.45 to 1.49	4	85,468,944	5.8
1.40 to 1.44	5	64,954,882	4.4
1.35 to 1.39	2	16,696,645	1.1
1.30 to 1.34	3	58,195,801	3.9
1.25 to 1.29	5	209,512,581	14.2
1.20 to 1.24	6	219,923,773	14.9
1.15 to 1.19	10	126,973,438	8.6
1.10 to 1.14	9	132,855,830	9.0
1.05 to 1.09	8	306,510,290	20.8
1.00 to 1.04	5	60,597,062	4.1
0.95 to 0.99	1	26,000,000	1.8
0.90 to 0.94	0	0	0.0
Less than 0.90	0	0	0.0
Total	70	1,476,098,883	100.0

DSCR--Debt service coverage ratio (based on Standard & Poor's constant and NCF). NCF--Net cash flow.

Table 18

Standard & Poor's DSCR Range Based On An Actual Debt Constant Of 6.75%

DSC range (x)	No. of loans	Loan balance ($)	% of pool
Greater than 1.65	19	363,910,712	24.7
1.55 to 1.65	9	158,746,053	10.8
1.50 to 1.54	3	15,530,445	1.1
1.45 to 1.49	9	106,809,581	7.2

Table 18

Standard & Poor's DSCR Range Based On An Actual Debt Constant Of 6.75% (cont.)			
1.40 to 1.44	4	70,030,435	4.7
1.35 to 1.39	10	230,860,037	15.6
1.30 to 1.34	8	417,033,393	28.3
1.25 to 1.29	4	33,931,736	2.3
1.20 to 1.24	3	61,315,493	4.2
1.15 to 1.19	1	17,931,000	1.2
1.10 to 1.14	0	0	0.0
1.05 to 1.09	0	0	0.0
1.00 to 1.04	0	0	0.0
0.95 to 0.99	0	0	0.8
0.90 to 0.94	0	0	0.0
Less than 0.90	0	0	0.0
Total	70	1,476,098,883	100.0

DSCR--Debt service coverage ratio (based on the actual constant and Standard & Poor's NCF). NCF--Net cash flow.

Table 19

Standard & Poor's Beginning LTV Ratios

Beginning LTV ratio range (%)	No. of loans	Loan balance ($)	% of pool
Less than 50	0	0	0.0
51 to 60	1	58,400,000	4.0
61 to 70	4	32,164,845	2.2
71 to 75	9	118,561,948	8.0
76 to 80	8	119,345,471	8.1
81 to 85	3	110,132,845	7.5
86 to 90	5	157,362,581	10.7
91 to 95	13	473,955,072	32.1
96 to 100	11	184,475,353	12.5
101 to 105	8	122,431,274	8.3
106 to 110	6	80,591,526	5.5
111 to 115	1	10,986,783	0.7
Greater than 115	1	7,691,184	0.5
Total	70	1,476,098,883	100.0

LTV--Loan-to-value.

Table 20

Standard & Poor's Ending LTV Ratios

Ending LTV ratio range (%)	No. of loans	Loan balance ($)	% of pool
Fully amortizing	0	0	0
0 to 50	0	0	0
51 to 60	6	98,457,416	6.7
61 to 70	13	269,344,443	18.2
71 to 75	9	193,685,802	13.1

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Presale:

FREMF 2011-K14 Mortgage Trust

Primary Credit Analyst:
A.K Prabhakar, New York (1) 212-438-1569; ak_prabhakar@standardandpoors.com

Secondary Contacts:
Adria Defalco, New York (1) 212-438-3703; adria_defalco@standardandpoors.com
Kurt C Pollem, CFA, New York (1) 212-438-1852; kurt_pollem@standardandpoors.com

Table Of Contents

SP-CMBS 00285191

Presale:

FREMF 2011-K14 Mortgage Trust

$1.19 Billion Commercial Mortgage Pass-Through Certificates Series 2011-K14

This presale report is based on information as of July 18, 2011. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings As Of July 18, 2011

Class	Preliminary rating(i)	Preliminary amount ($)	Recommended credit support (%)
A-1	AAA (sf)	149,776,000	12.000
A-2	AAA (sf)	898,828,000	12.000
X1(ii)	AAA (sf)	1,048,604,000(iii)	N/A
X2(ii)	NR	1,191,595,323(iii)	N/A
X3(ii)	NR	142,991,323(iii)	N/A
B	AA- (sf)	53,622,000	7.500
C	NR	89,369,323	0.000

(i)The rating on each class of securities is preliminary and subject to change at any time. The preliminary ratings on the class A-1, A-2, and X1 certificates are point-in-time ratings determined as of the issuance date. The preliminary ratings on the class A-1, A-2, and X1 certificates will not be subject to ongoing monitoring, upgrades, withdrawals, surveillance, or any further assessment after the issuance date. As such, the preliminary ratings on the class A-1, A-2, and X1 certificates will be issued on the closing date and withdrawn the following day. The preliminary rating on the class B certificates is a long-term public rating, which will be subject to ongoing monitoring, upgrades, withdrawals, surveillance, and/or any further assessment after the issuance date. (ii)Interest-only class. (iii)Notional amount. NR--Not rated. N/A--Not applicable.

Profile

Expected closing date	Aug. 10, 2011.
Collateral	Ninety loans that are secured by 90 properties.
Mortgage loan seller and guarantor	Freddie Mac.
Underwriter and depositor	JP Morgan Chase Commercial Mortgage Securities Corp.
Master and special servicer	KeyCorp Real Estate Capital Markets Inc.
Trustee	U.S. Bank N.A.

Rationale

The preliminary ratings assigned to FREMF 2011-K14 Mortgage Trust's (FREMF 2011-K14's) $1.19 billion commercial mortgage pass-through certificates reflect the credit support provided by the subordinate classes of certificates; the liquidity provided by the trustee; and the underlying loans' economics, geographic diversity, and property type diversity. In our analysis, we determined that the pool has a debt service coverage ratio (DSCR) of 1.25x based on a weighted average Standard & Poor's Ratings Services loan constant of 7.92%, a DSCR of 1.55x based on the weighted average in-place loan constant of 6.50%, a beginning loan-to-value (LTV) ratio of 89.9%, and an ending LTV ratio of 77.6%.

The preliminary ratings on the class A-1, A-2, and X1 certificates are point-in-time ratings determined as of the issuance date. The preliminary ratings on the class A-1, A-2, and X1 certificates will not be subject to ongoing

SP-CMBS 00285194

monitoring, upgrades, withdrawals, surveillance, or any further assessment after the issuance date. As such, we will issue our preliminary ratings on the class A-1, A-2, and X1 certificates on the closing date and withdraw them the following day. The preliminary rating on the class B certificates is a long-term public rating, which will be subject to ongoing monitoring, upgrades, withdrawals, surveillance, and/or any further assessment after the issuance date.

Strengths

The transaction exhibits the following strengths:

- As a whole, the transaction reflects economics that are stronger than Standard & Poor's archetypical pool based on Standard & Poor's beginning and ending LTV ratios of 89.9% and 77.6%, respectively, for the pooled trust balance. The beginning and ending LTV ratios based on appraisal values are 62.7% and 54.0%, respectively.
- The transaction has a DSCR of 1.25x based on Standard & Poor's loan constant of 7.92%, which is stronger than the archetypical pool. Standard & Poor's DSCRs range from 0.95x to 2.20x and are based on stressed loan constants ranging from 7.75% to 10.00%, depending on the property type. The transaction has a DSCR of 1.55x based on actual loan constants.
- The largest loan in the pool, Ocean Towers (7.1% of the pool, 'aaa'), and the sixth-largest loan in the pool, Marine Terrace (2.9% of the pool, 'bbb-'), have a trust balance that exhibits credit characteristics consistent with obligations rated investment-grade by Standard & Poor's.
- Seventy-nine loans (92.3% of the pool) are secured by multifamily properties. The multifamily loans originated under the Freddie Mac program for securitization are, in our view, of significantly higher quality than the multifamily loans included in typical conduit/fusion commercial mortgage-backed securities (CMBS) transactions that Standard & Poor's has rated. Additionally, Freddie Mac has provided representations and warranties on the loans, which means that the loans undergo Freddie Mac's due diligence process and are underwritten according to Freddie Mac's standardized underwriting guidelines.
- Multifamily properties are one of the most stable commercial property types. Furthermore, the pool's overall credit quality is relatively superior to multifamily loans that represent typical conduit/fusion CMBS transactions due, in part, to Freddie Mac's underwriting standards, the above-average qualities of the properties in the pool, and the performance of Freddie Mac transactions versus typical CMBS multifamily transactions.
- The properties are well-located in major metropolitan statistical areas (MSAs), with only 25.9% located in tertiary markets.
- On a national level, vacancy rates in the U.S. multifamily sector appear to be declining after increasing over the past three years. As a result of this decrease (to 6.1% in 2010 from 7.4% in 2009) and rent inflation returning to positive levels (to 1.4% in 2010 from negative 4.7% in 2009), the trailing 12-month (TTM) cash flows seem to represent the bottom of this economic cycle. According to CB Richard Ellis Econometric Advisors' (CBRE-EA's) Multi-Housing Overview & Outlook (Spring 2011), the supply/demand fundamentals, including the lack of new supply due to depressed construction and increased demand that should accompany the recovering labor market, are favorable to a recovery in the sector.
- The class A-1, A-2, X1, and X3 certificates in this deal benefit from a guarantee provided by Freddie Mac. However, Standard & Poor's is assigning preliminary ratings to the transaction without giving benefit to this guarantee.
- Eighty-four loans (83.1% of the pool) have monthly reserves for taxes, 81 loans (85.0% of the pool) have monthly reserves for capital expenditures, and 61 loans (60.0% of the pool) have monthly reserves for insurance.

- The average quality score for the properties securing the mortgages in the trust is 2.78, an above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Concerns And Mitigating Factors

This transaction exhibits the following concerns and mitigating factors:

- All of the loans in the pool allow for subordinate debt secured by the mortgaged properties, which we expect Freddie Mac will hold. The subordinate debt cannot be accrued within one year of the first mortgage and must adhere to certain conditions, including limitations on LTV ratios (ranging from 30.0% to 80.0%) and a combined DSCR of at least 1.25x, as specified by the individual loan documents. We considered this additional debt in our evaluation.
- All but six loans in the pool (1.9% of the pool) have borrowing entities that are structured as special-purpose entities (SPEs). However, only six loans (16.5% of the pool) are structured with nonconsolidation opinions, and none of the loans is structured with an independent director. While loans representing 75.9% of the pool provide warm-body recourse carve-out guarantors, the issuer considers the information of all individuals confidential and, therefore, we are unable to disclose names and financial details of the individual guarantors. In addition, the sponsor of one loan, The Legends at La Paloma (1.9% of the pool), obtained unsecured debt in the form of a credit facility of up to approximately $210.0 million. The credit facility was closed on March 24, 2010, and has an initial term of 18 months. Although the borrower of this loan is structured as a SPE, the loan documents do not provide for a nonconsolidation opinion or an independent director. We considered all of these factors in evaluating the transaction.
- The pool exhibits concentration in the multifamily sector, which comprises 92.3% of the pool balance. We believe that the weak housing and labor markets have taken a toll on the multifamily sector. However, the multifamily sector has historically exhibited greater operational stability than other sectors. We expect the quality of these loans to be better than typical CMBS multifamily loans based, in part, on the historical performance of Freddie Mac transactions versus typical CMBS multifamily transactions. Furthermore, occupancy declines over the past several years have slowed and reversed in most markets. We expect that the multifamily sector will begin to stabilize and continue to recover as the economy recovers.
- Seven loans (17.3% of the pool balance) provide for interest-only payments throughout the loan term. Standard & Poor's LTV ratios for these loans range from 51.0% to 88.1%, with a weighted average of 70.9%. In addition, 19 loans (21.7% of the pool balance) feature partial-term interest-only payments. The partial-term interest-only loans have a weighted average Standard & Poor's stressed LTV ratio of 98.4%. However, the trust benefits from significant scheduled amortization, which reduces Standard & Poor's weighted average LTV ratio to 77.6% at maturity from 89.9% at issuance. Considering only the partial-term interest-only loans, the beginning LTV ratio is 98.4% and the ending LTV ratio is 85.7%.
- Based on Standard & Poor's stressed analysis, one of the top 10 loans, Daniel Island Village Apartments (2.4% of the pool), has a DSCR of less than 1.00x (based on a constant of 7.75%) and a LTV ratio higher than 100.0%. An additional three of the top 10 loans (8.7% of the pool balance) have LTV ratios higher than 100.0%. However, based on actual constants, none of the top 10 loans has a DSCR of less than 1.00x. This risk is further mitigated by the fairly rapid amortization of the top 10 loans, supported by a beginning LTV ratio of 83.9% and an ending LTV ratio of 75.1%.
- The pool exhibits geographic concentration in that 51.7% of the assets are located in the top three states: New

Table 1

Property Type Composition (cont.)				
Multifamily/low rise	47,076,623	4.0	4	4
Multifamily/townhome	40,948,648	3.5	3	3
Multifamily/high rise	29,564,032	2.5	4	4
Independent living	15,303,283	1.3	1	1
Multifamily/senior apartments	6,000,000	0.5	1	1
Total	1,191,595,324	100.0	90	90

Loan originators

Table 2 shows the loan originators for this transaction.

Table 2

Loan Originators

Institution	Standard & Poor's parent rating/outlook	Trust balance ($)	% of pool	No. of loans
CBRE Capital Markets Inc.	BB/Stable	229,033,171	19.2	13
Berkadia Commercial Mortgage LLC	NR	174,487,338	14.6	11
NorthMarq Capital LLC	NR	166,011,108	13.9	17
Grandbridge Real Estate Capital LLC	NR	156,741,328	13.2	13
Deutsche Bank Berkshire Mortgage Inc.	A+/Stable	99,068,607	8.3	4
Walker & Dunlop LLC	NR	55,156,880	4.6	3
KeyCorp Real Estate Capital Markets Inc.	BBB+/Stable	45,006,487	3.8	4
Wells Fargo Bank N.A.	AA-/Negative	44,894,920	3.8	4
Prudential Affordable Mortgage Co.	A+/Stable	40,320,263	3.4	2
Holliday Fenoglio Fowler L.P.	NR	38,794,027	3.3	3
PNC Bank N.A.	NR	47,948,054	4.1	6
Beech Street Capital LLC	NR	34,839,143	2.9	1
The Community Preservation Corp.	NR	29,045,392	2.4	3
M&I Marshall & Ilsley Bank	BBB-/Watch Pos	9,577,331	0.8	3
Oak Grove Commercial Mortgage LLC	NR	8,939,000	0.8	1
Financial Federal Savings Bank	NR	7,676,972	0.6	1
M&T Realty Capital Corp.	A-/Negative	4,055,303	0.3	1
Total	--	1,191,595,324	100.0	90

NR--Not rated.

Loan origination dates

Loans representing 50.4% of the pool balance were originated in the past six months from the cut-off date, and 100% were originated in the past 12 months.

Collateral quality

Based on our analysis, the portfolio has a DSCR of 1.25x based on a weighted average Standard & Poor's loan constant of 7.92% and a DSCR of 1.53x based on the weighted average in-place loan constant of 6.50% Standard & Poor's DSCR reflects the adjustments that were made to the banker's underwritten net cash flow (NCF) of the properties based on the properties' historical and projected operating statements, third-party reports, and the assets' competitive positions in their respective markets.

On a weighted average basis, we reduced the portfolio's NCF by 3.4%. This decrease reflects typical adjustments to rental rates, occupancy levels, operating expenses, and capital expenditure reserves.

For the pool, Standard & Poor's weighted average beginning LTV ratio is 89.9%, and the ending LTV ratio is 77.6%. We applied a weighted average capitalization rate of 8.52% to our NCF. The capitalization rates are a function of each property's asset type, quality, tenancy, position in the competitive set, and current and future market conditions (see table 3 for additional information regarding our analysis of the various property types' cash flow and valuation).

Table 3

Cash Flow Analysis And Valuation

Property type	% of pool	DSCR (x)(i)	% NCF diff.(ii)	Cap rate (%)	Beg. LTV ratio (%)	End. LTV ratio (%)	Value per unit ($)
Multifamily/garden	56.3	1.20	(3.0)	8.36	91.1	79.2	78,948
Multifamily/mid rise	7.3	1.13	(1.4)	8.28	96.0	80.2	157,748
Multifamily/co-op	7.1	2.20	(11.9)	8.00	51.0	51.0	525,868
Multifamily/student	7.0	1.16	(1.6)	8.71	93.9	80.4	38,919
Assisted living	6.4	1.20	(3.6)	10.59	89.5	73.5	126,075
Multifamily/garden and townhome	4.1	1.04	(9.1)	8.46	105.3	87.6	51,987
Multifamily/low rise	4.0	1.08	0.8	8.34	101.3	86.1	107,821
Multifamily/townhome	3.5	1.10	(2.7)	8.28	97.8	81.5	106,352
Multifamily/high rise	2.5	1.21	(0.6)	8.51	90.8	76.7	47,559
Independent living	1.3	1.31	3.2	9.75	87.3	72.9	147,268
Multifamily/senior housing	0.5	1.16	(2.8)	8.36	92.8	84.7	140,485
Total	100.0	1.25	(3.4)	8.52	89.9	77.6	118,210

(i)Based on a weighted average stressed Standard & Poor's loan constant of 7.92%. (ii)The difference between Standard & Poor's estimated NCF and the underwriter's estimated NCF as a percentage of the underwriter's estimated NCF. DSCR--Debt service coverage ratio. NCF--Net cash flow. LTV--Loan-to-value.

Borrower/loan concentrations

An individual who is the sponsor for five loans (9.8% of the pool) is listed as the largest sponsor (see table 4 for the sponsor concentration).

Table 4

Sponsor Concentration

Borrower	Pooled trust balance (mil. $)	No. of loans	% of pool
Largest	116.7	5	9.8
Top five	317.1	9	26.6
Top 10	463.8	14	38.9

Top 10 loans

For a summary of the top 10 loans in the pool, see table 5.

Table 5

Top 10 Loans

Property name	Property type	% of pool	DSCR (x)(i)	% NCF diff.(ii)	Cap rate (%)	Beg. LTV (%)	End. LTV (%)	Value per unit ($)
Ocean Towers	Multifamily/coop	7.1	2.20	(11.9)	8.00	50.99	50.99	525,868
The Villas At Pine Hills	Multifamily/garden	3.7	1.25	(8.5)	8.50	88.09	88.09	70,511

We then stressed each loan's NCF with standard haircuts by comparing the NCF to each loan's actual in-place debt service (see the Credit Evaluation section below). We applied the same capitalization rates by property type that we determined during our property analysis of the pool to arrive at stressed values. We assumed that loans with a DSCR below 1.00x and a LTV ratio above 100% term default, and loans with a LTV ratio above 100% default at maturity. In general, we calculated the principal losses for term defaults based on the difference between the outstanding beginning loan balance and the stressed value, plus two years lost interest and foreclosure expenses estimated at 5% of the stressed value. We calculated the principal losses for maturity losses based on the difference between the outstanding loan balance at maturity and the stressed value, plus foreclosure expenses estimated at 5% of the stressed value (see table 16 for a summary of the loss severities that these stresses might produce given the assumptions outlined above).

Table 16

Stressed Scenario Analysis For FREMF 2011-K14

'AAA' credit enhancement levels	10.500				
'AA-' credit enhancement levels	7.500				
'BBB' credit enhancement levels	N/A				
'B' credit enhancement levels	N/A				
NCF haircut assumption (%)(i)	**(0)**	**(5)**	**(10)**	**(15)**	**(20)**
DSCR (x)	1.71	1.62	1.54	1.42	1.37
Trust pool loss (%)	(0.0)	(0.0)	(0.1)	(0.6)	(4.2)

(i)We compared the NCF decline with the pool's most recent NOI estimate (adjusted for estimated TI/LCs and capital expenditure reserves). NCF--Net cash flow. DSCR--Debt service coverage ratio (based on the pool's actual debt service). NOI--Net operating income. TI/LCs--Tenant improvements and leasing commissions. N/A--Not applicable.

Credit Evaluation

Our analysis included the following:

- We conducted site inspections for 28 of the 90 properties, which secure 57.6% of the loan balance.
- We analyzed 36 of the 90 loans, representing 67.5% of the pool balance.
- Our loan-level reviews included analyzing property-level operating statements and rent rolls for select loans and properties.
- We reviewed third-party appraisal, environmental, and engineering reports for each of the select properties.
- We reviewed legal matters that we believe are relevant to our analysis, as outlined in our criteria. We completed a legal review of the three largest loans in the pool (14.4% of the pool balance). We reviewed the current drafts of major transaction documents, including the offering circular, PSA, and other legal documents to verify compliance with Standard & Poor's criteria and to understand the mechanics of the underlying loans and the transaction.

For more information on our analysis of the cash flow and valuation of the various property types, the top 10 loan characteristics, and Standard & Poor's DSCR and LTV ratio stratification ranges, see tables 17-20.

Table 17

Standard & Poor's DSCR Range Based On A Stressed Constant Of 7.92%

DSCR range (x)	No. of loans	Loan balance ($)	% of pool
Greater than 1.65	3	108,016,467	9.1

Table 17

Standard & Poor's DSCR Range Based On A Stressed Constant Of 7.92% (cont.)

1.60 to 1.64	1	6,897,920	0.6
1.55 to 1.59	2	41,443,902	3.5
1.50 to 1.54	0	0	0.0
1.45 to 1.49	2	7,116,449	0.6
1.40 to 1.44	3	20,996,512	1.7
1.35 to 1.39	3	15,170,645	1.3
1.30 to 1.34	6	37,434,486	3.1
1.25 to 1.29	6	81,705,033	6.8
1.20 to 1.24	10	156,756,650	13.2
1.15 to 1.19	12	136,626,066	11.5
1.10 to 1.14	19	228,332,134	19.2
1.05 to 1.09	14	199,298,002	16.7
1.00 to 1.04	5	77,742,358	6.5
0.95 to 0.99	4	74,058,680	6.2
0.90 to 0.94	0	0	0.0
Less than 0.90	0	0	0.0
Total	90	1,191,595,324	100.0

DSCR--Debt service coverage ratio. NCF--Net cash flow.

Table 18

Standard & Poor's Beginning LTV Ratios

Beginning LTV ratio range (%)	No. of loans	Loan balance ($)	% of pool
Less than 50	0	0	0.0
51 to 55	1	85,000,000	7.1
56 to 60	0	0	0.0
61 to 65	2	23,016,468	1.9
66 to 70	2	13,502,679	1.1
71 to 75	4	48,515,012	4.1
76 to 80	5	29,607,736	2.5
81 to 85	10	93,825,977	7.9
86 to 90	12	182,070,192	15.3
91 to 95	17	201,686,541	16.9
96 to 100	19	186,000,225	15.6
101 to 105	13	234,911,814	19.7
106 to 110	2	47,440,000	4.0
111 to 115	3	46,018,680	3.9
116 to 120	0	0	0.0
Greater than 120	0	0	0.0
Total	90	1,191,595,324	100.0

LTV--Loan-to-value.

Table 19

Standard & Poor's Ending LTV Ratios

Ending LTV ratio range (%)	No. of loans	Loan balance ($)	% of pool
Fully amortizing	0	0	0.0
0 to 50	2	22,237,415	1.9
51 to 55	3	0	0.0
56 to 60	4	0	0.0
61 to 65	4	152,813,690	12.8
66 to 70	5	51,597,296	4.3
71 to 75	10	109,263,451	9.2
76 to 80	15	181,392,531	15.2
81 to 85	30	349,860,097	29.4
86 to 90	13	250,372,165	21.0
91 to 95	3	62,479,278	5.2
96 to 100	1	11,579,401	1.0
101 to 105	0	0	0.0
106 to 110	0	0	0.0
111 to 115	0	0	0.0
116 to 120	0	0	0.0
Greater than 120	0	0	0.0
Total	90	1,191,595,324	100.0

LTV--Loan-to-value.

Table 20

Standard & Poor's DSCR Range Based On An Actual Debt Constant

DSCR range (x)	No. of loans	Loan balance ($)	% of pool
greater than 1.65	18	323,301,336	27.1
1.60 to 1.64	3	23,171,551	1.9
1.55 to 1.59	2	12,537,864	1.1
1.50 to 1.54	4	26,435,368	2.2
1.45 to 1.49	4	22,214,124	1.9
1.40 to 1.44	5	69,128,472	5.8
1.35 to 1.39	11	169,280,873	14.2
1.30 to 1.34	10	107,308,558	9.0
1.25 to 1.29	15	171,106,876	14.4
1.20 to 1.24	14	203,794,482	17.1
1.15 to 1.19	3	53,379,390	4.5
1.10 to 1.14	1	9,936,430	0.8
1.05 to 1.09	0	0	0.0
1.00 to 1.04	0	0	0.0
0.95 to 0.99	0	0	0.0
0.90 to 0.94	0	0	0.0
Less than 0.90	0	0	0.0
Total	90	1,191,595,324	100.0

EXHIBIT EE

Rating Summary Record - Structured Finance

Basic Transaction Information

Committee Type (check applicable or specify if 'Other')	New Issue	[X]	Review	[ ]	RAC	[ ]
	Specific Issue Review	[ ]	Other			
Committee Purpose	**Final Ratings**					

Legal Issuer Name	Morgan Stanley Capital I Trust 2011-C1		
Issue/series	2011-C1		
S&P Office of Primary Analyst	New York		
PRIMARY ANALYST	Brian Snow	Expected Closing Date	February 28, 2011
BACK UP ANALYST	Kurt Pollem		

Country (location of assets)	USA		
Sovereign FC LT/Outlook/ST	AAA/Stable/A-1+	General Product Type	CMBS
Sovereign LC LT/Outlook/ST	AAA/Stable/A-1+	Sub-Product Category	Conduit Fixed-Rate
Country T&C Assessment		Primary Sub-Product Type	

Participant Information

Role	Company	Rating (if applicable)	
Placement Agents	Morgan Stanley		
	BofA Merrill Lynch		
Sellers	Banc of America Mortgage Capital Corporation and Morgan Stanley Mortgage Capital Holdings LLC		
Depositor	Morgan Stanley Capital I Inc.		
Master Servicer	Bank of America, N.A.		
Trustee	Wells Fargo Bank, N.A.		
Certificate Administrator	Wells Fargo Bank, N.A.		
Special Servicer	Midland Loan Services, Inc.		
Issuer's Counsel	Kaye Scholer LLP & Cadwalader, Wickersham & Taft, Sidley Austin LLP		

Rating Recommendation Signature

The RAMP reflects the rating recommendation that was presented to committee

Brian Snow	Director	Brian Snow	2/28/11
Analyst Name (Print)	Analyst Title	Analyst Signature	Date

Template Date: Nov. 16, 2010

Internal Use Only

GOVERNMENT EXHIBIT 81 D-03302

[Only add the following section if the RAMP template is used to document an SIR meeting.]

SPECIFIC ISSUE REVIEW RECOMMENDATION AND MEETING INFORMATION:

Analyst and Chair Attestations		
	Analyst	Chair
The Chair Asked About Conflicts of Interest at the Outset of the Committee:	--	YES
The committee vote/decision conformed to the Ratings Committee Policy:	--	YES
The ratings assigned reflected application of criteria pertinent to this type of issuer/transaction:	YES	YES
The documents identified on the Document Checklist are sufficient to support the rating decision, consistent with Ratings Services policies and criteria:	YES	YES
The Chair asked Rating Committee members, to the extent of their knowledge, for the names of any former Rating Services Employees who are currently or were employed by this Issuer/Arranger, Obligor, Underwriter or Sponsors (where applicable) for the subject Rating Committee	--	YES
If the names of any former Rating Services Employees were identified, the Chair e-mailed the names to Compliance.	--	YES
The RAMP presented to committee included the analysis presented in all specific issue review and inter-group/department meetings and committees, and included the relevant signed Analyst and Chairperson Statements from all inter-group meetings and committees.	YES	--
Quantitative models were used which contributed significantly to the determination of the rating level assigned or provided significant input to formulating a rating opinion: **If "Yes" complete Primary Analyst's and Chair's Statements*	YES*	YES*

Primary Analyst's Statements:	
a) The model(s) used for purposes of this rating, including input(s) and output(s) was appropriate, consistent with Ratings Services Model Use Policy and analytical criteria.	
b) The model used was either (check applicable):	
[ ]	Selected from the Approved Model Library, or
[X]	Alternative Procedures were employed.
c) Check applicable:	
[ ]	No modifications were made as part of our analysis to the model(s) or to approved assumptions that departed from approved criteria, or
[X]	Certain modifications were made to the models or approved assumptions, the rationale for which is more fully described in (refer to RAMP section or an appendix describing the modifications and appropriate approvals consistent with the Model Use Policy).
Chairperson's Statements:	
I have reviewed the model(s) output(s) and based on the information presented to the committee, concluded (check applicable):	
[X]	The model(s) application appropriately represent(s) the transaction structure or the attributes evaluated, consistent with Ratings Services Model Use Policy and analytical criteria.
[ ]	If applicable, the committee has taken into consideration any model limitations in its rating determination.

Brian Snow	Director	Brian Snow	2/28/2011
Analyst Name (Print)	Analyst Title	Analyst Signature	Date

Kurt Pollem	Senior Director	[signature]	2/28/2011
Chair Name (Print)	Chair Title	Chair Signature	Date

From: Fisher, Lucienne
Sent: Monday, July 11, 2011 8:58 PM
To: Digney, James
Subject: RE: DSC for presale

EXHIBIT FF

GOVERNMENT EXHIBIT
103
D-03302

Okay, I'll include it.

From: Digney, James
Sent: Monday, July 11, 2011 8:58 PM
To: Fisher, Lucienne
Subject: Re: DSC for presale

I spoke with her and she wants to show both the dsc using stressed constant and the dsc using actual constant.

From: Fisher, Lucienne
To: Digney, James
Sent: Mon Jul 11 20:16:22 2011
Subject: DSC for presale

Did you ever find out if BD wants us to report the DSC based on the blend as well as the stressed constant?

Thanks.

Lucienne Fisher
Associate Director
Structured Finance Department
55 Water Street, 40th Floor
New York, NY 10041
Phone: 212-438-4719
lucienne_fisher@standardandpoors.com

EXHIBIT GG

GOVERNMENT EXHIBIT 105 D-03302

From: Esaki, Howard
Sent: Thursday, July 14, 2011 11:14:27 AM
To: Jacob, David; Duka, Barbara; Osborne, Grace
Subject: FW: (No Subject)

Parkius is in research at ms.

Sent with Good (www.good.com)

-----Original Message-----
From: Parkus, Richard [mailto:Richard.Parkus@morganstanley.com]
Sent: Thursday, July 14, 2011 09:40 AM Eastern Standard Time
To: Esaki, Howard
Subject:

Howard,

The subordination levels S&P allowed on the GSMS 2011-GC4 deal are simply stunning. Makes me wonder about David Jacob's previous statements in the press about the worrisome slippage in underwriting quality.

Regards,

Richard Parkus, Executive Director
Morgan Stanley | Research
1585 Broadway, 2nd Floor | New York, NY 10036
Phone: +1 212 761-1444
Richard.Parkus@morganstanley.com

From: Barnes, Susan
Sent: Friday, July 15, 2011 01:32:26 PM
To: Jacob, David
Subject: RE: GS 2011-GC4 deal

EXHIBIT HH

GOVERNMENT EXHIBIT 277 D-03302

Sure, I'll look into it what assumptions were used and what was published.

-----Original Message-----
From: Jacob, David
Sent: Friday, July 15, 2011 1:23 PM
To: Barnes, Susan
Subject: Fw: GS 2011-GC4 deal

I am getting many inquiries on this deal. Can u conduct a complete review please.

----- Original Message -----
From: Penner, Ethan @ CBREInv NY <EPenner@cbreinvestors.com>
To: Jacob, David
Sent: Fri Jul 15 13:17:27 2011
Subject: GS 2011-GC4 deal

Dear Dave,

I hope this email finds u doing well. I'm in nY most of summer so let's get together. I'm perusing your writeup of the above-referenced deal and have a question. On P5 of the writeup your analyst says the beginning LTV is 87%, which I'm sure is the S+P assessment and not the loan appraisers'. Seemingly incongruously, you grant investment grade status to 96.25% of the deal, implying that you equate 84% LTV with investment grade risk. We both know this cannot be true, so I'm left to wonder whether you really believe the actual LTV is significantly lower.

Either way, this seems damn confusing. Thoughts?

Best,

Ethan

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
)
STANDARD & POORS) File No. D-3302
CMBS RATING)

WITNESS: DAVID JACOB

PAGES: 1 - 194

PLACE: Room 421
Securities and Exchange Commission
Brookfield Place, Suite 400
200 Vesey Street
New York, New York 10281-1022

DATE: June 9, 2014

The above-entitled matter came on for videotaped hearing at 1:04 p.m., pursuant to subpoena.

APPEARANCES:

On behalf of the Securities and Exchange Commission:

ROBERT E. LEIDENHEIMER, JR., ESQ.
REID A. MUOIO, ESQ. (Present where noted)
Enforcement Division
Securities and Exchange Commission
Room 6404
100 F Street, N.E.
Washington, D.C. 20549

JOHN BADGER SMITH, ESQ.
Enforcement Division
Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, Colorado 80202

MICHAEL OSNATO, ESQ. (Present where noted)
Enforcement Division
Securities and Exchange Commission
Brookfield Place
200 Vesey Street
New York, New York 10281-1022

On behalf of the Witness:

DAVID JACOB, pro se

ALSO PRESENT: ANDREW RITCHIE, Videographer

INDEX

PROCEEDINGS

THE VIDEOGRAPHER: The time now is 1:04 p.m. on June 9, 2014. This marks the beginning of tape number one, the formal investigative testimony of David Jacob, being taken in the matter of Standard & Poors CMBS Ratings, investigation D-3302, in front of the Securities and Exchange Commission.

MR. LEIDENHEIMER: We are on the record at 1:05 p.m. on June 9, 2014.

Mr. Jacob, will you raise your right hand, please.

Do you affirm that you will tell the truth, the whole truth, and nothing but the truth?

THE WITNESS: Yes, I do.

MR. LEIDENHEIMER: You can put your hand down.

EXAMINATION

BY MR. LEIDENHEIMER:

Q. Would you please state and spell your full name for the record.

A. David P. Jacob, D A V I D, P, J A C O B.

Q. Mr. Jacob, I am Bob Leidenheimer. To my right is John Smith and across the table from Mr. Smith is Reid Muoio. We are all officers of the Commission for the purposes of this proceeding.

A. I think, as we said, there are a number of factors that would make an issuer choose one rating agency versus the other, most importantly would be probably profit on that particular transaction. And depending upon the size of the transaction, the difference in the credit enhancement of course magnifies the total amount of profit on that transaction.

So, again, the way the issuer is making money, the more Triple A you can sell in a deal, the more money you make, because it is being sold at a lower interest rate than the underlying loans. And so the bigger size of the deal, and it's also more total dollars of Triple A, so the more significant the difference in credit-enhancement level would be.

In the days when things became crazy competitive in 2007, 2008, before the market blew up, rating agencies were topping each other by dropping credit-enhancement loans by even 10 to 15 basis points, that would be enough to make an issuer go with one rating agencies versus another. So it's very, very small. Because then investors also were just buying the deal.

You know, this is the market restarting itself. I think there's an amount of credibility

that was involved for investors too, so coming in with something very, very low just to gain market share, but that rating agency could also be negative for the issuer because they lacked credibility. So it's a little bit more complicated down in that start-up market. But certainly, this kind of difference is so many dollars. But then it is so big that you also have this question about credibility by the investment community.

It is also a question, as we discussed off the record before, when you have multiple rating agencies on a transaction, you may not get to see what one rating agency did, if they were more aggressive than another one, because the only ratings that count or that show up, that are published -- I'm guessing, I am an advocate -- but all the rating levels should have been published, no matter where they came out. Even though you will end up using the more conservative ones to get all the rating agencies, you know, at the same size of that tranche, you don't see that. So all you see are the ones that were actually used, and so, therefore, you get the most conservative rating agency. But this, of course, is very, very substantial.

I am not sure I answered your question.

What the exact threshold is, I can't tell you, but if it's more than 100 basis points, it is big, for sure. 50 basis points is still big enough, especially on a large size deal. If you have a 3 billion dollar deal, 50 basis points on -- think about it, you can do the duration math yourself, okay? If it's 50 basis points, right, on say 80 percent of the deal is Triple A, that's two-and-a-half billion dollars; you say the duration is like seven-year duration, I may be too old to do the math in my head anymore, but it's quite a few million dollars in profitability.

Q. Okay. Can we agree that the difference between the credit enhancement from the blends and the credit enhancement from the strict constants is material, it is important?

A. Yes.

Q. Okay.

A. To make it clear for whoever is going to listen to this tape: The rating agency doesn't profit, doesn't benefit from being 20 versus 14 and a half. That doesn't go to it, it goes to the issuer; that's the profit margin going to the issuer. It's just that since the issuer is paying the rating agency, it would like to get the lowest credit enhancement as possible that's credible to investors,

to make the most profit, and so it's likely to choose that rating agency if it could, so it can maximize its own profit.

I'm sorry. Go ahead.

Q. When you learned during the July and August time frame of the magnitude of the difference between the two methodologies, did it occur to you or did you have the thought that perhaps Ms. Duka should have disclosed that in the July 18th teleconference that was held to tell investors about how S&P had derived the rating for the Goldman deal?

A. Well, my first inclination was for my analyst. It could have been -- I have seen deals even back in the early 90's where the credit enhancement was a lot less than others. There is a variation, it's not always the same, every deal is different. There could have been a legitimate reason why she achieved this. I hadn't studied the collateral, I hadn't studied the deal, and it wasn't my job to.

So when I first -- when I got the note from Ethan, "let's go take a look at this, is it okay, is it a mistake?" I think that's fair. So I had no reason to question, other than it looked low. All we had was the 14 and a half sounded low, given

Page 113

what's been going on in the marketplace; given that our own criteria had our little pool at like a 19 to 20 percent, it looked fine, and I wasn't aware of the details at this point of the different methodologies. I didn't find that out until all this stuff started, the blended constant, the average, this and that, so I didn't know.

I mean, again, you could ask me if I have seen this, I don't know exactly when in this investigation they showed me this, but even having seen this, someone said, "Well, if you use this methodology it was this," and you've got -- of course, it could very well be different, and that's still okay if that's the criteria that the group voted on and they're following it, that's where it comes out. You get some heat from the marketplace, they say, "What are you doing over there," but if you followed your criteria consistently, that's it. There's nothing else to say.

It could have been at the other end. We could have lost the transaction. It could have come out at 28 percent and that's it. I'd get heat from McGraw-Hill, "Why did you lose the transaction?" So, but if you follow the criteria I don't have any choice, I just need to know whether there was an

Page 114

error.

Q. Okay. Let me go back also to something you said when you were talking about the January 2011 investigation by Ms. Barnes, you said you learned about it in a meeting with Pat Milano in July?

A. Yes.

Q. What did he say about it?

A. He just said, he wasn't fully presenting it, he just mentioned off the cuff that we got some employee complaints back in January. He didn't dwell on it, but it just caught my attention.

Q. Did he mention that it was the exact same issue that was the focus of the July, August --

A. I think so, otherwise he wouldn't have brought it up. I think so. So I was taken aback.

I think I asked Mark Adelson, "Did you know about this?"

"I didn't know about it."

So, that's why, I know in the discussion you have a memo from Susan Barnes and a subsequent memo from Mark, I was surprised that neither of them -- well, I'm not surprised now that Susan didn't mention it, but I am surprised that Mark didn't, in his rebuttal to Susan's post mortem over the transaction, I am surprised that Mark didn't mention

Page 115

that as a red flag, how come he wasn't brought in on that.

Q. He may or may not have known at that time?

A. By the time he wrote the rebuttal to Susan he surely knew.

Q. About the January --

A. Yeah, because his rebuttal to Susan was -- because Susan wrote a post mortem later, in September or October, when did she write that. This is way into the --

MR. SMITH: November.

THE WITNESS: November.

A. (Continuing.) So when Mark wrote his rebuttal, he was way past that. He was probably at the same meeting with Milano when Milano mentioned it.

So I'm just surprised -- I think I mentioned to Mark, I think I said, "I missed it." He said, "Yeah, you missed it."

He had enough other issues to discuss, he wasn't focused on the January -- if it was brought up in January. He probably still never saw the wording of this, because I haven't until today.

Q. Let me ask you one more question about

Page 116

Exhibit 73. You actually pointed this out yourself, where you mentioned that Ms. Duka points out that they lost deals due to criteria?

A. Yes.

Q. Is that consistent with interactions you had with Ms. Duka or your understanding of her view of the marketplace, that they were losing deals because of criteria?

A. Can you please restate the question?

Q. Yes. What I am trying to ask you is: Is her mention that they lost deals because of criteria in this e-mail, is that consistent with interactions that you had with her?

A. I can't think of a specific meeting in time, but I would feel that was consistent.

Q. Okay.

A. But you said discussed before, earlier, I think it is known throughout structured finance or CMBS or the complaints I was getting from the analysts from Europe on counter-party criteria, we had a report on the business side, but you know, even though that's supposed to be coming up from the issuer to the client business manager back to me, that they're missing deals because of the criteria.

It's obvious to me that an analyst on

Page 189

I don't think there's an exact number.
MR. SMITH: Close enough?
THE WITNESS: Close enough.
MR. SMITH: Okay, got it.
BY MR. LEIDENHEIMER:
Q. Just so I am sure, because I am not sure I was paying close enough attention to that, your understanding is that the difference between the credit enhancement that was produced by the blend and the credit enhancement that was produced by the strict constant for the six deals that were actually rated, were all within the band that would be properly Triple A. So there is no significant difference between those outcomes?
A. Well, to answer your question, I don't know that.
Q. Okay.
A. I don't know that. I do know that that by itself apparently was not enough to lead to a change in the rating on those transactions. I don't know, you know, whether or not there were other circumstances in those deals that made other factors maybe more important. I mean, no two deals are the same, so it's not everything else is lined up and it's all else equal. I don't know.

Page 190

All I am pointing out to you is that the language is very carefully crafted to point out that it's not saying it was consistent. You asked me when we first started this session about consistency in ratings, that was an important point. We didn't discuss at that time whether it's important to consistently apply criteria, although the Code of Conduct says that you will; the issue at hand here is that if you didn't apply criteria consistently, but you ended up with a rating in the same spot, does that let you off the hook in terms of a responsibility to consistently follow and disclose the approach that you were using?
So, this is a way of letting -- telling the marketplace: Well, the ratings didn't change anyway, so what do you care? Without saying to the outside, we didn't follow our own procedure, one way or another.
Q. Okay.
MR. LEIDENHEIMER: I want to go off the record for a couple of minutes.
THE VIDEOGRAPHER: The time now is 5:35 p.m., we are going off the record.
(Recess taken.)
MR. LEIDENHEIMER: Back on the record

Page 191

at 5:37.
After a discussion, we have decided to adjourn for the evening and resume tomorrow at 9:00.
Mr. Jacob, thank you very much and we will see you in the morning.
THE WITNESS: Thank you.
MR. LEIDENHEIMER: We are off the record at 5:37.
(Time noted: 5:37 p.m.)

Page 192

SCOPIST'S CERTIFICATE

I, Sandra Tankoos, hereby certify that the foregoing transcript consisting of 195 pages is a complete, true and accurate transcript of the investigative hearing, held on June 9, 2014, at 200 Vesey Street, New York, New York, in the Matter of Standard & Poors CMBS Rating.

I further certify that this proceeding was reported by Margaret Eustace and that the foregoing transcript has been scoped by me.

________________ ________________
Sandra Tankoos Date

July 27, 2011

Advanced Notice Of Proposed Criteria Change–U.S. CMBS Rating Methodology And Assumptions For Conduit/Fusion Pools

Primary Credit Analyst:
Mark Adelson, New York (1) 212-438-1075; mark_adelson@standardandpoors.com

(Editor's Note: Standard & Poor's published an updated version of this article on Aug. 5, 2011.)

NEW YORK (Standard & Poor's) July 27, 2011--Standard & Poor's Ratings Services is reviewing the application of our conduit/fusion CMBS criteria in relation to the calculation of debt service coverage ratios (DSCRs). The review was prompted by the discovery of potentially conflicting methods of calculation in use. We intend the review to harmonize the potentially conflicting methods without changing the overall calibration of the conduit/fusion CMBS criteria.

More specifically, Standard & Poor's started using two methods to calculate DSCRs in early 2011. Before that time, DSCRs used in the criteria were based on the worse of (i) actual debt service amounts and (ii) loan constants specified in the criteria article. Starting around January 2011, Standard & Poor's started using a simple average of the two methods in the analysis of new deals. Surveillance continued to use the earlier approach.

The review may result in multiple technical changes to the conduit/fusion CMBS criteria. Because of the early stage of the review, the potential impact on outstanding ratings is uncertain. Until the review is completed, Standard & Poor's will not assign new ratings to transactions that are based on the conduit/fusion criteria.

RELATED CRITERIA AND RESEARCH
U.S. CMBS Rating Methodology And Assumptions For Conduit/Fusion Pools, Nov. 3, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
)
STANDARD & POORS) File No. D-3302
CMBS RATING)

WITNESS: MARK ADELSON

PAGES: 1 - 189

PLACE: Room 421
Securities and Exchange Commission
Brookfield Place, Suite 400
200 Vesey Street
New York, New York 10281-1022

DATE: June 11, 2014

The above-entitled matter came on for videotaped hearing at 11:42 a.m., pursuant to subpoena.

APPEARANCES:

On behalf of the Securities and Exchange Commission:

ROBERT E. LEIDENHEIMER, JR., ESQ.
REID A. MUOIO, ESQ. (Present where noted)
Enforcement Division
Securities and Exchange Commission
Room 6404
100 F Street, N.E.
Washington, D.C. 20549

JOHN BADGER SMITH, ESQ.
Enforcement Division
Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, Colorado 80202

MICHAEL OSNATO, ESQ. (Present where noted)
Enforcement Division
Securities and Exchange Commission
Brookfield Place
200 Vesey Street
New York, New York 10281-1022

On behalf of the Witness:

MARK ADELSON, pro se

ALSO PRESENT: ANDREW RITCHIE, Videographer

I N D E X

P R O C E E D I N G S

THE VIDEOGRAPHER: The time is 11:42 a.m. on June 11th, 2014. This marks the beginning of Tape Number 1 for the formal investigative testimony of Mark Adelson, being heard before the Securities and Exchange Commission, investigation of S&P CMBS Ratings, Number D-3302.

MR. SMITH: Okay, we are on the record at 11:42.

First of all, will you raise your right hand, please.

Do you swear to tell the truth, the whole truth, and nothing but the truth?

THE WITNESS: Yes, I do.

Whereupon,

MARK ADELSON

appeared as a witness herein and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. SMITH:

Q. Would you please state and spell your full name for the record.

A. My full name is Mark Adelson, Mark is M A R K, Adelson is A D E L S O N.

Page 101

when you have done so.
(Witness complies.)
A. Interesting.
Q. Why don't you go ahead and read one more e-mail, the next one from Haixin Hu on January 28th, that goes on to the third page.
A. Okay.
(Witness complies.)
A. Okay.
Q. So I had you read that additional e-mail because you will see in the second bullet point on page 3 that Ms. Hu is particularly focused on loan constants?
A. Yes.
Q. And then you'll see Ms. Duka's response on March 20 and again on March 21, item -- item number 3 on the second page and then the single sentence e-mail at the very top of Exhibit 20; do you see those?
A. Um hum.
THE REPORTER: You have to answer "yes" or "no."
A. Yes, I see them.
Q. In -- in your view, do you understand Barbara Duka to be clearly telling Haixin Hu: We use

Page 102

a 50/50 blended constant on all loans and calculate that service for all loans in new issue?
A. Well, I have to go back and look because I was focusing on what you said about surveillance.
Well, it doesn't say that she averages both, it says that they consider both.
Q. Right, and would you agree that if you're taking the worse-of you are considering both?
A. Worse-of is considering both. It's not the only interpretation of considering both.
Q. But it is an interpretation?
A. It is an interpretation.
Q. Another interpretation would be a 50/50 average?
A. It could be an average, it could be taking the better of the two.
Q. Right. It could be a lot of things?
A. It could be a lot of things.
Q. And so my question is: Do you think that Barbara Duka is clearly telling Haixin Hu here that we in new issue use a 50/50 blended loan constant to calculate debt service on all loans?
A. I don't think she is, no.
Q. And if, in fact, that's what she was doing, do you think she has clearly communicated to

Page 103

Haixin Hu --
A. What she's doing?
Q. -- what she is doing?
A. No. This is instance where I would be more suspicious of, you know, trying not to communicate what's really going on than attributing the lack of clarity to poor writing and poor communication skills, but I can't rule out that this is, you know, simply an instance of poor writing and poor communication skills.
(Whereupon, at this time, Mr. Muoio enters the room.)
MR. LEIDENHEIMER: Why would you more suspicious of that?
THE WITNESS: Oh, just based on Barbara's subsequent behavior.
MR. LEIDENHEIMER: I mean, it's not --
THE WITNESS: She said later on, you know, in my presence, that the reason she wasn't publishing the -- the loan constants that she had used in certain deals she rated, was that she didn't want to have to explain what she was doing.
MR. LEIDENHEIMER: Let me just invite your attention, I'm sorry, to on the second page here, there is a paragraph number 3, it says "Loan

Page 104

Constants." It says "We consider both the constants on page 6 and the actual constants adjusted. For instance, interest rate only runs to reflect the amortizing constants. And that's from Ms. Duka, March 20th.
Then, Mr. Ramkhelauan joins the conversation and says, "CMBS surveillance generally employs the higher of the predefined stress constants --"
THE WITNESS: I'm sorry, I've lost you. Where are you now?
MR. LEIDENHEIMER: The first page.
THE WITNESS: Oh, on the first page.
MR. LEIDENHEIMER: Right.
Mr. Ramkhelauan, on the 21st, joins the conversation said says, in part, "CMBS surveillance generally employs the higher of the predefined stress constants and the actual in-place constants." That's pretty clear, right?
THE WITNESS: Right. He is more clear than Barbara.
MR. LEIDENHEIMER: And, then, Ms. Duka rejoins the conversation with her statement that new issuance reviews the actual higher, but look at both if the actual constant is lower than" --

Page 185

like the way it was going, they would complain to Deven and then he would -- he would call me up and say, "Hey, they don't like where the criteria is going."

And I would write something up and explain why it was going that way, and it would be graphs and charts and footnotes, you know, done rigorously, which he would just eat that up, because that's his way of thinking, and then he would go back to the guys from the rating department and say, "Well, okay, this is the reason for it; what's the reason against?" And they would usually simply say, "Well, we don't like it," which isn't a reason at all.

So, here, you know, in dialogue with me, Deven did his usual thing of challenging and probing, but I don't think that meant he was embracing the contrary deal.

I think, in fact, I think it was the opposite, because if he -- if he had embraced the contrary view, I think he would have simply said, "Mark, I understand where you're coming from, but we're doing the other thing."

MR. SMITH: Okay. I am about ready to call it for the day.

Page 186

Anything my colleagues want to get into?

(No response.)

MR. SMITH: Hearing nothing, I will go off the record and we will commence again at 10:00 tomorrow morning.

THE WITNESS: Okay. Okay. I will try to be a little early, so if you have any coaching tips for me.

THE VIDEOGRAPHER: The time now is 5:45 p.m. This marks the end of Tape Number 4, as well as this session of the investigative testimony of Mark Adelson. We are off the record.

MR. SMITH: Off the record at 5:45.

(Time noted 5:45 p.m.)

Page 187

SCOPIST'S CERTIFICATE.

I, Sandra Tankoos, hereby certify that the foregoing transcript consisting of 189 pages is a complete, true and accurate transcript of the investigative hearing, held on June 11, 2014, at 200 Vesey Street, New York, New York, in the Matter of Standard & Poor's CMBS Rating.

I further certify that this proceeding was reported by Margaret Eustace and that the foregoing transcript has been scoped by me.

Sandra Tankoos Date

Page 188

REPORTER'S CERTIFICATE

I, Margaret Eustace, reporter, hereby certify that the foregoing transcript of 189 pages is a complete, true and accurate transcript of the testimony indicated, held on June 11, 2014, at 200 Vesey Street, New York, New York, in the Matter of Standard & Poor's CMBS Rating.

I further certify that this proceeding was reported by me and that the foregoing transcript was prepared under my direction.

Margaret Eustace Date

PROOFREADER'S CERTIFICATE

In the Matter of Standard & Poor's CMBS Rating
Witness: Mark Adelson
File Number: D-3302
Date: June 11, 2014
Location: 200 Vesey Street, New York, New York

This is to certify that I, Margaret Eustace, the undersigned, do hereby swear and affirm that the attached proceedings before the United States Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

______________________ ____________________
Margaret Eustace Date

EXCERPT

EXHIBIT LL

S&P CMBS Ratings

Barnes, Susan - 1-29-14

1/29/2014

Condensed Transcript

Prepared by:

SEC

Wednesday, February 12, 2014

Page 1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)

)

STANDARD AND POOR'S) File No. H0-11829-A

CMBS RATINGS)

WITNESS: Susan Barnes

PAGES: 1 through 231

PLACE: Securities and Exchange Commission

100 F Street, N.E.

Room 6820

Washington, D.C.

DATE: Wednesday, January 29, 2014

The above-entitled matter came on for hearing, pursuant to notice, at 10:10 a.m.

Diversified Reporting Services, Inc.

(202) 467-9200

Page 2

APPEARANCES:

On behalf of the Securities and Exchange Commission:

ROBERT E. LEIDENHEIMER, JR., ESQ.
Division of Enforcement
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549
(202) 467-9217

On behalf of the Witness:

JONATHAN S. SACK, ESQ.
DANIEL WACHTELL, ESQ.
Morvillo, Abramowitz, Grand, Iason, Anello & Bohrer, P.C.
565 Fifth Avenue
New York, New York 10017
(212) 856-9600

Page 3

CONTENTS

Page 4

PROCEEDINGS

Whereupon,

SUSAN BARNES

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

VIDEOGRAPHER: This is tape number one in the investigative testimony of Susan Barnes taken in the matter of Standard & Poor's CMBS Ratings, Matter No. D-3302.

Today's date is January 29, 2014. The time is 10:10 a.m. We're located at the offices of the Securities and Exchange Commission, 100 F Street, Northeast, Washington, DC.

Present are the court reporter, Ken Norris, and the videographer, Matthew Cruz, representing Diversified Reporting.

Please proceed.

MR. LEIDENHEIMER: We're on the record at 10:10 a.m. on January 29th, 2014.

Will you raise your right hand, please?

THE WITNESS: Sure.

MR. LEIDENHEIMER: Do you swear to tell the truth, the whole truth and nothing but the truth?

that they would have to publish on every point, but it's my understanding that if it were to be, again, a change to something that's already published or if it's a material point in the analysis, yes, it would need to be published and disclosed. So specific assumptions. But if it is a methodology change, then, yes, of course, it would need to be published.

BY MR. LEIDENHEIMER:

Q May I just ask you what you mean by material?

A Like has a material affected -- weighs heavily in the rating decision, the rating outcome.

Q And by rating outcome you mean the credit enhancement levels?

A For new deals, yes.

Q So what -- if we could just flush that out a little bit.

What kind of change in the credit enhancement levels would be material?

A I mean, this would have been, right? Because it moved -- like for the Goldman deal, it moved it from 14 to 20.

Q From 14 to 20?

A At triple A, yes.

Q What about a change, say, of five basis

points or ten basis points, would that be material?

A At triple A.

Q At triple A or any level, if that changed the attachment points all the way down the line by five or ten basis points.

A It would be a judgement. Because some of the single B numbers could be very low. So if I'm at, let's say, 25 basis points in 25 to 30, materiality could change.

Q I see. I see. You're sort of saying use materiality as a percentage of the credit enhancement?

A Yes. And how much it would move the numbers, yes.

Q What about materiality in terms of competitiveness of the credit enhancement vis-a-vis competitors in the indicative rating phase?

Let me go back because you look a little puzzled.

A Yeah.

Q You understand, because you've done this a long time, that the way deals get -- the mandates are handed out for rated deals is the issuer will go out to several credit rating agencies and ask for indicative feedback, right?

A Yes.

Q And then typically the issuer will take the lowest credible rating proffered by one of the majors and then the next lowest credit enhancement, right?

A Depending on the sector, but, yes, generally.

Q Okay.

So in that context and the context of indicative ratings, what -- what change in the credit enhancement, let's just say triple A credit enhancement, would you consider to be material?

A Again, it depends on the sector. If I'm looking at prime jumbo and my triple A is 3 percent or 280 versus subprime oil and 45, right? So --

Q Let's just take CMBS. So in the CMBS world, what do you think a material change in the indicative triple A credit would be?

A My first personal judgement?

Q Yes.

A Would be if it's moving my triple A number by, let's say, more -- if you believe the number, more than 10 percent of whatever the number is. So I think that that's -- I mean, that's my personal judgement.

Q Sure. And that's what I asked for.

Do you have any understanding of how close typically the indicative rates are or indicative credit levels, credit enhancement levels are in CMBS deals?

A It depends. Like sometimes -- it was my understanding that we, depending upon the property composition, we could be way off, meaning much, much higher. And other times we could be close and you could lose it for a smaller number.

Q Sure. And when you're close, what is the close but no cigar kind of number?

A Like at a triple A level?

Q Yes.

A I mean, and it changes over time.

Q Sure. No, I understand.

A Because the markets get tighter.

I don't know that I could give you a number.

Q Just give me your best ballpark.

A You want my guess? What could cause us to lose a deal, like how much off were we?

Q Yes.

A I don't know that I feel comfortable giving you a number.

Page 181

I understood earlier that what you understood Dr. Parisi to have said in January was, it's a committee decision on a deal-by-deal basis, loan-by-loan or pool -- pool wide, whether the property characteristics justified using the blend as opposed to the strict constant.

And my question is, was the Goldman Sachs analytical team able to explain to you what about the property characteristics for that Goldman Sachs GC4 deal justified using the blend as opposed to the Table 1 constant?

A They didn't answer the question that way. They answered the question. That's the way we do it.

Q All right. Did that indicate to you, then, that they weren't making a judgement on a deal-by-deal basis based upon the property characteristics of each deal to use the blend, but instead they just decided to use the blend across the board for all deals?

A I got the impression it became more the rule rather than the exception.

Q Without any particular deal for a specific analysis of the property characteristics?

A They may be of -- of assessing it because

Page 182

as we were talking about where the interest rates moved. So there might have been a whole logic that the team hadn't shared, but it was not written in the RAMP, right? And it became just part of their process, yes.

Q Okay. And in the course of your TPER investigation, neither Ms. Duka nor anyone -- any of the other folks that you talked to said, oh, well, listen, it's okay to use a blend here because of these property characteristics and let me walk you through what they are?

A Didn't isolate the conversation to that particular deal, no.

Q Did -- let me broaden the question then.

In the course of you drafting of TPER and talking to people, did anybody explain to you, on the basis of property characteristics, why the use of the blend was appropriate in all six or eight deals or any of the six or eight deals that were rated or preliminarily rated using the blend?

A Barbara did conceptually, right, in the large groups. So there was many people in these meetings, and, you know, she was having the conversations mainly with the criteria group, and quality was there and other members. It was

Page 183

typically a table like this with many people around, and they would debate the analytic merits of what is the nature of the stress, when the archetypical pool was created, where were the rates, what were the numbers, where are they today, what is the appropriateness.

So conceptually they were talking about this is what we're doing and this is why we think it makes sense, and then the criteria was listening and having conversations with them.

Q And you were an observer to these discussions?

A Yes.

Q Okay.

I may not have this right, but it seems to me that market interest rates are not the same as property characteristics?

A I agree.

Q Okay. So the fact that market interest rates moved might or might not justify using the blend, but that's not the basis that's set forth in your January 11th e-mail memorializing your discussion with Frank Parisi?

A Right. The other characteristics as well.

Q Right. So specifically with respect to

Page 184

characteristics, were those, in the meetings that you attended, addressed by the analytic practice as a reason or the reason for using the blended instead of the strict constant?

A I don't have the specific memory of it, just Barbara saying what were -- it's shifted. So when she says the market, it could be characteristics, could be the rates. It's not reflective and appropriate anymore, was her point, and then she would debate the whole term of the loan versus maturity, and they were having all those discussions.

Q Okay. All right.

A There were many discussions.

Q Yes. And my understanding is at some point those discussion became heated, is that correct?

A It was an emotionally charged issue for many.

Q All right.

BY MR. SMITH:

Q The last bullet point on page 1660498 reads, "A meeting is held with Duka and others. Duka discussed her decision not to publish the blended constants used in the analysis and the resulting DSCRs because she didn't want to have to explain why the new issue and surveillance approaches differ."

Also, in Exhibit 136, the TPER, paragraph 26, Duka stated in a July 25th, 2011, meeting that she decided not to publish the blended constants used in the analysis and the resulting DSCR range because the new issue process with respect to constants differed from that of surveillance and she didn't want to have to explain the difference.

Did Ms. Duka make the statements that you note written there in the chronology in the TPER?

A I believe -- I recall she did, yes.

Q And were Moscowitz, Gillis, Fisher and Digney present when she made those statements?

A Yes.

Q Can you give me some more context of the discussion wherein that point came out?

A It was a follow-up, as you can see in the chronology, to some of the other points, and we were just trying to unearth what's going on, what are you guys doing. And I don't remember how it came up, but that the two practices were different, and we were saying, well, then why aren't we disclosing, you know.

I mean, I guess if I just back up. When I look at within the presell reports, I was unclear when I read the S and P constants and the resulting debt service coverage. I read that as what they used in their analysis when I first looked it, right? And then the actual, right?

BY MR. LEIDENHEIMER:

Q When you first looked at what?

A When I first looked at the presell reports.

Q Okay. For the eight deals?

A Right. And then even for the Goldman, right.

So I am looking at the numbers, and I see the S and P constant and then S and P stressed, I think is the word I used, right? And, then, so I said, okay, so that's what -- I mean, typically what you see in structure. Okay, so that's what we used and compared to the actual, right?

So in the conversations with Barbara we're like, oh, wait, so that's not what she used. Well, why don't you just use that, why wouldn't she use -- why wouldn't she disclose the numbers that you were using in your analysis? Why wouldn't she create another table or use that in that table? And she

said, "Well, because we use the constants in surveillance, and if I actually put the other ones in, then I have to explain that I'm using something, having different processes.

Q What is the downside of explaining that she had different processes?

A I mean, it just -- the impression I got from her was that it was just like a hassle factor, you know, a bureaucratic thing, I don't want to have to go through the hoops of explaining these things, you know.

And, I mean, she would have an analytic reason because in these forums we discuss what are you doing in surveillance, what are you doing in new issue. And because of all of these other stresses they have at the property evaluation level for the new issue that they don't have in surveillance, that's why she thought it was appropriate, and they had the higher stresses in surveillance.

So, could explain it and had reasons for it, but just said I just didn't want to bother.

Q Did you know at the time that she said that, she didn't want to have to explain why the new issue in surveillance approaches differ so that criteria say that they apply to both new issue and

surveillance deals?

A Was I aware of that? I don't remember specifically, but I think we thought that they were, yes.

Q And they clearly weren't being applied the same way to new issue and surveillance, right?

A Correct.

Q And, so, do you think the market should have been told that?

A Should have been told? Well, that's why we recommended to Barbara that it would be clear, it would be better, right? Because even I, as a structured person, misunderstood, right?

Q So the answer is, yes, they probably should have told the market that we have one set of criteria but they are being applied in two different ways, one for new issue and one for surveillance?

A Well, what we thought is that they needed to be clearer even just in what you're doing, right?

Q Okay.

A And that's why they republished them.

Q Well, it's true they republished the presales, but that's not -- I'm afraid we are not --

A The surveillance won't.

Q -- a hundred percent communicating here.

MR. SACK: See you tomorrow.

THE VIDEOGRAPHER: Going off the record at 4:32 p.m.

MR. LEIDENHEIMER: We're off the record at 4:32.

(Whereupon, at 4:32 p.m., the examination was concluded.)

* * * * *

PROOFREADER'S CERTIFICATE

In The Matter of: STANDARD & POOR'S COMBS RATINGS
Witness: Susan Barnes
File Number: D-03302-A
Date: January 29, 2014
Location: Washington, D.C.

This is to certify that I, Nicholas J. Wagner, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

____________________ ____________________
(Proofreader's Name) (Date)

REPORTER'S CERTIFICATE

I, KENNETH NORRIS, reporter, hereby certify that the foregoing transcript of 229 pages is a complete, true and accurate transcript of the testimony indicated, held on January 29, 2014, at Washington, D.C. in the matter of:
STANDARD & POOR'S CMBS RATINGS.

I further certify that this proceeding was recorded by me, and that the foregoing transcript has been prepared under my direction.

Date:____________________
Official Reporter:____________________
Diversified Reporting Services, Inc.

EXCERPT

EXHIBIT MM

S&P CMBS Ratings

Byrnes, Bernard - 3-6-14

3/6/2014

Condensed Transcript

Prepared by:

SEC

Thursday, March 20, 2014

Page 1

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)

) File No. D-03302-A

STANDARD & POOR'S CMBS RATINGS)

WITNESS: Bernard C. Byrnes

PAGES: 1 through 111

PLACE: Securities and Exchange Commission

100 F Street, N.E.

Washington, D.C. 20549

DATE: Thursday, March 6, 2014

The above entitled matter came on for hearing, pursuant to notice, at 9:40 a.m.

Diversified Reporting Services, Inc.

(202) 467 9200

Page 2

APPEARANCES:

On behalf of the Securities and Exchange Commission:

ROBERT E. LEIDENHEIMER, JR., ESQ.
Securities and Exchange Commission
100 F Street, N.W.
Washington, D.C. 20549
(202) 551-4818

JOHN BADGER SMITH, ESQ. (Via Videophone)
Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, Colorado 80202-2656
(303) 844-1025

On behalf of Standard & Poor's and the witness:

S. PENNY WINDLE, ESQ.
SAMANTHA M. WALSH, ESQ.
Cahill, Gordon & Reindel, LLP
80 Pine Street
New York, New York 10005
(212) 701-3693

Page 3

APPEARANCES (CONT.)

On behalf of Standard & Poor's and the Witness:

ALMA ROSA MONTANEZ, ESQ.
Standard & Poor's
Associate General Counsel
55 Water Street
New York, New York 10041
(212) 438-2071

Page 4

CONTENTS

WITNESS:		EXAMINATION
Bernard C. Byrnes		5

EXHIBITS:	DESCRIPTION	IDENTIFIED
241	May 21, 2012 Memorandum to File From Bernard Byrnes	5

specifically did you ask Mr. Gillis whether he initially thought that the Goldman Sachs transaction had been issued preliminary ratings based on the loan constants in the criteria as opposed to the --
A No, I didn't talk to Mr. Gillis.
Q Okay. Well, why not?
A Because Susan was the senior person in the group, she was the one who wrote the TPER, she did have a lot of assistance from people junior to her working on it, so I thought her view was -- was a good one.
Q Well, you interviewed a lot of people, about 30 or so by my count.
A Yes.
Q So I suppose at some point you have to draw the line, right?
A Yes.
Q Okay. At the end of this paragraph you record that Ms. Barnes confirmed that she heard Duka state in a meeting on July 25th, 2011 that it was her decision, that is, Duka's decision, not to include the blended constant and related DSCR in the initial presale report for a Goldman Sachs transaction. Do you see that?
A Yes.

Q And again, you're confident that Ms. Barnes said that?
A I believe that if I said Barnes confirmed, I believe she did say that to me.
Q Okay. Let me ask you to turn to page 4, to paragraph 13. This paragraph 13 recounts a January 13th, 2012 meeting between you and Barbara Duka. Do you recall that meeting?
A I mean, I met with Barbara a few times. I -- I don't know that I could say I remember any one specifically.
Q All right. In the middle of this paragraph, you write that Duka stated that she made the decision not to publish the blended constants and related DSCRs in presale reports in January 2011 as she did not want to explain why the blended loan constants were used in initial issuances but not expressed.
I see you're marking up the exhibit with a pen and that's fine but let me ask you to mark a copy instead of the original. Here, let me hand you that, and --
A I'm sorry.
Q That's all right.
MS. WINDLE: It might make the record

clearer by showing exactly what language --
THE WITNESS: I'm just underlining --
MS. WINDLE:: -- you were highlighting to him.
THE WITNESS: -- what you're -- what you're referring to. There is no magic to this.
MR. LEIDENHEIMER: No, I understand.
MS. WINDLE: That's the official exhibit.
BY MR. LEIDENHEIMER:
Q No problem at all.
A Did I put any notes in there? I apologize.
Q No worries.
A Now we're on paragraph 13?
Q Yes. You're welcome to mark that up and I appreciate you being careful about what -- what I'm asking about. That's totally fine.
So the question is, Duka stated that she made the decision not to publish the blended constants because she didn't want to explain why the constants -- blended constants were used in initial issuances but not surveillance. Do you see that?
A Yes.
Q All right. Are you confident she made that statement?

A If I said here Duka stated, I believe she did make that statement to me.
Q Okay. Having now read this, do you recall her saying that?
A I don't have a specific recollection now.
Q Did -- given that you don't have a specific recollection, I think I can anticipate your answer to my next question too but did it strike you as troubling when she said that?
A It would strike me as troubling when she said that to me, yes.
Q Okay. Go ahead and tell me what troubles -- what about that troubles you.
A I didn't understand why there was a problem with discussing the differences between surveillance and initial issuance. I don't remember the discussion exactly. I think it's very likely that I asked her and she probably didn't give -- it's likely that she didn't give me an answer back that was satisfactory. If there had been something substantive that we had discussed, I would have included it in here.
Q When you say you asked her, what did you ask her?
A I think it would have been likely that I

asked her, well, why were you worried about telling people this? I think that's -- I would have asked her that one way or another. I'm pretty sure, confident about that. I don't think -- nobody ever told me -- answered that question of why she decided to do this in a way that I thought made any kind of sense or was kind of, you know, answered the question. So I think Barbara didn't give me an answer to that question when we were talking. I think if she did, I would have put it in here.

Q When you say nobody gave you an answer to the question of why Ms. Duka decided that she didn't want to have to explain the difference between surveillance and new issue, who else did you ask?

A Well, what I mean by that is when I spoke to Susan, she -- she said she heard the statement. Apparently she made this statement at a meeting, I think it was on the 25th, and it's in the timetable in the TPER report. So Susan said she heard it there. I believe Grace Osborne said she heard it there. Dina Moskowitz who was legal counsel assisting TPER said she heard it there too.

And as I talked to people, I remember everybody was kind of mystified about why she didn't want to explain this in a presale report. Nobody --

nobody ever said to me, oh, Barbara explained this is why she did it or this is why Barbara did it. Nobody -- everybody was puzzled.

Q So then in paragraph 15, you recount your meeting with Grace Osborne. And just to shorthand this, you suggest -- you told Ms. Osborne that there was a view that the Goldman Sachs presale report could reasonably mislead potential users of the preliminary ratings and Ms. Osborne didn't disagree with that view. Do you see that?

A Yes.

Q Can you flesh that out for me some more?

A I made the statement to Grace's -- Grace Osborne, as you've talked about, and she just listened to it and didn't respond. She didn't say anything back. So then I went on to the next issue. I took her silence as she was agreeing with me but she did not verbally say she agreed with me.

Q Okay. Did she ever take -- take issue with that later? "That" being the idea that the Goldman Sachs presale could reasonably mislead potential users of the preliminary ratings.

A No, I don't remember discussing it. I don't remember discussing it with her afterwards now. At different points in the investigation, since

Grace was the manager of the CMBS group, in other words, the business leader of the CMBS group, I was talking with her about the investigation, what we were finding, what we were determining. So I don't have a specific recollection but I think it's likely that when we talked about all the violations and the letters of education, I would have also talked about the violations that we found for Barbara Duka. Barbara Duka had left the firm, though, so there was no letters of education or anything like that for Barbara Duka.

Q Did -- was there any consideration given to a letter of education or admonition for Ms. Osborne?

A No. I don't think we made any determinations that Grace, Grace Osborne, had violated any code, policy or guideline.

Q Well, with respect to the presales and the way that they were originally worded and the information they contained -- oops, I think your microphone may have just fallen.

A Sorry.

Q Was it Ms. Osborne's responsibility to -- ultimately to supervise those presales?

A Grace, as the business manager, has

overall responsibility for managing the group. In terms of her getting involved with the actual wording of presales and -- reports and things like that, that really is more of an analytical activity and you'd really rely on the AMs and the lead AMs to really make sure those are done right and, again, asking questions, quality, criteria, legal, compliance, GRA.

I don't want to speak for Grace Osborne but I -- it's probably likely that in the normal course, she wouldn't be reviewing presale reports. Maybe you should ask Grace but I don't think she was likely reviewing presale reports, you know, on a regular basis.

Q Okay. Here is why I'm asking. I guess I'm sitting here wondering if the same thing happened today, hypothetically, and let's just keep it at CMBS, if the lead analytical manager of CMBS made a decision not to disclose some fact to presales, would there be any effective oversight of that?

A Unless -- unless she told other people or asked for advice from other people, being the legal department, compliance or GRA, likely no. Now, there is probably all sorts of decisions that lead

Q Mr. Byrnes, this is the point in the examination where what I do is give you an opportunity to make any clarifying statement if you would like and also your lawyer gets an opportunity to ask clarifying questions. Would you like to make a statement?

A No, thank you.

MR. LEIDENHEIMER: Ms. Windle, do you have questions for the witness?

MS. WINDLE: I have no questions for the witness.

MR. LEIDENHEIMER: Mr. Byrnes, thank you for coming down and if we need to talk to you again, although I can't foresee that, we'll be in touch with your lawyer.

We're off the record.

THE VIDEOGRAPHER: Off the record at 12:19 p.m.

MR. LEIDENHEIMER: Off the record at 12:19.

(Whereupon, at 12:19 p.m., the examination was concluded.)

* * * * *

PROOFREADER'S CERTIFICATE

In The Matter of: STANDARD & POOR'S CMBS RATINGS
Witness: Bernard Byrnes
File Number: D-03302-A
Date: HQ-0446-14
Location: Washington, D.C.

This is to certify that I, Nicholas J. Wagner, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

______________________ ______________________
(Proofreader's Name) (Date)

EXCERPT

EXHIBIT NN

S&P CMBS Ratings

Osborne, Grace - 2-26-14

2/26/2014

Condensed Transcript

Prepared by:

SEC

Thursday, March 13, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. D-03302-A
STANDARD & POOR'S CMBS RATINGS)

WITNESS: Grace Osborne
PAGES: 123 through 305
PLACE: Securities and Exchange Commission
Testimony Room 4
100 F Street, N.E.
Washington, D.C. 20549
DATE: Wednesday, February 26, 2014

The above-entitled matter came on for hearing, pursuant to notice, at 9:07 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

APPEARANCES:

On behalf of the Securities and Exchange Commission:
ROBERT E. LEIDENHEIMER, ESQ.
Division of Enforcement
Securities and Exchange Commission
100 F Street, N.E., Room 6404
Washington, D.C. 20549
(202)551-4818; LeidenheimerR@sec.gov

JOHN BADGER SMITH, ESQ.
LAURA METCALFE, ESQ.
Central Regional Office
Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, Colorado 80202-2656
(303)844-1025

APPEARANCES (CONT.)

On behalf of the Witness and Standard & Poor's:
S. PENNY WINDLE, ESQ.
SAMANTHA M. WALSH, ESQ.
Cahill, Gordon & Reindel, LLP
50 Pine Street
New York, New York 10005
(212)701-3000

ALMA ROSA MONTANEZ, ESQ.
Standard & Poor's
55 Water Street, 47th Floor
New York, New York 10041
(212)438-2071

C O N T E N T S

concerned because the group would have been paralyzed.

Q Sure. And I'm -- I understand what you're saying there, that you're thinking about moving forward and so on. But I'm -- I'm trying to get a sense of -- of what it was that -- where you were perceiving Ms. Duka being stuck on the past. And clearly, one of those areas was -- was -- was this meeting with Dr. Parisi, that -- that she was stuck on her view, as I understand your -- your perspective, that she was stuck on the view that she had this approval. And what I'm asking you is, are there other areas of the past that she was stuck on?

A Um-hm.

Q And one of them might have been this situation with MQR. I don't know. That's why I'm asking you. Was MQR -- was that MQR situation something she was stuck on? Was there something else that she was stuck on? Or was it really all this meeting was Dr. Parisi? Was that -- was that what she was stuck on?

A I -- I think it's a little more than that. But it's -- it's -- it's -- it's -- it's no one, particular event. There were a lot of meetings being discussed. It's -- it's having an understanding that your viewpoint is -- is being viewed as creditable and that people believe you. That I -- I think -- I think Barbara felt somewhat overwhelmed by all the attention on her group and -- and in

a sense, the rethinking of things that were done and how they were done. So it -- it's no -- it's not necessarily any one specific event that I'm tallying them up. It's just that it's a -- it was a -- it was a condition in the group that was -- she was no longer in my view able to execute on a -- on a -- on a leadership kind of role to -- to rise above -- however anybody views what was done, where were they going forward, making sure the analysts were staying focused. And I just didn't see that coming from her. It just became a lot more internally focused and surrounded by her analytical team.

MS. WINDLE: John, whenever is a good point for you, I'm going to need a break in the next ten minutes or so.

MR. SMITH: Okay. Why don't we go ahead and take a break then. We'll go off the record.

VIDEOGRAPHER: The time is 10:42 a.m. We're going off the record.

MR. LEIDENHEIMER: Off the record at 10:42.

(A recess was taken from 10:42 a.m. to 10:54 a.m.)

VIDEOGRAPHER: This is Tape Number 2, Volume II, in the investigative testimony of Grace Osborne. The time is 10:54 a.m. We are back on the record.

MR. SMITH: On the record at 10:54.

BY MR. SMITH:

Q Ms. Osborne, did we have any discussion between you and the SEC staff while we were off the record?

A No, I did not.

(SEC Exhibit No. 138 was marked for identification.)

Q Okay. Going to hand you what's been marked as Exhibit No. 138. One thirty-eight is a memorandum written by Bernard C. Burns of the Compliance Department dated May 24th, 2012 concerning an investigation. The subject is as stated on the subject line. Have you -- have you seen this report before today?

A No, I have not.

Q I'd like you to turn your attention to Paragraphs 13 and 15 and -- and read those to yourself.

A Thirteen through 15?

Q Thirteen and 15?

A Okay. Thank you.

I've read both paragraphs.

Q Okay. In -- in the middle of Paragraph 15, did -- well, before I ask that, did you have the meeting with Mr. Burns that he describes that occurred on January 8th 2011 in Paragraph 15?

A I -- I definitely had a -- I -- I definitely had a meeting with Burnie. To the -- to the specific date, I -- I

-- I wouldn't know. I have no reason to suspect that date's not right.

Q And his -- his -- his summary of the meeting in Paragraph 15, is that accurate?

A Yes, that is accurate.

Q So he reports you as having stated that you were in the meeting on July 25th, 2011 where you heard Duka make a statement about her decision not to include the blended constants and related DSR -- DSCR in the initial presale report from the GS transaction. Is that an accurate statement?

A That is true.

Q And in -- in Paragraph 13, I think it states a little bit more about -- about her -- about Ms. Duka's statement that she did not want to explain why the blended constants were used in initial issuance, but not in Surveillance. What -- what do you remember about -- about Ms. Duka's statement at the July 25th meeting and the context in which it occurred?

A You know, there's -- there's so many meetings during that period. I -- I don't recall specifically why we were meeting. Can I just put it that way? I don't know who -- who organized it and what the original point of the meeting was. But I do remember that statement.

Q Okay. And can you put it in your own words what

you -- what you remember about Ms. Duka's statement?
A It was the first time that it was stated so clearly it -- that it was an intentional decision, there -- that there was reason for -- for displaying what was disclosed in the presale report the way it was.
Q Okay. And can you put it in your own words what you remember Ms. Duka saying?
A I -- I think -- I think this appropriately captures it.
Q You're referring to Paragraphs 13 and 15?
A Yes. Yes.
Q Okay. And do you agree that you thought that Duka's decision not to disclose the blended constants and DSCRs was a poor analytical decision?
A Yes.
Q Can you -- can you define a little bit more for me what you mean by a poor analytical decision?
A The purpose in my view of the presale reports is to provide the analytical opinion associated with the -- the transaction, identifying the strengths and the weaknesses; identifying, you know, interpretations of adjustments that we may have made so that Investor in making their own decision can either agree, disagree, become aware of something we saw that they may not have seen. Or, you know, they may view the stresses that are applied as something

different from the way they view the future, and they're able to -- they're able to consider that in weighing whether they -- they wish to proceed with the -- the transaction or hold it in their portfolio or whatever is of interest of why they're looking at the presale report.
Q Mr. Burns also stated at the bottom of Paragraph 15 that there -- there is a view that S&P determinations in the initial presale report for the GS transaction could reasonably mislead potential users of the preliminary ratings for the GS transaction, that is, that market participants may assume that S&P used the loan constants in the criteria for its analysis which are higher than the blended constants used for the GS transaction. And then he goes on to say that you did not disagree with that view. Do you remember having a discussion with Mr. Burns about that subject?
A I don't really recall the -- the concept of misleading investors. But clearly, there -- there was no reason that we should have felt uncomfortable with providing the variables that we were looking at in coming up with our conclusions.
Q So if -- if S&P used the blended constants and calculated a -- a pool-wide DSCR from those blended constants, there's -- there's no reason that S&P should not say what those blended constants were and what the -- the

DSCR was calculated from them was. Is that what you're saying?
A Yes, that is what I'm saying.
Q And Mr. Burns is suggesting that market -- market participants may assume that S&P -- if S&P has put a number into the presale, that that was the number that S&P used in the analysis. Is -- is -- is -- he says you did not disagree with that view. Can you go further and say you agree with that view, that -- that it would make sense that if there's a number of the presale, that investor market participants could assume that S&P used that number in its analysis?
A I mean, the way I would be looking at that is if -- if an investor was looking at the criteria publication and not being aware of any adjustments that were specifically made, they could have assumed. That's why I wouldn't disagree. But I don't know what an investor was looking at in order to -- to make any kind of comparison -- what I'm saying? So I don't know. I mean, I can't disagree with this. I -- and I wouldn't disagree with the statement.
Q Um-hm.
A And then that's really -- you know, I just don't know what the investor might have been looking at.
Q You mentioned that there were quite a few meetings leading up to the withdrawal of the -- the -- the Goldman in

the A14 ratings. We've seen some -- some -- some written recollections of those meetings in various documents. And I'm just interested in fleshing that out from your view as somebody who was actually there in some of those meetings. It -- certainly it seems that the -- the issue of the use of blended constants and the impact that the blended constants had upon the -- the credit enhancement levels in the deals that S&P rated. And in particular, the Goldman deal came up at those meetings. Do -- do you agree with that?
A I do.
Q Was -- was that the main subject matter of all of these meetings? Or were there -- was there -- were there other things going on in the meetings, as well?
MS. WINDLE: John, I just want to point out that you started this by describing meetings leading up to the withdrawal of the Goldman Sachs transaction. I just --
MR. SMITH: I'm still in that.
MS. WINDLE: That's the time period? You're still in that time period?
MR. SMITH: Yes.
MS. WINDLE: Okay.
THE WITNESS: Well, the -- the clear focus in those meetings was what actually was done and to get clarity of -- of that. There was -- there would have been discussions of the quality review that was being conducted

MR. LEIDENHEIMER: That's it.

MS. WINDLE: I have nothing else.

VIDEOGRAPHER: The time is 3:48 p.m. We're going off the record.

MR. LEIDENHEIMER: Off the record at 3:48.

(Whereupon, at 3:48 p.m., the examination was concluded.)

PROOFREADER'S CERTIFICATE

In the Matter of: STANDARD & POOR'S CMBS RATINGS
Witness: Grace M. OSBORNE
File Number: File No. D-3302
Date: Wednesday, February 26, 2014
Location: Washington, D.C.

This is to certify that I, Nicholas Wagner, do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

__________________ __________________
(Proofreader's Name) (Date)

REPORTER'S CERTIFICATE

I, Cathryn Bauer, RPR, reporter, hereby certify that the foregoing transcript of 182 pages is a complete, true and accurate transcript of the testimony indicated, held on Wednesday, February 26, 2014 at Washington, D.C., in the matter of STANDARD & POOR'S CMBS RATINGS.

I further certify that this proceeding was recorded by me and that the foregoing transcript has been prepared under my direction.

Date:
Official Reporter: ______________________
Diversified Reporting Services, Inc.

EXHIBIT OO

S&P CMBS Ratings

Gillis, Thomas - 11-5-13

11/5/2013

Condensed Transcript

Prepared by:

SEC

Monday, November 25, 2013

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. D-03302-A
STANDARD & POOR'S CMBS RATINGS)

WITNESS: Thomas Gillis
PAGES: 1 through 137
PLACE: Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549
DATE: Tuesday, November 5, 2013

The above entitled matter came on for hearing, pursuant to notice, at 1:25 p.m.

Diversified Reporting Services, Inc.
(202) 467 9200

APPEARANCES:

On behalf of the Securities and Exchange Commission:
ROBERT E. LEIDENHEIMER, JR., ESQ.
Securities and Exchange Commission
Division of Enforcement
100 F Street, N.W.
Washington, D.C. 20549
(202) 551-4818

JOHN BADGER SMITH, ESQ.
Securities and Exchange Commission
Division of Enforcement
1801 California Street, Suite 1500
Denver, Colorado 80202-2656
(303) 844-1025

On behalf of the Witness:
JONATHAN S. SACK, ESQ.
DANIEL F. WACHTELL, ESQ.
Morvillo Abramowitz Grand Iason & Anello
565 Fifth Avenue
New York, New York 10017
(212) 880-9410

CONTENTS

PROCEEDINGS

THE VIDEOGRAPHER: This is tape number 1 in the investigative testimony of Thomas Gillis, taken in the matter of Standard & Poor's CMBS Ratings, Matter Number D-3302.

Today's date is November 5, 2013. The time is 1:25 p.m. We are located at the offices of the Securities & Exchange Commission, 100 F Street, Northeast, Washington, D.C.

Present are the court reporter, Mary Castleberry, and the videographer, Matthew Cruz, representing Diversified Reporting.

Please proceed.

MR. LEIDENHEIMER: We're on the record at 1:26 on November 5th, 2013.

Whereupon,

THOMAS GILLIS

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. LEIDENHEIMER:

Q You can put your arm down. Please state and spell your full name for the record.

A Thomas Gerard Gillis. T-h-o-m-a-s, G-e-r-a-r-d, G-i-l-l-i-s.

Page 101

time. So somehow, if you look at the calendar, there is a way to notify both parties, so that the administrative assistant can keep track of --
Q Of where --
A Of their exact schedule, yes.
Q Is Dorine Alvaranga one of the AAs?
A She may be. I don't recognize that name, and I don't know whether she attended -- like that's the one name on here that I'm not familiar with.
Q Okay. So does seeing this help up remember what happened at that meeting?
A Well, this was a meeting that I was telling about earlier, where what I recall was Mark Adelson like primarily running the meeting in which he was asking a number of questions of Barbara Duka with respect to -- you know, what had happened, their understanding of the criteria, what they had done when, what was the rationale, that kind of -- those types of questions.
Q What was the tone of that meeting? Did it get a little heated?
A I mean, it was a very serious meeting for certain. It may have gotten -- I think -- I may say it -- it might have gotten heated, like I think --
Q It got tense; is that fair?

Page 102

A I think it's fair to say that it was a tense -- like it wasn't a comfortable meeting.
Q Right. I understand. During this meeting, did Ms. Duka say in words or substance that she had decided not to disclose the blended constant in the presales because she didn't want to have to answer questions about why new issue did things one way and surveillance did things another way?
A Not to my recollection. I mean, like I remember her saying that in the previous day's meeting or words to that effect. Whether she repeated it at this meeting or not, I don't know, but -- you know, what's in my mind is on the Monday meeting.
Q The one in Mr. Parisi's office?
A No, the one that –
Q Oh, the 8:00 meeting?
A The earlier one, yes.
Q Or 9:00 meeting?
A 9:00, yes.
Q Besides saying that she didn't disclose -- in substance, saying she didn't disclose because she didn't want to have to explain the inconsistencies between new issue and surveillance, did she say anything else that you remember?

Page 103

A At the Monday meeting?
Q Yes.
A Or at the --
Q Well, let's take the 9:00 Monday meeting.
A I apologize because it is difficult for me to -- like I do -- some of this stuff is jumbled.
Q Sure.
A I do know that Barbara expressed -- and she may have expressed it at both meetings, or one of the meetings, that she certainly thought the properties backing the Goldman Sachs pool were excellent, high-quality properties, so she was -- I do know that she made a defense of her ratings and thought that, you know -- and argued why they were appropriate.
But, I mean, I don't know if that's what you're looking for.
Q Oh, I'm basically looking for anything you can remember.
A Okay.
Q Just so I'm clear, in substance, she said that the ratings were fine and that the use of the blended constant was fine because the properties were strong?
A That's my general recollection, yes, in

Page 104

essence.
Q And I know meetings get jumbled up, and so when you ask -- are you asking about the 9:00 meeting or the 11:00 meeting or the whatever -- if you can't sort of -- and I understand this.
If you can't say, well -- you know, that was the 9:00 meeting, and then, two hours later, if you could just say, look, I was in a meeting with let's just say Barbara Duka, and she said X, and I'm not sure whether it was Monday or Tuesday, that's fine.
A Okay.
Q I just want whatever you remember, okay?
A Okay. Thanks.
Q Other than the two things that we've covered about -- go ahead.
A Okay. Yeah. The other thing I think there was a lot of discussion about in the Tuesday -- this meeting.
Q The Tuesday, 11/15 meeting?
A Yes, was that we went through -- you know, the criteria piece, and in the criteria piece, we determined that there was nothing in there that said you needed to use these constants to do your term test. In fact, it was rather vague -- you know,

It doesn't -- I mean, in the concept, it doesn't preclude the possibility of a transaction meeting or being consistent with the definitions, even though it doesn't comply strictly with the criteria. And you know, again, the criteria on this point was vague.

So I think that, certainly, it's more reasonable that a conclusion could be made in this specific circumstance. I'm sure there has been other times, but I don't recall us -- I think that that's the only time I'm aware of where we published something and said -- you know, we reviewed these, and even though we did it this way, that it's generally consistent with our definitions.

Q Is it fair to say that the credit enhancements that were derived for deals after January 11 were inconsistent with the way that credit enhancement was derived prior to that time?

A That is my understanding.

MR. LEIDENHEIMER: At the conclusion of the testimony, which is where we are, we give the witness an opportunity to make a clarifying statement, if the witness wishes, and we also give the lawyer representing the witness an opportunity to ask clarifying questions, both of which sometimes

lead to a little bit more testimony. If you guys want to take a minute or two –

MR. SACK: Yeah. Why don't we just take a break?

THE VIDEOGRAPHER: The time is 4:51 p.m. We are going off the record.

MR. LEIDENHEIMER: Off the record at 4:51.

(Recess.)

THE VIDEOGRAPHER: The time is 5:02 p.m. We are back on the record.

MR. LEIDENHEIMER: Back on the record at 5:02.

BY MR. LEIDENHEIMER:

Q Mr. Gillis, did you have any substantive discussion with staff while we were off the record?

MR. SACK: The SEC staff?

BY MR. LEIDENHEIMER:

Q Yes. Did you talk about CMBS with me or Mr. Smith while we were off the record?

A No, I did not.

Q Before the break, I told you that this is the time of the testimony when you're given an opportunity to make a clarifying statement. Would you like to do that?

A No, I would not.

Q I should have asked you this, and I'm sorry, has anything that we've seen or the whole process today refreshed your recollection about loan constants in either the 2009 time frame or the 2011 time frame, other than that you've already talked about?

A No, it has not.

Q Thanks.

MR. LEIDENHEIMER: Mr. Sack, you have the opportunity to ask the witness clarifying questions if you would like.

MR. SACK: No. We decline. That's not.

MR. LEIDENHEIMER: Thanks very much. That's it, then.

Mr. Gillis, we really appreciate you coming down and taking the time to talk to us. If we need to talk to you again, we'll contact Mr. Sack. And we're off the record.

THE VIDEOGRAPHER: This is the end of the investigative testimony of Thomas Gillis. The time is 5:03 p.m. We are going off the record.

MR. LEIDENHEIMER: We're off the record at 5:03.

(Whereupon, at 5:03 p.m., the examination was concluded.)

PROOFREADER'S CERTIFICATE

In The Matter of: STANDARD & POOR'S CMBS RATINGS
Witness: Thomas Gillis
File Number: D-03302-A
Date: November 5, 2013
Location: Washington, D.C.

This is to certify that I, Nicholas J. Wagner, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

__________________ __________________
(Proofreader's Name) (Date)

EXHIBIT PP

GOVERNMENT EXHIBIT
138
D-03302

STANDARD & POOR'S
RATINGS SERVICES

Memorandum

To	File	From	Bernard C. Byrnes
Dept.	Compliance	Dept.	Compliance
Cc	David Leibowitz		
Location	47th Floor, 55 Water Street	Location	47th Floor, 55 Water Street
Subject	Investigation-Targeted Post Event Review GS Mortgage Securities Trust 2011-GC4-Violations	Date	May 24, 2012

CONFIDENTIAL INTERNAL USE ONLY

INTRODUCTION

1. On November 21, 2011, Susan Barnes ("Barnes"), Senior Quality Officer, Americas Structured Finance, issued the Confidential Targeted Post Event Review Structured Finance Americas GS Mortgage Securities Trust 2011-GC4 ("TPER"). The TPER relates to a review of the preliminary ratings assigned by Standard & Poor's ("S&P") on July 12, 2011, for the GS Mortgage Securities Trust 2011-GC4 transaction ("GS Transaction"). In paragraphs 60 and 61 in the TPER, Barnes referred to the Compliance Department two matters to be reviewed for potential violations of the S&P Ratings Services ("Ratings Services") Code of Conduct and/or S&P Ratings Services Policy. See Exhibit A.

SUMMARY

2. The Compliance Department determined that Barbara Duka ("Duka"), former a Managing Director and Lead Analytical Manager for the U.S. CMBS Group, violated the S&P Ratings Services Codes of Conduct in eight separate instances and the Model Quality Review Guidelines in one instance. Because Duka had resigned from S&P and her last day of employment was March 5, 2012, the Compliance Department did not recommend any remedial action.

3. The Compliance Department determined that there was no violation of Sections 6.1 and 6.2 of Model Use Guidelines, effective date June 1, 2011, because the CMBS Framework Model was used as an Alternative Procedure for the preliminary ratings assigned in the GS Transaction.

4. The Compliance Department recommended global training on the use of models and related policies and guidelines. See paragraphs 37, 38, and 39.

I. CODES OF CONDUCT; PRESALE REPORT GS TRANSACTION; OTHER PRESALE REPORTS PUBLISHED 2011

Facts

5. From February 2011 through July 2011, S&P published the following eight Presale Reports for conduit/fusion transactions:

   i. FREMF 2011-K14 Mortgage Trust ("FREMR Transaction"), published July 18, 2011,

   ii. GS Mortgage Securities Trust 2011-GC4, published July 12, 2011,

   iii. J.P. Morgan Chase Commercial Mortgage Securities Trust 2011-C4, published May 17, 2011,

   iv. FREMF 2011-K13 Mortgage Trust, published May 9, 2011,

   v. FREMF 2011-K11 Mortgage Trust, published March 15, 2011,

   vi. J.P. Morgan Chase Commercial Mortgage Securities Trust 2011-C3, published February 18, 2011,

   vii. FREMF 2011-K701 Mortgage Trust, published February 15, 2011, and

   viii. Morgan Stanley Capital I Trust 2011-C1, published February 4, 2011,

   (collectively, the "Initial Presale Reports").

6. On September 2, 2011, S&P published an article tilted "Nine U.S. CMBS Presale Reports Updated With Additional and Revised Information" ("Publication") stating that S&P was updating the eight Initial Presale Reports (collectively "Updated Presale Reports") and they contained supplemental debt service coverage and blended loan constant information in the text as well as in an additional table at the end of each presale report titled "Deal-Level and Top Ten Loan Constants and DSCRs".

7. In the Initial Presale Reports under "Rationale", S&P stated that it determined the pool debt service coverage ratio ("DSCR") based on (i) a weighted average of the Ratings Services loan constants, and (ii) the weighted average in-place loan constants ("Actual Constants") (clause (i) and (ii), together "S&P Determinations").[1]

[1] A loan constant is used to determine the DSCR for an individual commercial real estate loan ("Commercial Loan"). A DSCR is essentially is a debt-to-income ratio or a cash flow test. The DSCR is a fraction: (i) the numerator is the S&P assumed annual cash flow from the commercial real estate securing the Commercial Loan and (ii) the denominator is the S&P assumed annual principal and interest due on the Commercial Loan. S&P generally calculates the denominator by multiplying (x) a loan constant times (y) the outstanding principal amount of the Commercial Loan. The loan constant is a stress used in calculating the DSCR and analysts will use different loan constants based on the type of property securing a Commercial Loan in order to measure the ability of the borrower to pay principal and interest over the term of the Commercial Loan. All things being equal, generally the higher the loan constant the greater the stress level that results in a lower DSCR; a lower DSCR may indicate higher default

8. The Ratings Services loan constants were the loan constants set forth in a criteria article for CMBS conduit/fusion transactions titled "U.S. CMBS Rating Methodology and Assumptions for Conduit Fusion Pools", dated November 3, 2010 ("Criteria")[2].

9. The Actual Constants were determined by S&P based on information provided by the issuers. The loan constants in the Criteria typically were greater than the Actual Constants.[3]

10. For the analysis in the Initial Presale Reports, analysts used a third method for determining DSCRs, i.e., an average of the loan constants in the Criteria and the Actual Constants (collectively, "Blended Constants"). S&P did not specify in the Initial Presale Reports the Blended Constants and related DSCRs that were actually used in the analysis. In the Updated Presale Reports published on September 2, 2011, S&P added a sentence under "Rationale" that stated in S&P's analysis S&P utilized a Blended Constant of "__"% and derived a deal-level debt service coverage of "__"%.[4] S&P also added a table at the end of the Updated Presale Reports specifying the Actual Constant, the loan constant in the Criteria, and the Blended Constant for the pool of loans in the transaction, and the top ten loans in the transaction. The table also included the weighted average pool level DSCR and the DSCRs for the top ten loans in the transaction.

__GS Transaction Initial Presale Report__

11. On January 4, 2012, I met with Barnes and asked her if she thought that stating the S&P Determinations in the Initial Presale Report for the GS Transaction (and not stating that S&P actually used the Blended Constants in its analysis) "could reasonably mislead" potential users of the preliminary ratings for the GS Transaction. See paragraph 19 below, regarding the Ratings Services Code of Conduct, dated June 30, 2011 ("June 2011 Code"). Barnes answered "yes" and explained that when the Quality Group began reviewing the Initial Presale Report for the GS Transaction, they assumed the Ratings Services loan constants in the Criteria had been used in the analysis. Barnes stated that, since S&P did not specify in the Initial Presale Report for the GS Transaction which loan constant was used in the analysis, market participants could reasonably conclude that S&P used the loan constants in the Criteria for its analysis, which were greater that the Blended Constants, e.g., for the GS Transaction the deal-level loan constant in Criteria equals 8.31% and Blended Constant equals 7.53%.[5] In addition, Barnes confirmed that she heard Duka state in a meeting on July 25, 2011, that it was her decision not to include the Blended Constant and the related DSCR in the Initial Presale Report for the GS Transaction.

12. On January 12, 2011, I met with Kurt Pollem ("Pollem"), a Senior Director and Analytical Manger in the U.S. CMBS Group, and discussed the updates to the Updated Presale Reports. Pollem explained that he supervised and coordinated the revisions to the Updated Presale

levels that require greater credit enhancement levels. A DSCR may also be calculated for a pool of Commercial Loans based on a weighted average. Table 103 in the Updated Presale Report for the GS Transaction provides an illustration of the different deal-level loan constants. In Table 103, the loan constant based on the Criteria was 8.31%, the Actual Constant was 6.75%, and the Blended Constant (as defined in paragraph 10) was 7.53%.

[2] The Criteria was first published in June 2009 and was re-published on November 3, 2010.

[3] See footnote 1 last sentence.

[4] The Blended Constant percentages and deal-level debt service coverage percentages varied among the Updated Presale Reports.

[5] See footnote 1 last sentence.

Reports published on September 2, 2011. Pollem confirmed that the Updated Presale Reports were all updated in the same manner with respect to loan constants and related DSCRs, other than for specific numbers that would vary from deal to deal.

13. On January 13, 2012, I met with Duka and talked about the Initial Presale Reports and the Updated Presale Reports. Duka stated that she was the Lead Analytical Manger responsible for the Initial Presale Reports and she agreed that the loan constants used by the analysts (i.e., the Blended Constants) and related DSCRs were not disclosed in the Initial Presale Reports. Duka stated that she made the decision not to publish the Blended Constants and related DSCRs in presale reports in January 2011 as she did not want to explain why the Blended Constants were used in initial issuances but not in surveillance. She stated that the loan constants and DSCRs were key drivers in the analysis for credit enhancement and, all things being equal, in general, higher loan constants would result in lower DSCRs, and lower DSCRs may indicate higher levels of defaults and the need for greater credit enhancement.

14. During my meeting with Duka on January 13, 2012, Duka stated that she was on vacation when the Updated Presale Reports were prepared and published, and it was her understanding that the Initial Presale Reports were all updated in essentially in the same manner with respect to loan constants and DSCRs. It was also her understanding that the Initial Presale Reports were updated in order to provide greater transparency about the loan constants and DSCRs actually used by the analysts in their analysis. Duka stated that failure to disclose the Blended Constants and related DSCRs used by the analysts in the Initial Presale Reports in her view could not reasonably mislead potential users of ratings. Duka noted that the S&P Determinations were stated a number of times in the Initial Presale Reports and in the Initial Presale Reports under the Section entitled "Approach—Conduit/fusion methodology" S&P stated that when determining a loan's DSCR, S&P will consider both the loan's Actual Constant and the loan constant in the Criteria based on property type, as further detailed in the Criteria.

15. On January 18, 2011, I met with Grace Osborne ("Osborne")[6], Business Leader for the U.S. Mortgages Group. Recognizing that the Blended Constants and related DSCRs were not disclosed in the Initial Presale Reports, she stated that it was her decision to update the Initial Presale Reports and all Initial Presale Reports were updated in essentially the same manner with respect to loan constants and DSCRs. Osborne also stated that she was in the meeting on July 25, 2011, and also heard Duka state that it was her decision not to include the Blended Constants and related DSCR in the Initial Presale Report for the GS Transaction. Osborne stated she thought the decision not to include the Blended Constants and related DSCRs in presale reports was made early in 2011, and thought Duka's decision not to disclose the Blended Constants and related DSCRs was a poor analytical decision. I explained to Osborne during the meeting that there was a view that the S&P Determinations in the Initial Presale Report for the GS Transaction could reasonably mislead potential users of the preliminary ratings for the GS Transaction, i.e., market participants may assume that S&P used the loan constants in the Criteria for its analysis, which were higher than the Blended Constants used for the GS Transaction. Osborne did not disagree with that view.

[6] Duka reported to Osborne.

16. On January 24, 2012, I met with Dina Moskowitz ("Moskowitz"), Associate General Counsel in the S&P Ratings Services Legal Department, and I asked Moskowitz for her legal advice.

REDACTED FOR PRIVILEGE

Other Initial Presale Reports Published 2011

17. On February 3, 2012, I met with Barnes and asked her if not including the Blended Constants and the related DSCRs in the six Initial Presale Reports published by S&P from February 2011 through May 2011 resulted in reports that were "otherwise misleading as to the general credit worthiness of an issuer or issue". See paragraph 19 below, regarding the Ratings Services Code of Conduct, dated December 2008 ("December 2008 Code"). Barnes answered "yes", noting that in a structured finance transaction in order to assess the credit worthiness of an issuer or issue an analyst would need to evaluate, among other things, the pool of collateral backing the issued securities. Barnes stated that the DSCR for a transaction is based on analyzing the pool of commercial real estate loans backing the issued securities. A DSCR is essentially a debt-to-income ratio or cash flow test that measures the borrower's ability to pay principal and interest over the term of the loan, and is an important variable in calculating the credit enhancement levels for a transaction. Barnes noted that two tables in the Initial Presale Reports set forth ranges of DSCRs based on a weighted average loan constant in the Criteria of "__"% and based upon an Actual Constant of "__"%.[7] Barnes believed that by not disclosing that analysts used Blended Constants in calculating the DSCRs in the six Initial Presale Reports, an investor may assume that S&P used the ranges of DSCRs based on loan constants in the Criteria in order to determine the DSCRs. Barnes noted that, if the loan constants in the Criteria were used for the GS Transaction, the "AAA" rating credit enhancement level would be 17.1% and, if the Blend Constants were used for the GS Transaction, the "AAA" rating credit enhancement level would be 14.8%.[8] Since the Blended Constants would be lower than the loan constants in the Criteria, an investor may assume that the DSCR and credit enhancement levels for a transaction had been submitted to greater stress levels, i.e., for the GS Transaction, the Blended Constant was 7.53% and the loan constant in the Criteria was 8.31%[9]. Barnes believed that those assumptions by an investor would be "otherwise misleading as to the general credit worthiness of an issuer or issue".

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[7] For example, see table 17 and 18 in Initial Presale Report for the GS Transaction published on July 12, 2011. The weighted average loan constant in the Criteria percentage and the Actual Constant percentage in the Initial Presale Reports varied from transaction to transaction.

[8] See the Quality Review Group Memorandum, dated August 15, 2011, from the Model Quality Review Group to Mark Adelson, Chief Credit Officer, Tables 5 and 7, respectively.

[9] See footnote 1 last sentence.

18. On February 14, 2012, I met with Osborne and asked her if not including the Blended Constants and the related DSCRs in the six Initial Presale Reports published by S&P from February 2011through May 2011 resulted in reports that were "otherwise misleading as to the general credit worthiness of an issuer or issue". Osborne answered "no". She indicated that the preliminary ratings and credit enhancement levels in the six Initial Presale Reports reflected the credit worthiness of the issuer or issue and that ultimately the preliminary ratings and credit enhancement levels did not change in the Updated Presale Reports. Osborne stated that she requested to have the Initial Presale Reports updated and her request stemmed from a desire to make more transparent the actual loan constants and related DSCRs that were used in the analysis for the preliminary ratings set for the Initial Presale Reports. Osborne believed that not disclosing the Blended Constants and related DSCRS was inconsistent with S&P's goal of transparency.

Applicable Codes of Conduct

19. Section 1.10 of the June 2011 Code provides that when S&P issues a preliminary rating and its related presale report, S&P will not make any statements that "could reasonably mislead" potential users of the ratings. Section 1.6 of the December 2008 Code provides that analysts shall take steps to avoid publishing any reports that are "otherwise misleading as to the general creditworthiness of an issuer or issue".

Determinations/Recommendations

20. March 6, 2012, I met with David Vignola ("Vignola"), Ratings Services Chief Compliance Officer[10], and discussed the Initial Presale Reports, Updated Presale Reports, and the meetings described above in Section I, above. Vignola and I determined that:

    i. Duka was responsible for making the decision not to include the Blended Constants and related DSCRs in the Initial Presale Reports,

    ii. the June 2011 Code was applicable to the FREMF 2011-K14 Mortgage Trust Initial Presale Report, published July 18, 2011, and GS Mortgage Securities Trust 2011-GC4 Initial Presale Report, published July 12, 2011,

    iii. the failure to disclose the Blended Constants and related DSCRs in those two Initial Presale Reports "could reasonably misled" a potential investor and, therefore, Duka violated the Section 1.10 in the June 2011 Code for those two transactions when she determined not to included the Blended Constants and related DSCRs in the two Initial Presale Reports,

    iv. the December 2008 Code was applicable to the other six Initial Presale Reports published by S&P from February 2011 through May 2011,

    v. the failure to disclose the Blended Constants and related DSCRs in the six Initial Presale Reports resulted in reports that were "otherwise misleading as to the general credit worthiness of an issuer or issue" and, therefore, Duka violated the Section 1.6 in

[10] Vignola's last day of employment at S&P as the Ratings Services Chief Compliance Officer was May 15, 2012.

the December 2008 Code for those six transactions when she determined not to included the Blended Constants and related DSCRs in the six Initial Presale Reports,

vi. Duka could have taken steps to avoid the six Initial Presale Reports published from February 2011 through May 2011 from being "otherwise misleading as to the general credit worthiness of an issuer or issue" by including the Blended Constants and related DSCRs in those six Initial Presale Reports, and

vii. because Duka had resigned from S&P and her last day of employment was March 5, 2012, no remedial action was recommended Duka.

II. MODEL QUALITY REVIEW GUIDELINES--CHANGES TO CMBS FRAMEWORK MODEL

Facts

21. By November 2010, the Model Quality Review Group was provided the CMBS Framework Model ("CMBS Framework Model") and related information by members of the U.S. CMBS Group in order to begin the process for reviewing and approving the CMBS Framework Model.[11] The CMBS Framework Model was used by the U.S. CMBS Group to analyze credit enhancement in conduit/fusion commercial mortgage-backed transactions rated by Ratings Services.

22. On June 16, 2011 the CMBS Framework Model was approved by Model Quality Review ("MQR") ("Approved Framework Model") and the MQR Report was issued. During the period of time from February 2011 through June 2011, the CMBS Group rated six conduit/fusion transactions using the CMBS Framework Model that had been presented to the MQR for review in November 2010. In accordance with the Ratings Services Model Use Policy, the CMBS Framework Model could be used by analysts to rate conduit/fusion transactions as an Alternative Procedure.

23. Martin Goldberg ("Goldberg"), a Senior Director and manager for the MQR Group, notified Duka, Digney and others of the approval of the CMBS Framework Model and the report issuance in an e-mail dated June 21, 2011. In an e-mail dated June 21, 2012, from Digney to Gary Carrington, Barbara Holtz, Deegant Pandya, and Pollem, Digney advised them that the MQR Group had approved the CMBS Framework Model.[12]

24. On August 11, 2011, Goldberg and Haixin Hu ("Hu"), an Associate in the MQR Group,[13] issued a letter titled "Comfort Letter" ("Comfort Letter") that discussed MQR's review of the differences between the Approved Framework Model and the CMBS Framework Model used for the GS Transaction. On August 15, 2011, MQR issued a Memorandum ("MQR Memorandum") to Mark Adelson, Chief Credit Officer, describing further the factors outlined in the Comfort Letter and the MQR's team's conclusions.[14] Both the Comfort

[11] See the Model Quality Review Report CMBS Framework Model MQR Inventory # 253, date June 16, 2011 ("MQR Report"), page one "Executive Summary-Review Statement".
[12] Gary Carrington, Barbara Holtz, and Deegant Pandya were team leaders for the surveillance team.
[13] Hu reports to Goldberg.
[14] During a meeting on March 13, 2012, Goldberg advised that the Comfort Letter and MQR Memorandum were drafted at the request of Mark Adelson, Chief Credit Officer.

Letter and the MQR Memorandum noted a number of differences between the Approved Framework Model and the CMBS Framework Model used in the GS Transaction. For example, during a meeting with Goldberg on January 24, 2012, Goldberg stated that in the CMBS Framework Model used for the GS Transaction, certain calculations were disregarded and analysts manually input numbers into the CMBS Framework Model. Goldberg also stated that he believed the manual entry of such numbers constituted changes to the CMBS Framework Model that the MQR Group did not approve in the MQR Report.

25. In an e-mail, dated January 28, 2011, from Hu to Duka, Hu indicated that Duka recently took Eric Thompson's ("Thompson") role as the Model Owner for the CMBS Framework Model, which had been presented to the MQR Group in 2010. Thompson resigned from S&P in January 2011 and, prior to his resignation, was an Analytical Manger for the CMBS surveillance team and the initial Model Owner for the CMBS Framework Model.

26. On March 8, 2012, I had a conference call with Goldberg where he stated that when the CMBS Framework Model was presented to the MQR Group in 2010, he believed that the model would be set or locked down and analysts would not be making any changes to the CMBS Framework Model. Goldberg stated there was a lack of communication by the Model Owners (i.e., initially Thompson and then Duka) and they should have made clear to the MQR Group that the initial issuance analytical team would generally use the CMBS Framework Model but override certain calculations based on their analytical judgments. Goldberg stated he believed Duka's signoff of the CMBS Framework Model in Page 5 of the MQR Report was inaccurate when she stated "[t]he report depicts an accurate reflection of ...our processes around deriving model inputs." Goldberg explained that for Duka's signoff to have been accurate, she would have had to identify any such manual analytical overrides in the CMBS Framework Model.

27. During meetings with Barnes on January 11, February 15, and March 5, 2012, we discussed, among other things, the Approved Framework Model and CMBS Framework Model. She stated that the two Models were functionally equivalent and should be viewed as one and the same, i.e., the CMBS Framework Model ("Model"). Barnes stated she thought, based on the Comfort Letter and MQR Letter, that the initial issuance analytical team did make changes to the Model that were not approved by the MQR in the MQR Report. She further explained that she believed the initial issuance analytical team never intended to use the Model as presented to MQR in 2010. Rather, the analytical team viewed the Model as a "general framework or model template" and they had authority to manually override formulas in the Model based on their analytical judgments. Therefore, when the analytical team chose to override formulas in the model and input information determined outside the Model, the analytical team believed they were using the Model as intended. Barnes believed this to be the approach taken by the analytical team when they used the Model for the GS Transaction.

28. During meetings with Duka on January 18 and February 10, 2012, Duka stated she did attend the rating committee for the preliminary ratings for the GS Transaction, during the rating committee she thought the Approved Framework Model was used for the analysis,[15] that she

[15] After the MQR Report was issued in June 2011, the Approved Framework Model was stored in the Model Repository by the MQR Group. Based on interviews with the analytical team for the GS Transaction, however, the CMBS Framework Model was used for the GS Transaction, which was obtained from a CMBS shared drive.

believed no changes had been made to the Approved Framework Model, and that it was used appropriately. Duka explained that surveillance analysts in the CMBS Group reviewed a small sample of loans for a transaction, used standard assumptions in the model for a transaction, and that calculations were made by the model for a transaction. For new issuances, however, Duka explained that the analytical team evaluated a much larger sample of loans for a transaction, the analytical team did not rely on the standard assumptions in the model for a transaction, and that the analytical team did calculations outside the model for a transaction and then input numbers into the model thereby overriding calculations in the model based upon their analytical judgments.

29. On March 5, 2012, I had a meeting with Pollem and talked about the Model. He explained that initial issuance analytical team viewed the Model as a "template" that included general assumptions made by property types. The analytical team, however, typically reviewed on a loan-by-loan basis approximately sixty percent of the loans in a pool of loans (calculated by par amount of the loans) for a transaction based on, among other things, geographic distribution, originators, and property types. Pollem explained that it was always intended that, based on the in-depth analysis done on a loan-by-loan basis for a transaction, the analytical team would override the general assumptions and certain calculations in the Model and input specific numbers into the Model based on their analysis outside the Model and their analytical judgments.

30. During a meeting with Digney on March 12, 2012, Digney stated he was the Chairperson for the rating committee for the preliminary ratings assigned to the GS Transaction and, during the rating committee, believed that the Approved Framework Model was being used. We discussed the Model used for the GS Transaction and Digney explained he believed the Model was set up with calculations using broad assumptions that were intended to be used for loans that were not analyzed on a loan-by-loan basis. Digney further explained he believed it was intended that for new issuances, the analytical team would make certain calculations outside of the Model and then numbers would be manually input into the Model. Digney noted that the new issuance analytical team analyzes approximately sixty percent of the loans in a pool of loans (calculated by par amount of the loans) and he believed that making some calculations outside the model and inputting numbers into the Model was analytically more precise and accurate.

<u>**Applicable Guidelines**</u>

31. Section 4.7 of the Model Quality Review Guidelines, effective date September 7, 2010 ("Quality Review Guidelines"), states that each model to be reviewed by the MQR Group must be assigned a Model Owner. Section 4.9 of the Quality Review Guidelines titled "Business Unit Approval of Assumptions and Factual Accuracy" states that the MQR Group will obtain a signoff on the factual accuracy of relevant report sections from the Model Owner.

During a conference call with Goldberg on May 23, 2012, he explained that once a model has been approved by the MQR Group the model is stored in the Model Repository, also referred to as the Model Development Tracking System. He further explained that the Approved Model Library is a written list of models approved by the MQR Group, together with their approved use, e.g., the specific asset class, security, or particular risk assessment. Goldberg stated that models approved by MQR are not actually stored in the Approved Model Library.

32. On page 5 of the MQR Report titled "Business Approval of Assumptions and Factual Accuracy", on May 10, 2011, Duka, as the Model Owner, provided her signoff of the MQR Report as required by Section 4.9, and she stated "[t]he report depicts an accurate reflection of both the model and our processes around deriving the model inputs."

Determinations/Recommendations

33. March 6, 2012, I met with Vignola and discussed the Comfort Letter, the MQR Memorandum, and the meetings described above in Section II, above. Vignola and I determined that:

    i. as of January 2011, Duka was the Model Owner for the CMBS Framework Model presented to the MQR Group in 2010,

    ii. the MQR Group believed calculations in the Model were set and any changes to the calculations in the Model would be changes to the Model that were not approved by the MQR Group,

    iii. the Model Owners (i.e., initially Thompson and then Duka) did not advise the MQR Group that the analytical team viewed the Model as a template and they could override calculations in the Model when analytically appropriate,

    iv. there was no evidence that the Model Owners' failure to communicate with the MQR Group was intentional,

    v. it was Duka's responsibility as the Model Owner to be sure that the MQR Report reflected accurately how the analytical team for initial issuances intended to input information into the Model, i.e., in some cases the analytical team intended to override calculations in the Model and manually input numbers into the Model,

    vi. Duka's statement in her signoff that "[t] report depicts an accurate reflection of...our processes around deriving the model inputs" was inaccurate and, therefore, violated Section 4.9 of the Quality Review Guidelines as the MQR Report did not reflect the fact that the new issuance analytical team intended to override certain calculations in the Model, and

    vii. because Duka had resigned from S&P and her last day of employment was March 5, 2012, no remedial action was recommended for Duka.

III. MODEL USE GUIDELINES--CHANGES TO CMBS FRAMEWOEK MODEL

Facts

34. The rating committee for the preliminary ratings assigned by S&P for the GS Transaction occurred on July 11, 2011, and the RAMP, dated July 11, 2011, for the rating committee indicated that Approved Framework Model was used for the credit analysis. Similarly, a RAMP ("Final Rating RAMP"), dated July 25, 2011, relating to a rating committee held to determine final ratings to be assigned by S&P for the GS Transaction also indicated that

Approved Framework Model was used for the credit analysis.[16] On December 20, 2011, at the recommendation of the Quality Group, however, the Final Rating RAMP was amended to indicate that the Approved Framework Model was not used for the GS Transaction, rather the CMBS Framework Model, which was not approved by MQR, was used as an Alternative Procedure for the GS Transaction.

Applicable Guidelines/Policy

35. Section 6.1 of the Model Use Guidelines ("Model Use Guidelines"), effective date June 1, 2011, provides that, if an Analyst finds that an approved model is insufficient to meet the requirements of rating a particular transaction, the Analyst may propose changes to the approved model. Section 6.2 of the Model Use Guidelines provides that the analyst and Analytical Manger should document the rationale for the proposed changes.

Determinations/Recommendations

36. March 6, 2012, I met with Vignola and discussed the information in Section III, above. Vignola and I determined that:

    a) the Approved Framework Model was not used for the preliminary ratings assigned for the GS Transaction, rather the CMBS Framework Model was used as an Alternative Procedure for the GS Transaction,

    b) therefore, since a model approved by MQR was not used for the preliminary ratings assigned in the GS Transaction, Section 6.1 of the Model Use Guidelines was not applicable and there was no violation of the Sections 6.1 and 6.2 of the Model Use Guidelines.

Training

37. On March 19, 2012, Vignola and I recommended that the Compliance Department training team, together with Goldberg and appropriate business representatives, conduct global training for analysts, Analytical Mangers, Business Leaders, and Practice Leaders in the use of models, Model Quality Review Policy and related Guidelines, and Model Use Policy and related Guidelines.

38. During a conference call May 22, 2012, with Juan De Mollein ("De Mollein")[17], a Managing Director and Lead Analytical Manager, Laurence Loprete ("Loprete"), Senior Director Global Education and Training, and Heather Benecke, a Compliance Officer, and me, we discussed training for the use of models. De Mollein explained that the Structured Finance Models Committee ("SF Models Committee") was reviewing from an analytical perspective how models should be defined for purposes of the model policies and related guidelines and how models should be utilized in the rating process for transactions. Additionally, De Mollein explained that the SF Models Committee would likely be recommending extensive revisions to the five existing model policies and guidelines. De Mollein thought that if the

[16] The final ratings determined by the rating committee were not neither assigned to any securities by S&P nor published by S&P.

[17] De Mollein is the Chairperson of the Structured Finance Models Committee and the Committee was established at the request of Paul Coughlin, Executive Managing Director Global Analytics.

Compliance Department conducted training for models at this time, in approximately six to eight months, after the SF Models Committee had completed its review, the Compliance Department would need to conduct further training on the use of models and related revised model policies and guidelines. Given De Mollein's indication that there would likely be analytical changes to the use of model in the rating process and extensive changes to the five model polices and guidelines, Loprete thought that it would be inefficient to conduct training on models at this time and that the Compliance Department, together with Goldberg and appropriate business representatives, should conduct training on models after the SF Models Committee had completed its review of models and the model policies and related guidelines had been revised and approved by the Policy Governance Group.

39. During a meeting later in the day on May 22, 2012, with David Leibowitz, S&P Chief Compliance Officer, Loprete and me, Loprete stated that, prior to the SF Models Committee completing its review of models, model polices and guidelines, he would send an e-mail to the applicable staff highlighting key points relating to the use of models.

EXHIBIT A

RECOMMENDATIONS FROM TPER FOR
REVIEW BY COMPLIANCE DEPARTMENT

60. Given that the constants used in the analysis and the resulting DSCRs were not included in the GS transaction presale report, Quality recommends that Compliance review the matter in connection with section 1.10 of the Code of Conduct that states in part:

    (i) "When Standard and Poor's issues a Credit Rating and its associated Credit Rating Rationale, Standard & Poor's will not misrepresent the nature of the Credit Rating **or make any statements that could reasonably mislead potential users of the Credit Rating**" (See Appendix 6 July 25th meeting Duka statement.).

61. Given that changes were made to the Framework Model by the analytical practice subsequent to the Framework Model evaluation by the MQR team, as referenced by the MQR group's comfort letter dated August 11, 2011 (see Appendix 5), Quality recommends that Compliance review how these changes were made in connection with section 6.0 (Model Modifications) of the Model Use Policy.

EXCERPTED/REDACTED **EXHIBIT QQ**

BEFORE THE ENFORCEMENT STAFF OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

MEMORANDUM ON BEHALF OF BARBARA DUKA RELATING TO DISCUSSIONS OF COUNSEL WITH THE ENFORCEMENT STAFF IN THE MATTER OF STANDARD & POOR'S CMBS RATINGS, FILE NO. D-03302-A

Date: October 23, 2014

PETRILLO KLEIN & BOXER LLP

655 Third Avenue, 22nd Floor
New York, New York 10017
Telephone: (212) 370-0330

Attorneys for Barbara Duka

CONFIDENTIAL – FOIA TREATMENT REQUESTED
[Corrected Copy]

Discussion

[redacted] [redacted]

[redacted]

[redacted] Later, in the Methodology section of these same reports, however, S&P explained that "**in determining a loan's DSC, Standard & Poor's will consider both the loan's actual debt constant and a stressed constant based on property type as further detailed in our conduit/fusion criteria.**" Again, this disclosure is not false, but the