

U.S. Commercial Mortgage Servicer Report

C-III Asset Management LLC

Ratings

Primary Servicer	CPS2-
Special Servicer	CSS1-

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Related Research

- *U.S. Commercial Mortgage Servicer Rating Criteria, Feb. 18, 2011*
- *Global Rating Criteria for Structured Finance Servicers, Aug. 16, 2010*

See page 8 for Servicer at a Glance details.

Summary

C-III Asset Management LLC (C-III) (formerly Centerline Servicing Inc. [CSI]), is a CMBS primary servicer rated 'CPS2-' and a CMBS special servicer rated 'CSS1-'. The primary servicer rating is based on C-III's ability to effectively service commercial mortgage loans and meet client reporting requirements. The special servicer rating reflects the company's solid special servicing team, with its extensive commercial real estate loan workout experience. Both ratings are based on C-III's highly experienced management team and its strong commitment to technology.

The servicer rating is based on the methodology described in Fitch Research on "U.S. Commercial Mortgage Servicer Rating Criteria," dated Feb. 18, 2011, and "Global Rating Criteria for Structured Finance Servicers," dated Aug. 16, 2010, both available on Fitch Ratings' Web site www.fitchratings.com.

Strengths

- Highly experienced management team.
- Strong commitment to technology.
- Solid special servicing team with extensive commercial real estate loan workout experience.

Concerns

- Ability to keep up with its rapidly growing special servicing portfolio.

Mitigants

- C-III has continued to hire asset managers over the last year and will continue to add to staff as the portfolio grows.

Company Overview

On March 5, 2010, an Island Capital Group (Island Capital) affiliate, C-III Capital Partners LLC (C-III Capital), completed the purchase of Centerline Capital Group's (Centerline) commercial real estate fund management, CDO management, and special servicing operations. Island Capital Group is a real estate merchant banking firm engaged in principal investment, investment management, and financial advisory and consulting services. Island Capital was founded in May 2003 by Andrew Farkas, chairman and CEO of Insignia Financial Group. C-III is a wholly owned subsidiary of C-III Capital. The CMBS servicing group from Centerline remains intact with Paul Smyth (president) and all of his staff remains in place.

C-III's legacy CMBS acquisition and servicing company, ARCap Investors, LLC (ARCap), was created in 1999 as a joint venture between REMICap and Apollo Real Estate Advisors to facilitate CMBS acquisitions. ARCap later formed ARCap Servicing Inc. in 2002 to provide both primary and special servicing for loans on their platform. ARCap and its subsidiaries were acquired by CharterMac in August 2006. In early 2007, the company transferred its loan servicing operations to CSI.

C-III, including its predecessor companies, has been in business for 15 years, including 10 years special servicing and five years primary servicing CMBS loans.

Recent C-III accomplishments include:

- Forming C-III Realty Services (a commercial brokerage) to handle both mortgage loans and REO properties.
- Forming C-III Commercial Mortgage to originate CMBS and other loan types (CDO, balance sheet, among others).
- Forming C-III High Yield Real Estate Debt I Fund to hold new B-note/mezzanine loans originated by C-III Commercial Mortgage.
- Resolving almost \$3 billion in CMBS loans in 2010 composed of 316 assets.

During 2010, special servicing transfer volume was 613 loans (\$9.2 billion). C-III therefore focused on shortening aging times and increasing resolution rates. To this purpose, the firm used bulk and monthly auctions of small and medium-sized loans and REO assets. In addition, it created a new small loan group along with a large loan group.

C-III will continue to grow its platform and merge with other platforms to gain economies of scale.

Financial

Fitch does not rate the credit of C-III Capital Partners LLC. However, Fitch's Real Estate Investment Trust group performed a financial assessment of C-III Capital and determined the company's short-term financial viability is adequate to support the CMBS servicing and special servicing platform.

Employees

As of March 1, 2011, C-III maintained a staff of approximately 162 servicing employees, 55 of whom are dedicated to CMBS primary servicing and 107 of whom are responsible for CMBS special servicing. During the prior 12 months, either through new hires or internal transfers, C-III added 18 asset management professionals and 26 analysts to its special servicing group. C-III is continuously interviewing and looking for asset managers in both REO and loan workout.

C-III's primary and special servicing management teams are highly experienced, as evidenced by the following:

Servicer Ratings

Fitch rates primary and master servicers, which protect the interests of the certificateholders in the trust, by servicing and administering the mortgage loans. The primary servicer is responsible for day-to-day servicing functions, while the master servicer is responsible for monitoring the activities of the primary servicers, investor reporting, and timely remittance of funds to trustees.

Fitch also rates special servicers, which are key to maintaining the credit quality of a pool containing nonperforming commercial mortgages and real estate-owned assets. The special servicer is responsible for working out loans, foreclosing, and liquidating assets.

In assessing and analyzing the capabilities of primary, master, and special servicers, Fitch reviews several key factors, including the management team, organizational structure and operating history, financial condition, information systems, and, with respect to the special servicer, workout and asset disposition experience and strategies.

Fitch rates commercial mortgage primary, master, and special servicers on a scale of 1 to 5, with 1 being the highest rating. Within each of these rating levels, Fitch further differentiates ratings by plus (+) and minus (-) as well as the flat rating.

- Primary servicing senior management averages 23 years of experience in the industry and eight years with the company.
- Primary servicing middle management averages 15 years of industry experience and more than four years of company tenure.
- Special servicing senior management averages 23 years of experience in the industry and more than three years with the company.
- Special servicing middle management averages nearly 22 years of industry experience and about three and a half years of company tenure.

In the 12 months ended March 31, 2011, the primary servicing group experienced a 1.82% overall employee turnover rate with no turnover in the management team; six employees shifted to support the special servicing operations of the company. During the same period, the special servicing group experienced 7.48% overall employee turnover and 1.69% turnover among managers.

C-III's employee training program is extensive and includes internal meetings, conferences, and vendor-sponsored seminars. Recent servicing-related training topics included the following:

- Financial and rent roll analysis.
- Property inspection training seminar.
- Pooling and servicing agreements (PSAs).
- Asset management summit.
- Environmental roundtable.
- Loan modifications/investor reporting.

Primary servicing employees averaged 55 hours of training during the 12 months ended Dec. 31, 2010, while special servicing employees averaged 9.8 hours. The primary servicing training surpassed the average reported by the cohort of Fitch-rated servicers; however, the special servicing training is well below the average reported and a decrease from 42 hours the year prior, which is attributable to continued high transfer and resolution volume over 2010. The reduction in training hours is partially mitigated the company's ability to hire and maintain an experienced special servicing staff.

Policies and Procedures

The company's policies and procedures manuals continue to be comprehensive and are updated on an as-needed basis. Except for the corporate name change (March 2010), there have been few changes to CMBS servicing procedures since Fitch's last review. Changes have been made to reflect minor practices that were altered. Each procedure defines specific time frames and process details. All asset decisions and actions are made in accordance with standards set forth in the PSA and real estate mortgage investment conduit guidelines and are documented with asset strategy reports. A servicing agreement matrix, which is created for each transaction to detail C-III's responsibilities, is used in conjunction with the company's policies and procedures manual.

All manuals and procedures are available to staff via a Sharepoint Web site or a shared directory housed within the company's intranet. Procedures are reviewed annually and in connection with servicing compliance reviews and amended by unanimous approval of senior management.

Internal compliance operational reviews are performed on a quarterly basis for primary servicing and special servicing by C-III's vice president of audit and compliance. The most recent audit reports for each group were completed in October 2010.

- The primary servicer review focused on loans held during the period between origination and securitization, including payment collections from the borrower and remittance to the investor. There were no material findings.
- The special servicer review focused on compliance with servicing standards as defined in governing servicing agreements and guidelines. There were a few immaterial findings that were promptly addressed.

The internal audit function had been housed in the Centerline corporate group. To address this, C-III has created a compliance officer position to be in charge of internal audits and policies and procedures. The manager is an experienced paralegal who has been with the company for more than one year.

On March 1, 2011, Dixon Hughes PLLC issued letters indicating C-III's compliance with both USAP and Reg AB servicing standards.

Technology

C-III continues to use release 16 of the McCracken Strategy Loan System (Strategy) for primary servicing. Hardware and support are maintained by McCracken on an ASP basis. Queries from Strategy provide customized monthly reporting for each client. LoanSSTAR TNG (fka Centerlink), C-III's proprietary due diligence, surveillance, and reporting database is used for collateral monitoring and reporting based on monthly updates from Strategy.

LoanSSTAR Classic, C-III's proprietary special servicing system, is a comprehensive management and administration tool used to support resolution of distressed assets along with oversight of consent requests for nondistressed loans. LoanSSTAR continues to be enhanced with new management reports and added features that allow efficient monitoring of all special servicing activities and stratification of the asset management portfolio. Underwriting, due diligence, and historical surveillance information is derived from LoanSSTAR TNG and used to populate certain information on LoanSSTAR. In addition, LoanSSTAR TNG continues to be enhanced with new management reports and automation tools for the special servicing portfolio.

C-III's technology group leverages its seasoned personnel with sophisticated technology to create efficiencies and process controls. The technical support team consists of software analysts and programmers, who rely on vendors when requirements exceed capabilities or time constraints. To ensure resources are focused, a systems group steering committee meets regularly to prioritize initiatives for the various units within the company.

The company has developed business continuity plans for each of its business locations. The business continuity plan documents are supported via a Microsoft Sharepoint environment that is hosted on a server at the IT colocation and accessible via the internet from any computer. The most recent disaster recovery resumption test was successfully completed for all critical applications in October 2009. The plan has been enhanced to account for the changes to the production environment due to the creation of C-III and will be tested in June of 2011.

Primary Servicing

As of March 31, 2011, C-III's total primary servicing portfolio consisted of 1,987 loans totaling \$18.2 billion, of which 11 loans totaling \$150.2 million were CMBS.

Currently, the company services mainly for GSE clients and provides warehouse servicing for commercial mortgage originators including commercial and investment banks. The group continues to build new third-party servicing relationships with strategic partners.

The primary servicing group is divided into five teams:

- Third-party asset management.
- Agency asset management.
- Agency special assets.
- Inspections.
- Primary servicing operations.

Primary servicing operations consists of six areas: taxes, insurance, financial analysis, loan accounting, new loan setup, and bond servicing.

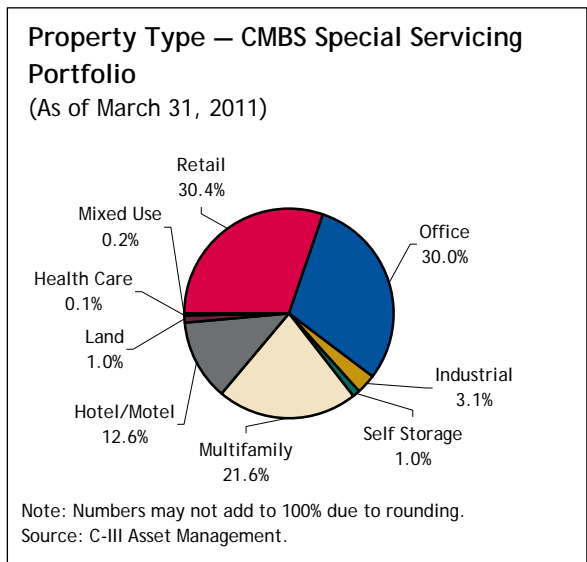
The CMBS surveillance, investor reporting, and transaction processing teams report to the managing director in charge of portfolio oversight. Surveillance handles watchlists, risk ratings, and interacts with rating agencies and investors regarding special servicing questions.

Investor reporting, as part of C-III's portfolio oversight team, is broken into two groups — one for primary servicing and one for special servicing. These teams have been expanded over the past two years due to the increased reporting requirements. The group continues to be led by a manager with extensive investor reporting experience.

Special Servicing

As of March 31, 2011, C-III was named special servicer on 11,571 loans in 94 CMBS transactions with an unpaid balance of \$110.8 billion. At that time, the company was actively special servicing 724 loans totaling \$11.7 billion. This was an increase in specially serviced assets of 64% since March 31, 2010, when they were actively specially servicing approximately \$7.1 billion.

Since inception, C-III and predecessor companies have resolved 877 CMBS loans and REO assets with a balance of \$6.3 billion. During the 12 months ended March 31, 2011, C-III resolved 374 CMBS loans/assets with an outstanding principal balance of about \$3.2 billion (including loans that were resolved without losses). Those resolutions experienced a loss severity rate of approximately 21%. The average disposition time was 11 months.



Over the 12-month period ended March 31, 2011, the company added 48 employees to its special servicing team through new hiring and internal transfers, including 18 asset managers, 26 analysts, and five administrators. The company is also continuing to hire to address future servicing needs. As of March 31, 2011, C-III averaged approximately 13 assets per asset manager, down from 17, due to the support provided by analysts, administrative staff, and special servicing operations team.

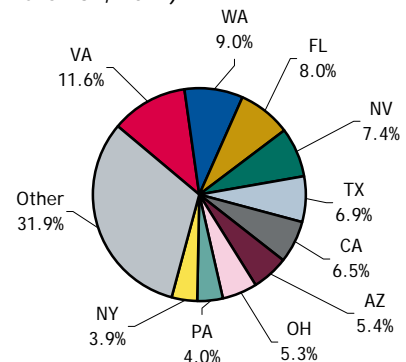
Special servicing asset managers have an average of more than three years with the company (down from previous reviews due to increases in staff levels) and an average industry experience of 15 years.

C-III created a special servicing operations team within the portfolio oversight group. This team reports to the investor reporting manager and supports the special servicing asset managers in dealing with tax, insurance, payment posting, and other loan-level issues. In addition, this team is responsible for the creation and administration of the REO operating accounts and cash management structures.

The surveillance group created an automated process to track high-risk watchlist loans that are categorized as imminent transfers to special servicing. The process was built using Microsoft SharePoint technology, and a work flow application notifies internal parties when a loan is added to the potential list as well as when it is transferred to special servicing. The work flow process also allows the portfolio managers to assign loans, track work loads, and monitor loan boarding and initial business plan progress.

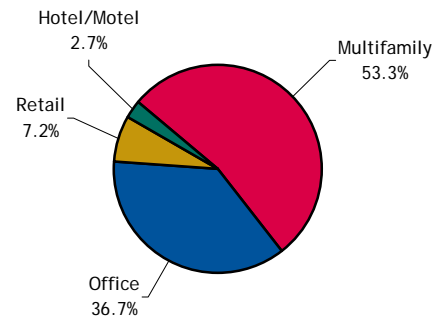
The workout methodologies and procedures have not changed materially since the previous Fitch review. C-III's surveillance team

Geographic Distribution – Top 10 CMBS Loans Special Servicing Portfolio
(As of March 31, 2011)



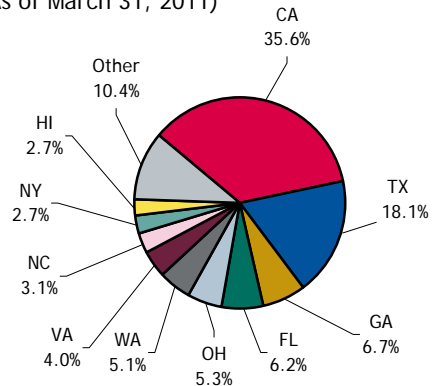
Note: Numbers may not add to 100% due to rounding.
Source: C-III Asset Management.

Property Type – Non-CMBS Special Servicing Portfolio
(As of March 31, 2011)



Note: Numbers may not add to 100% due to rounding.
Source: C-III Asset Management.

Geographic Distribution – Top 10 Non-CMBS Loans Special Servicing Portfolio
(As of March 31, 2011)



Note: Numbers may not add to 100% due to rounding.
Source: C-III Asset Management.

continually monitors major tenants, industry performance, and real estate markets and submarkets. The company fully utilizes its LoansSTAR TNG data repository, as it contains all original underwriting file data and additional information obtained at acquisition. The surveillance group augments the acquisition data with its own analyses and from the monthly financial and periodic loan information received from the master servicer.

The assigned asset manager prepares and delivers an initial asset strategy report (ASR), subject to the company's approval authority policy, and in accordance with the governing PSA. The PSA generally requires delivery of the initial ASR within 30 days from the date of transfer. Thereafter, ASR's are amended as needed to document material developments with a loan or changes in a previously approved ASR.

While REMIC guideline and PSAs require REO properties to ultimately be resolved within three calendar years of the end of the year of title acquisition, C-III strives to resolve REO assets timely in an effort to maximize recovery on the asset. A third-party property management and brokerage of the property is usually approved simultaneously with approval of the foreclosure action. Pursuant thereto, a property management agreement is executed and held in escrow pending completion of the title conveyance, to ensure prompt assumption of control of the property. Third-party brokerage is routinely engaged through six-month listing agreements as soon as possible thereafter, with active marketing to commence within 30 days, unless there is a strategic need to reposition the asset for a short period to achieve a greater overall recovery. The REO asset manager closely monitors each property through the detailed monthly reporting packages provided by the property management firm and the broker.

Servicer At A Glance — C-III Asset Management, LLC

Experience (Years)	
Servicing	10
CMBS Servicing	5
Loan Workout	10
CMBS Workout	10
Credit Rating	Fitch Ratings does not rate the credit of C-III Asset Management, LLC.
Employees	
Number of Employees	162
Senior Management:	
Experience in Industry (Years)	23.6
Tenure with Company (Years)	4.3
Middle Management:	
Experience in Industry (Years)	19.6
Tenure with Company (Years)	3.7
Average Training Hours Per Employee Per Year	6.1
Overall Employee Turnover (%)	5.56
Management Turnover (%)	1.23
2010 USAP Audit/Reg AB Audits	Completed by Dixon Hughes PLLC
Servicing System	McCracken Strategy (primary); LoanSStar (special)

Master and Primary Servicing Statistics

(As of March 31, 2011)

Total Servicing Portfolio	
Unpaid Principal Balance (UPB) (\$ Bil.)	18.2
Number of Loans	1,987
CMBS Portfolio	
Primary Only with External Master	
Number of Transactions	7
UPB (\$ Mil.)	150.2
Number of Loans	11

CMBS Special Servicing Portfolio

(As of March 31, 2011)

Number of Transactions	94
UPB (\$ Bil.)	110.8
Number of Loans	11,571
UPB Loans (Specially Serviced Only; Not Including REO) (\$ Bil.)	11.7
Number of Loans (Specially Serviced Only; Not Including REO)	724
UPB REO (\$ Bil.)	1.5
Number of Assets	102

Special Servicer Results	\$ Bil.	No. of Loans
Loans Resolved Since Inception	6.3	877
Loans Resolved Past 12 Months	3.2	374

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