Operational Risk Assessment

C-III Asset Management LLC

October 2011

Ranking Classification: Commercial Mortgage Special Servicer

Assigned Ranking: MOR CS1

Forecast: Stable

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Rationale

Morningstar Credit Ratings, LLC (Morningstar) has assigned C-III Asset Management LLC (C-III) a 'MOR CS1' ranking as a commercial mortgage special servicer. Our assigned ranking reflects C-III Capital Partners LLC's (the parent company of C-III) August 30, 2011 acquisition of JER Partners (JER), a private real estate investment management company that was the named special servicer on 17 commercial mortgage backed securities (CMBS) transactions with an aggregate balance of $35.5 billion that included $4 billion in active special servicing. Post acquisition, C-III became the named special servicer on more than 14,000 loans with an aggregate balance in excess of $149 billion, of which approximately $16 billion was in active special servicing.

The ranking is based on our assessment of C-III's operational infrastructure and portfolio administration capabilities. In particular, the ranking reflects our view of the following:

- Our independent poll of CMBS investors and reviews of Morningstar's published DealView CMBS surveillance reports to obtain feedback on C-III's performance in connection with its responsiveness to information requests and information accuracy, for which we found the overall comments from these sources to be largely positive.

Investor/DealView Feedback	Favorable %	Unfavorable %
Information Completeness/Responsive to Investor or Surveillance Requests	78	22
Accuracy of Information	93	7

- Our belief that C-III has a transparent process to disclose potential conflicts of interests to outside parties. C-III is affiliated with the controlling bondholder class on CMBS transactions for which it is the named special servicer. In the few cases in which it exercised a loan purchase option or used an affiliate entity to liquidate an asset, C-III's recovery results may, in fact, have minimized the realized losses to the trust.

- C-III's successful progress thus far to integrate JER's personnel and portfolio. C-III has hired 33 former JER employees located in Chicago, Illinois; McLean, Virginia; and Dallas, Texas in conjunction with the transaction, and is now integrating them into C-III's special servicing operation and asset management activities.

- The company's highly experienced management and asset management teams. In particular, after its recent acquisition of JER, C-III appointed the former head of JER's special servicing operation to run one of C-III's special servicing teams.

- Sufficient capacity to meet current special servicing volumes. We also believe the company, especially through the JER acquisition, is positioned with some excess capacity if portfolio volume should increase.

- Successful asset resolution activity within a complex and diversified portfolio, including average realized losses that are lower than the year-to-date CMBS average realized losses reported by Morningstar as of June 30, 2011.

- Overall effective technology tools that provide a high level of automation and centralized data management.

- An extensive audit function that encompasses Regulation AB and USAP attestations, and an independent, self-administered internal audit program that tests special servicing compliance with pooling and servicing agreements (PSAs) and C-III's own policies and procedures each quarter.

- Proactive practices and procedures governing special servicing administration.

- A relatively high degree of securitization reporting accuracy and experience with complex transaction structures.

- Policies and procedures that indicate effective controls to manage conflicts of interest.

As of June 30, 2011, C-III's active special servicing portfolio was approximately $12.9 billion consisting of 850 assets, which represented a 9% decrease by unpaid principal balance and a 6% decrease by the number of assets from December 31, 2010. Inclusive of the JER acquisition, C-III's active special servicing portfolio increased to approximately $16 billion consisting of 1,140 assets. During the first half of 2011, C-III resolved approximately 38% of the specially serviced loans by loan count and 46% of the specially serviced REO assets by property count that it held as of January 1, 2011. During the first half of 2011, JER resolved approximately 34% of its specially serviced loans by loan count and 33% of its specially serviced REO assets by property count that it held as of January 1, 2011.

Forecast

Stable for the special servicer ranking.

We expect C-III will continue to be a highly effective special servicer for its investor clients. We will also continue to monitor the integration of the former JER portfolio and personnel into C-III's special servicing platform and will continue to monitor C-III's use of affiliates within its asset resolutions.

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Company Profile & Organizational Structure

C-III Asset Management LLC(C-III), a wholly-owned subsidiary of C-III Capital Partners LLC (C-III Partners), is a commercial real estate services firm engaged in primary and special loan servicing, loan origination, fund management, and principal investment. C-III's clients include commercial mortgage backed securities (CMBS) and collateralized debt obligation (CDO) issuers and investors, institutional lenders, and other private investors. The company's servicing business is headquartered in Irving, Texas, and C-III Partners has additional offices in New York, New York; Greenville, South Carolina; and Nashville, Tennessee.

C-III Partners recently made two major acquisitions in order to grow its asset management platform and diversify its services. On June 22, 2011, it announced plans to acquire NAI Global before December 31, 2011. NAI Global is a network of commercial real estate firms comprising 5,000 professionals and 350 offices in the U.S. and 55 other countries, with its network members providing corporate, financial, technology, and project management services. NAI Global will continue to operate as a separate entity under its current management.

On August 30, 2011, C-III Partners acquired JER Partners, a private real estate investment management company, commercial mortgage special servicer, and CDO collateral manager. At the time of the acquisition, JER was the named special servicer on 17 CMBS deals with an aggregate balance of $35.5 billion, of which $4 billion (270 assets) were in special servicing and under active management. As a result of this acquisition, C-III became the named special servicer on approximately 14,000 loans with an aggregate balance of approximately $149 billion, of which approximately $16 billion was in special servicing. C-III Partners has since hired 33 of the former JER employees located in Chicago, Illinois; McLean, Virginia; and Dallas, Texas in conjunction with the transaction, and is currently integrating them into C-III's special servicing and CDO investment management operations.

C-III's organizational structure comprises four special servicing teams in addition to a portfolio oversight department, which is responsible for surveillance, and a CDO team. C-III also has dedicated information technology, legal, compliance, accounting, and reporting personnel to support its special servicing work. C-III Partners' affiliated entities include: C-III Realty Services and Zodiac Title Company.

Table 1: Historical Special Servicing Volume

(Loans and REO)	*8.31.11		12.31.10		12.31.09	
	UPB (000s)	# of Assets	UPB (000s)	# of Assets	UPB (000s)	# of Assets
Total	16,273,954	1,140	14,172,553	906	7,825,145	573

*includes JER assets.

Operational Infrastructure (MOR CS1)

Staffing, Turnover, and Experience

As of August 31, 2011, C-III dedicated 138 employees to special servicing, compared to 92 employees as of December 31, 2010. Between January 1 and August 31, 2011, the company had 10 departures and added 56 new employees of which 33 were former JER asset managers. Based on its number of employees as of December 31, 2010, we calculated that C-III had an overall 11% turnover rate between January 1 and August 31, 2011. As of January 1, 2010, C-III dedicated 57 employees to special servicing and during 2010 it had 10 departures and added 51. Based on its number of employees as of January 1, 2010, we calculated that C-III had an overall 17.5% turnover rate for 2010. Seven out of the 10 departures during 2011 were voluntary and three were internal re-assignments, while six out of the 10 departures during 2010 were voluntary.

Asset Manager Workload Ratios

As of June 30, 2011, C-III had 58 asset managers and 850 unresolved assets in inventory, for an overall 15:1 ratio of assets to asset manager. It dedicated 49 asset managers to manage loans and nine asset managers to manage REO assets, with loan asset managers handling 14 loans each and REO asset managers handling 11 assets each. Broken down further, the loans-to-asset manager ratio was 9:1 based only on non-performing loans. In addition, the average size of REO assets was $16.2 million and no unresolved REO asset had a UPB less than $2 million. After acquiring JER on August 30, 2011, C-III had 82 asset managers and 1,140 unresolved assets in inventory, for an overall 14:1 ratio of assets to asset manager. C-III reported that JER asset managers handled both loans and REO assets and that five out of the 33 former JER asset managers are now dedicated to REO asset management. As a result of the JER acquisition, the ratio of REO assets to asset manager was reduced to 6:1.

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

Position/Level	Overall Industry	Tenure at C-III
Senior Management	24	5
Middle Management	21	4
Professional Staff	5	2
Special Servicing Asset Managers	19	3

Assessment: We believe that C-III operates with an effective organizational structure that includes dedicated staff for REO dispositions. We consider the company's overall 17.5% turnover rate for 2010 to be higher than industry averages, although the turnover rate declined in the first half of 2011 to 11% bringing it more in line with industry norms. We also take into account that all terminations in this 18 month period were involuntary. In addition, we believe the company replaced all eliminated positions with well-experienced personnel, as demonstrated by its high average experience levels for both management and professional staff.

Overall capacity measures indicate sufficient staffing to handle workloads efficiently especially if current special servicing volumes continue to moderate. We believe that the company's REO assets to asset manager ratio and loans to asset manager ratio are at least in line with, if not better than, industry averages. In addition, C-III has added five REO asset managers from the JER acquisition, which has significantly reduced its REO assets to asset manager ratio and should better position the company to handle any future increase in REO activity. We will continue to monitor the workload ratios of the company's loan and REO asset managers.

Training

The company provides on the job training and some formal training for its employees. It does not dedicate a training coordinator to oversee the training program and track training hours. However, it is establishing a minimum training hour requirement of 20 hours per year. During the first half of 2011, the company reported that each employee actually completed an average of 13 training hours compared to an average of 10 hours for all of 2010. Employees attend conferences, as well as monthly "lunch and learn" meetings, and receive external training from vendors and law firms. Curriculum topics have included property inspections, loan workout strategies, state foreclosure statutes, financial statement analysis, and property valuation.

Assessment: Overall, we believe that C-III's training function, while generally adequate, is less developed than the programs at some other special servicers. In our view, employees' actual completed training hours also are at the lower range among many other special servicers. We believe that even though a special servicer may have highly experienced asset managers, its staff can still benefit from a well-designed, formalized training program.

Audits, Compliance, and Procedural Completeness

During 2010 and the first half of 2011, the company underwent a number of operational audits. It is subject to annual USAP and Regulation AB attestations, and the company supplements these examinations with its own independent quarterly internal audit program and performance measurement tests. USAP and Regulation AB tests did not cite any material exceptions for the 2010 calendar year. We reviewed C-III's quarterly internal audits for 2010 and the first half of 2011, and, in our view, none of these reports cited material exceptions. Management also took corrective actions regarding the noted findings.

The company has documented policies and procedures that are available on a shared drive and are in place for all core functional areas and tasks. The company regularly updates its manuals through a defined management, compliance, and legal review process that also checks for adherence to servicing agreements and other regulatory requirements. Its procedures combine statements of policy as well as information on how to perform a particular task, and include the requisite forms and exhibits, but do not contain computer application screen shots.

> **Assessment:** We believe that C-III has a very effective audit function to monitor PSA compliance and mitigate operational risks based on the frequency, scope, and outcome of its various auditing activities. In addition, policies and procedures appear to be thorough, well-designed to address all of C-III's servicing duties, and effectively managed to control content revisions**.**

Legal Liability and Corporate Insurance
C-III reported that it was not involved as a defendant in any material lawsuits involving its special servicing general practices and operations. The company did disclose five pending cases related specifically to borrower counterclaims or disputes associated with loan document enforcement and recovery actions. It also reported that it did not receive any notices of PSA default or citations related to special servicing performance. Furthermore, it reported to us that it has directors and officers (D&O), errors and omissions (E&O) and mortgage impairment insurance coverage in place.

> **Assessment:** C-III reported, and we concur, that the five pending lawsuits are not material enough to disrupt its special servicing operation. We have reviewed the company's insurance coverage limits and determined that they exceed the insurance requirements set forth by the GSE seller/servicer guides. Overall, we believe that C-III, based on its representations, has effectively addressed its corporate insurance requirements in order to address litigation and other operational risks.

Technology and Disaster Recovery
The company's technology platform includes a Web-enabled, proprietary asset management system known as LoanSStar (Loan Special Servicing Tracking and Reporting) for special servicing functions and handling consent requests for performing loans. C-III's technology platform also includes a servicing system, document imaging and file management systems, and an investor website. The asset management system is integrated with the company's CMBS surveillance application. LoanSStar produces asset strategy report due dates and CREFC-compliant investor reporting packages. The system can calculate fees and expense reimbursements, track advances, track vendor invoices and performance, and can link each asset to its approved asset resolution report. The system generates a tickler warning when advances reach a certain threshold, calculates interest accruals on advances, and provides a historical record of fees on each asset.

The company backs up and moves data offsite daily, and it replicates data on a real time "mirrored" basis. It uses a disaster recovery vendor for these services. The respective distances between the hardware hot site and main data center, and the operations recovery site from the primary servicing site are both approximately 25 miles. Both the hardware and operations recovery sites are located on a separate power grid from their primary sites. The company tests its disaster recovery processes annually. The last test was conducted on July 8, 2011, and C-III stated that it was fully successful. In the event of a disaster, the company stated that it can recover all investor reporting functions within 24 hours and all other remaining special servicing functions within five days.

> **Assessment**: The technology platform is, in our view, well integrated. The surveillance and asset management systems provide a high degree of property level information and effective tickler functionality to monitor trigger events and overall document compliance. The asset management application also functions effectively by providing links to approved business plans, producing investor reports, and tracking fees, advances, and vendor performance. However, we believe that it may not have as much functionality as some other special servicers' asset management systems that enable asset managers to prepare resolution plans directly within the application itself. This enhancement is planned for the next generation of LoanSStar, which C-III expects to roll out by December 31, 2011. Disaster recovery protocols appear to be soundly designed.

Special Servicing Administration
(MOR CS1)

Asset Review Process

Upon the transfer of a loan to special servicing, asset managers contact borrowers and require them to sign pre-negotiation letters prior to workout discussions. Asset managers prepare asset plans for all loans regardless of size, and include a net present value (NPV) analysis of each possible resolution alternative. C-III will typically pursue an asset recovery strategy based on a dual path of foreclosure and working out an alternative resolution. Loan asset managers have 30 days and REO asset managers have 45 days upon transfer to complete and obtain approval for their respective business plans. They also draft updated case memos seeking approval for specific terms of negotiated resolutions. Policies generally require committee approval for most loan and REO actions. For CMBS assets, C-III formally monitors master servicers' outstanding advances against property values and expected recovery amounts, and stated that it will caution and consult with master servicers on their advancing decisions. The company also segregates loan and REO asset management functions.

> **Assessment**: Overall, we believe the company has very proactive and controlled asset recovery practices based on its approval process and timeframes for completing loan and REO resolution plans, and based on our review of some sample asset plans. We believe that C-III also takes an active role to monitor master servicers' outstanding advances and participate in their related decisions. Furthermore, in our view, having dedicated loan and REO management units is an effective approach given the company's portfolio size.

REO Property Management

C-III uses dual trust accounts to receive rental income and disburse operating expenses for REO property management and accounting. It reported that it uploads monthly property management operating statements electronically to the asset management system rather than using a separate REO accounting application. The company's operations department formally reconciles property management REO bank accounts, with REO asset managers also reviewing property management operating statements and approving the budgets. As a practice, the company conducts formal audits of property management companies. During 2010, it completed four property management audits and, during the first half of 2011, it completed three audits. The company also reported that it has on occasion replaced property managers based on audit results. C-III also maintains its own property and liability coverage for REO assets.

C-III recently announced that it plans to acquire NAI Global Networks (NAI) later this year. NAI is a commercial real estate services company that provides brokerage and property management services. The company reported that it will draft policies stating that it may engage NAI or any other affiliate only if permitted under the PSA, and only if an independent party determines that an affiliate company is the most qualified firm to manage the property.

> **Assessment**: REO property management oversight is, in our view, diligent and well-controlled as indicated by the company's audit program, and its monthly accounting and reporting oversight. In addition, we believe that C-III has appropriate controls in place with respect to limiting and managing the use of its affiliated brokerage company or any affiliated property management company.

Vendor Oversight

C-III maintains a centralized list of approved vendors for appraisals, engineering and environmental assessments, legal counsel, property management, and brokerage. It also typically uses a bidding process for engagements. It uses its own standard form of agreements for all vendors, and dedicates staff to coordinate engagements with property managers, attorneys, and brokers. It employs an in-house vendor supervisor who controls the engagement of appraisals and contracts with several third party firms to review the reports. C-III's in-house legal department controls the engagement process for retaining outside counsel. The asset management system tracks pending engagements, appraisals, and the performance of vendors. Asset managers, along with their team leaders, review and approve legal invoices prior to payment.

> **Assessment**: C-III demonstrates, in our view, sound controls for vendor engagements and oversight, along with experienced asset managers to analyze vendors' work products and recommendations.

Post Transfer to Special Servicing: Letters of Credit and Springing Lockboxes
Within 30 days of a loan transfer, the asset manager is responsible for ensuring the proper control of cash management accounts by reviewing cash management agreements, checking the set up of any pre-existing cash control accounts, and activating any springing lockbox provisions or rent assignments, as provided under the loan documents, all in conjunction with the primary or master servicer. Concurrently, C-III will often seek the appointment of a rent receiver. The company noted that it will typically demand a cash management structure as part of any loan extension or restructuring terms. Loan asset managers also are responsible for monitoring the status of any letters of credit (LOCs) that may be part of the loan collateral. The company noted that it frequently works with primary and master servicers to extend, or sometimes draw upon, LOCs. While C-III stated that any existing LOCs and lockbox arrangements are noted within the asset management system's loan file history and terms, it plans to add specific data fields for enhanced system tracking.

> **Assessment**: Overall, we believe that C-III is well experienced and engages in proactive practices with respect to monitoring letters of credit and activating and enforcing cash management agreements. Its plan to enhance its system with added tracking functionality should also facilitate its oversight practices.

Borrower Consents
C-III has a dedicated staff of asset managers to handle borrower consents. During 2010, in its capacity as a special servicer, C-III handled 269 borrower consents, which consisted of 131 assumptions, 136 leasing consents, and two partial releases. During the first half of 2011, it handled 140 consents, which consisted of 68 assumptions, 70 leasing consents, and two partial releases. Borrower consent hold times increased slightly for assumptions and leasing consents, and increased significantly for partial releases during the first half of 2011, although the company did review only four partial release requests between January 2010 and June 2011. The average loan size for assumptions increased from $12.4 million in 2010, to $14.6 million during the first half of 2011, while the average loan size for leasing consents decreased from $36.1 million to $23.6 million, and the average loan size for partial release consents dropped from $67.9 million to $4.4 million.

Table 3: Borrower Consent Average Processing Times

	January – June 2011		January – December 2010	
Consent Type	**# Processed**	**Total Time (Days)**	**# Processed**	**Total Time (Days)**
Assumptions	68	10	131	9
Leasing	70	17	136	16
Partial Releases	2	33	2	16

> **Assessment**: In our opinion, the company has effective control practices and procedures to analyze and approve borrower consents. Review and approval timeframes appear to be fairly constant since early 2010, and indicate that C-III generally has acted promptly.

Managing Conflicts of Interest
C-III reported that it is usually affiliated with the CMBS controlling class holder. As a practice, the company reported that it does not participate in any fee sharing arrangements with affiliated or third parties in order to obtain assignments. The company also reported that it does not pass through to the trust any fees already received and earned from borrowers or other sources. However, it may use an affiliate to broker note or REO sales. C-III reported that it will use an affiliate for brokerage, property management, or other services only to the extent permitted by the PSA and only if the affiliate's services are performed at costs not exceeding those of third parties. In addition, the company reported that the affiliate must have the requisite expertise in the area for which it is engaged just as would be required of a third party provider. C-III informed us that it will not engage its affiliate broker, C-III Realty Services, as a broker or a co-broker to market a loan that is the subject of a fair value purchase option, or, to market REO properties that C-III or an affiliated party may offer to purchase. If such intent or interest becomes known after C-III has engaged C-III Realty Services with respect to a loan or REO, C-III Realty Services will immediately resign from the assignment and waive its fee in order to avoid any conflict.

C-III reported that it has, through an affiliate entity, purchased assets out of pools by exercising fair market value purchase options. During 2010, it purchased a note secured by an office property for an amount that C-III stated was purchased at par and resulted in a realized loss to the trust of 0.9%.

During the first half of 2011, C-III used an affiliate to sell 16 properties, which was equivalent to approximately 17% of its total REO portfolio. The average realized loss for these dispositions was 38.6%, which was substantially lower than C-III's reported average realized loss of 60.6% on all REO dispositions and 63% for REO dispositions in which C-III did not use an affiliate to sell the property.

C-III stated that between January 2010 and June 2011, it purchased four REO assets from the trusts through its affiliate and paid at least market value for those assets as established by an independent third party. These purchases included multifamily properties along with an office complex. The company noted that the overall realized loss to the trust on the multifamily REO purchase in 2010 was 24.8%, compared to C-III's overall realized loss of 72.0% on all REO dispositions. Taken together, all of the purchases resulted in an average realized loss of 13.6% to the trusts.

> **Assessment:** C-III, in our view, has effective control practices for managing conflicts of interest relative to using third party affiliates, passing through fees to CMBS trusts, and conducting its overall asset resolution activities. As a special servicer affiliated with the controlling bondholder class, we believe that C-III, based on its representations, has an overall transparent process for informing interested parties of its potential conflicts of interests. Additionally, in the cases in which it exercised a purchase option or used an affiliate entity to liquidate an asset, we believe that C-III's involvement and purchase of the assets using affiliates may have actually benefited the trust by minimizing losses. Furthermore, C-III noted that it proactively supplies each rating agency with a listing of all transactions involving an affiliate exercising a fair value loan purchase option or REO purchase as well as a listing of all transactions in which the affiliated brokerage company was involved. We are aware that some investors may have concerns, as do we, about C-III's potential conflicts of interest as an affiliate of the CMBS controlling class holder and its use of affiliates for loan and REO resolution activities. We will continue to monitor the company's performance and actions in this regard.

Special Servicing Resolution Results (Tables 4 – 6, Chart 1)

Table 4: Loan Portfolio Activity (January – June 2011)

	Total $ Vol (Mil)	Total # of Loans	Total # of Props	CMBS $ Vol (Mil)	CMBS # of Loans	CMBS # of Props
Loan Portfolio at Beginning of Period	12,425	761	1170	12,049	730	1080
Loans Transferred Into Portfolio:						
Transfers of Re-defaulted Loans Previously Worked Out	189	13	14	189	13	14
Pre-existing Loans Specially Serviced Loans From Another Special Servicer	173	20	20	173	20	20
Non-monetary/Imminent Default Loan Transfers	1,282	96	119	1,182	95	118
Monetary Default Loan Transfers	749	113	129	741	112	128
Total Transfers Into Special Servicing*	2,393	242	282	2,285	240	280
Loans Resolved or Transferred Out of Portfolio:						
Restructured or Modified Loans	(1,268.8)	(52)	(74)	(1217.9)	(48)	(62)
Completed Foreclosures and Converted to REO	(706.6)	(58)	(66)	(685.9)	(56)	(64)
Individual Note Sales	(248.3)	(68)	(72)	(239.6)	(67)	(71)
Bulk Note Sales	0	0	0	0	0	0
Discounted Payoffs (Excludes Note Sales)	(355.5)	(64)	(66)	(327.7)	(59)	(62)
Full Payoffs	(194.6)	(41)	(41)	(160.3)	(39)	(39)
Other Transfers Out of Special Servicing	(48.8)	(7)	(6)	(37.8)	(5)	(5)
Resolved Through Rep and Warranty Settlement	0	0	0	0	0	0
Total Loans Resolved or Transferred Out of Portfolio	(2,822.6)	(290)	(325)	(2,669.2)	(274)	(303)
Other Adjustments	(784.9)	(4)	(4)	(776.9)	(3)	(3)
Loan Portfolio at End of Period	11,210.5	709	1123	10,887.9	693	1054

Table 5: REO Portfolio Activity (January – June 2011)

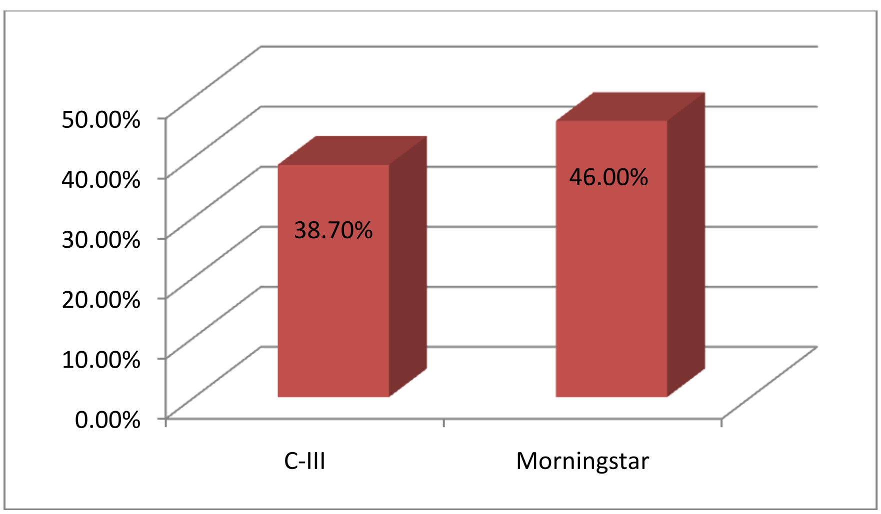
	Total $ Vol (Mil)	Total # of Props	CMBS $ Vol (Mil)	CMBS # of Props
REO Portfolio At Beginning of Period	1,747.5	145	1,322.7	106
Assets Already REO When Acquired	17.7	5	17.7	5
Completed Foreclosures	706.6	66	685.9	64
REO Sold During Period	(631.8)	(66)	(460.5)	(54)
Other REO Transferred Out and Adjustments	(172.0)	(9)	(67.8)	(7)
REO Portfolio At End of Period	1,668.0	141	1,498.0	114

Table 6: Asset Resolution Performance (January – June 2011)

Resolution Type	Component of Total Resolutions (% by # of Assets)*	Net Proceeds/Value (%)	Resolution Time (Months)
Restructured or Modified Loans	17.0	N/A	13.0
Individual Note Sales	19.0	83.1	14.0
Discounted Payoffs	18.0	90.1	13.1
Full Payoffs (Based on Proceeds-to-UPB)	12.0	96.0	6.8
REO Dispositions	17.0	**92.9	***13.9
Completed Foreclosures (Became REO)	17.0	N/A	15.3

*Including completed foreclosures. **97.0% for CMBS. ***Based on time held as REO.

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



*Source: Morningstar Monthly CMBS Delinquency Report July 2011.

Summary of Full Year 2010 Special Servicing Results

- During 2010, C-III resolved 309 loans: 32% as modified or corrected loans, 13% as full payoffs, 27% through note sales, and 28% through discounted payoffs (DPO).
- It completed 113 foreclosure actions and 44 REO sales.
- The DPO and note sale recoveries yielded net proceeds of approximately 79.2% (skewed lower because 10 assets had values older than one year at the time of resolution. Excluding those 10 assets, C-III recoveries yielded net proceeds of 95% of estimated collateral values).
- C-III averaged approximately 11.3 months for loan resolutions, 11.4 months for foreclosures, and 8 months for its REO sales.
- Net proceeds on REO sales overall averaged approximately 89% of collateral value and CMBS assets averaged 87%.
- Overall CMBS realized losses were 26.9% (REO only was 72%).

Overall Asset Recovery Performance

> **Assessment**: C-III has, in our view, established a track record of overall excellent asset recovery results and particularly based on its overall performance since 2010. During the first half of 2011, C-III had a high percentage of net proceeds to value on CMBS loan resolutions and its reported realized losses were lower than Morningstar's composite average. We believe that average resolution hold times have been quite reasonable based on the overall characteristics of C-III's portfolio. Additionally, we believe the company incurred relatively low legal fees as a percentage of net recovery proceeds (0.45%) on resolved specially serviced loans during the first half of 2011.

Reporting to Master Servicers, Investors and Rating Agencies

C-III's procedures cover its formal reporting requirements as a CMBS special servicer with respect to reporting property protection advancing, realized losses, updated appraisals, and communicating with master servicers on asset management decisions. As a CMBS special servicer, C-III typically provides its initial and updated asset status reports to the trustee. It stated that it also provides its final asset resolution plans containing the specific terms and details of a workout or liquidation to the trustee. It represented that it will also respond to related investor questions in accordance with PSA provisions.

Within the surveillance department of C-III, the management reporting team is responsible for ongoing communication with rating agencies regarding special servicing portfolio activity and asset-level workout updates. The team handles daily requests for asset-level information on C-III's specially-serviced loans such as valuation updates, current operating performance metrics, updates on workout strategies, the timing of resolutions, and bond waterfall reconciliations (ASERs, realized losses, and interest shortfalls). C-III informed us that since it is not the named special servicer on any post-June 2010 securitizations, none of its pools is subject to Rule 17g-5 requirements. The company also informed us that it routes all rating agency requests through the portfolio reporting team for follow up responses. In the event the company participates in future securitizations as the named special servicer, the portfolio reporting team will be responsible for complying with Rule 17g-5.

> **Assessment:** We believe that C-III is fully experienced with and has effective special servicer-related reporting capabilities, such as by having a dedicated management reporting team for rating agency requests, to address CMBS and other investor type requirements. Based on the information we obtained thus far, we also found that investor and Morningstar DealView commentaries were generally favorable regarding C-III's degree of reporting accuracy and responsiveness. We do note that C-III did not provide us with its own expected recovery amounts on completed asset resolutions to compare with actual recoveries. We believe that such information can provide insight into how accurately a special servicer monitors the latest recovery potential of its assets. We have received this information from other special servicers and C-III has informed us that it will be able to provide this information going forward.

Ranking Definitions

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

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

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

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