Troubled Assets –
Market Update (Fall 2010)

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Forum on Work-Out and Recapitalization Strategies

Los Angeles, CA
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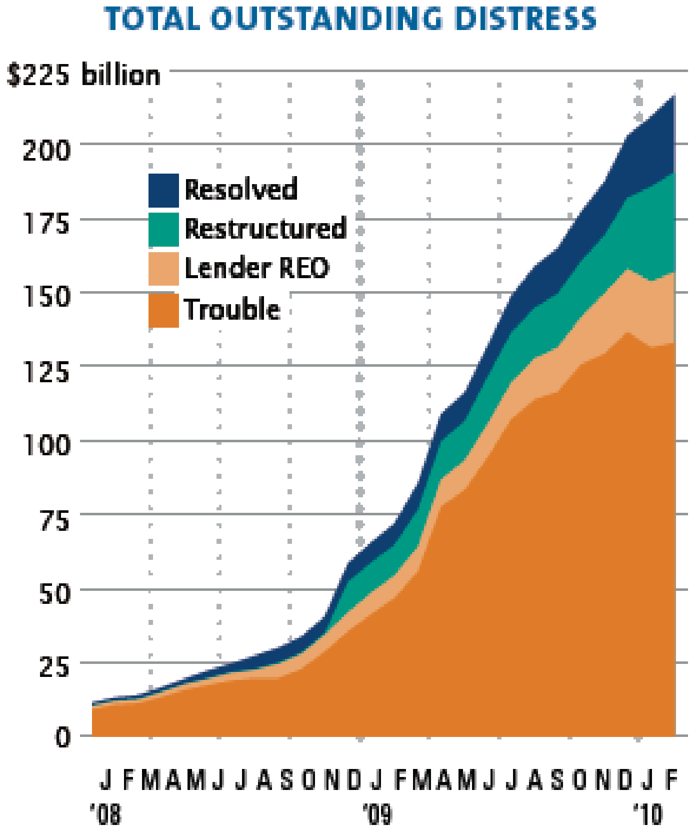
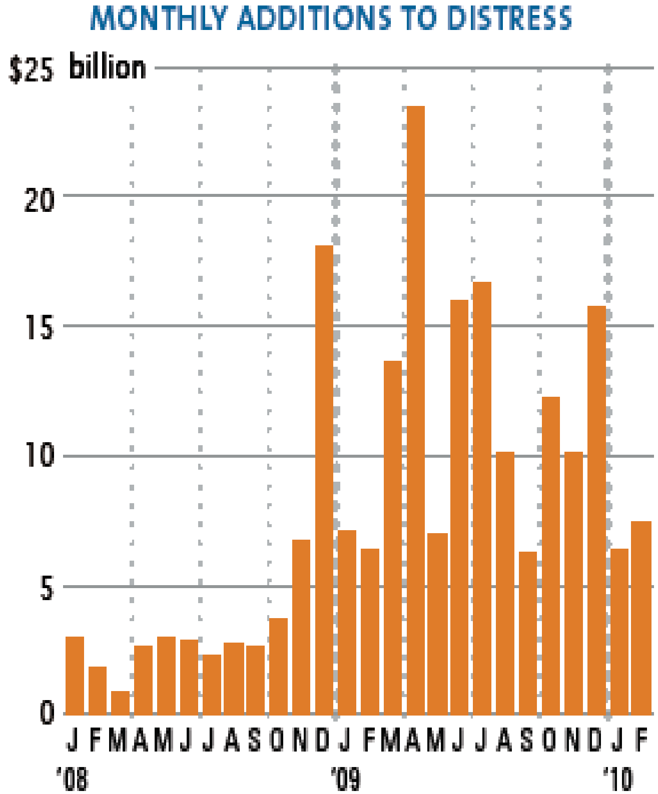
Pipeline Built Rapidly with Slow Resolution Pace

Steady stream of troubled assets in past year, with monthly average of $10B. Notably, resolutions starting to build, but new stress from CMBS loans (at 72% of 2010 additions).

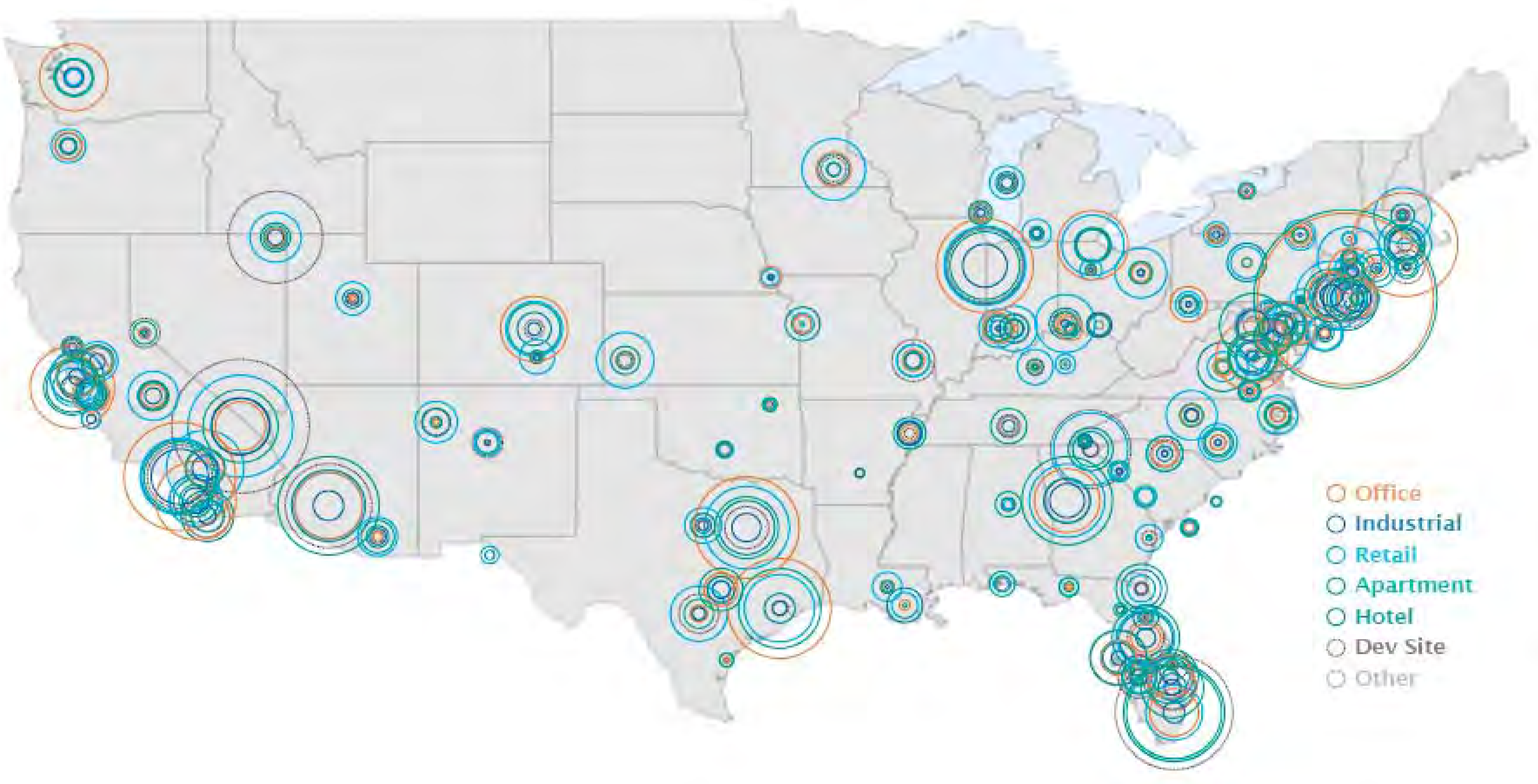




Source: Real Capital Analytics, Troubled Asset Report April 5, 2010

Scope of Troubled Assets

Total distressed assets have reached $157B, with additional $65B already resolved. Retail, office and apartments appear most problematic.

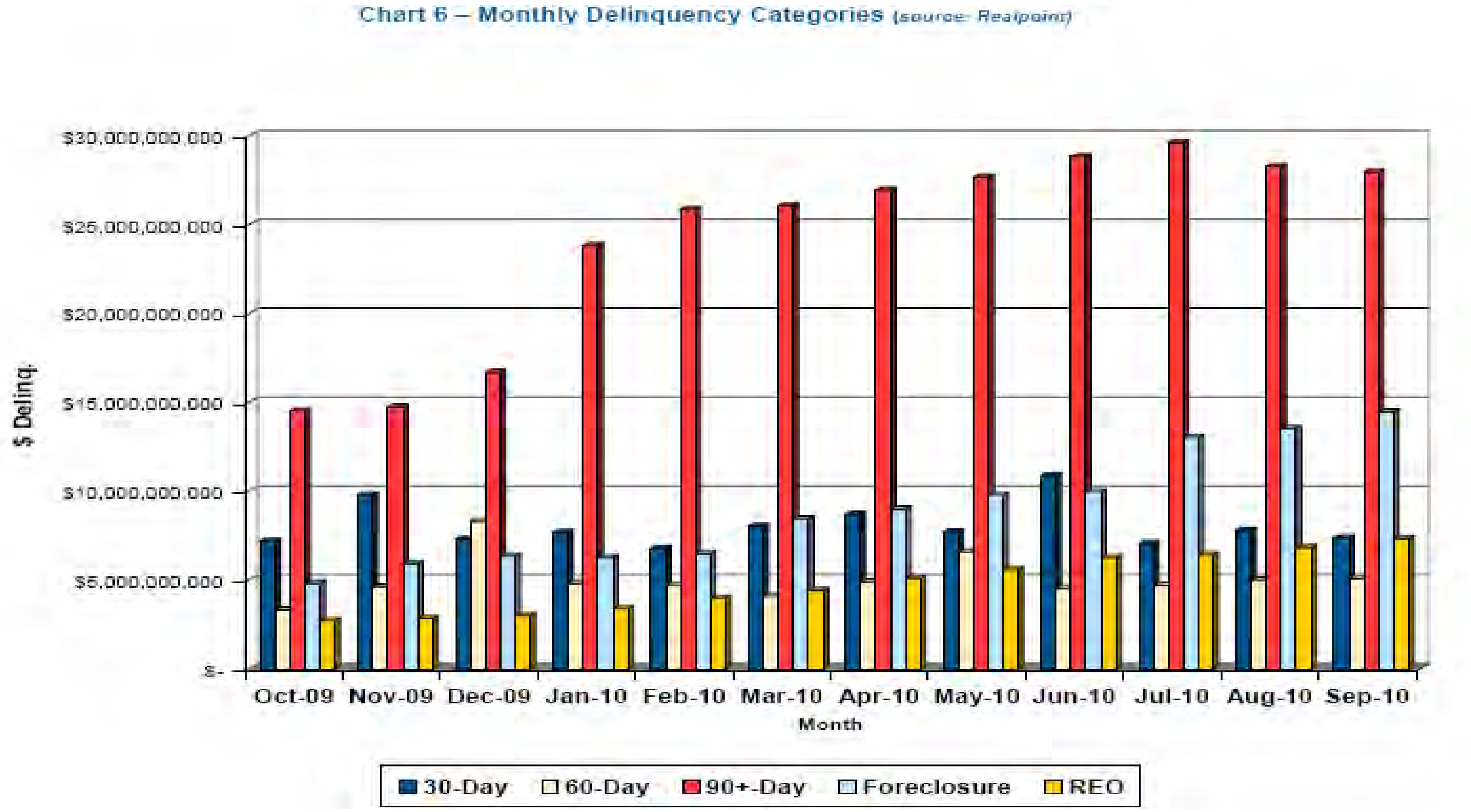


Source: Real Capital Analytics, Troubled Asset Report April 5, 2010; Bubbles sized to relative distress value

www.rcanalytics.com

CMBS: Delinquencies, Foreclosures, REO Building

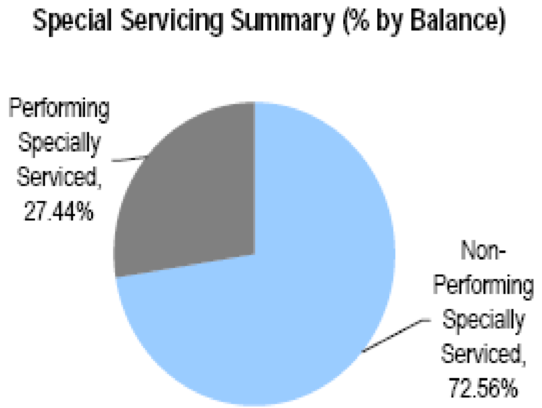
CMBS represents approx. 40% of distressed market, with pipeline building from increased 90+ day delinquencies that are bleeding over into heavy foreclosure and REO activity.

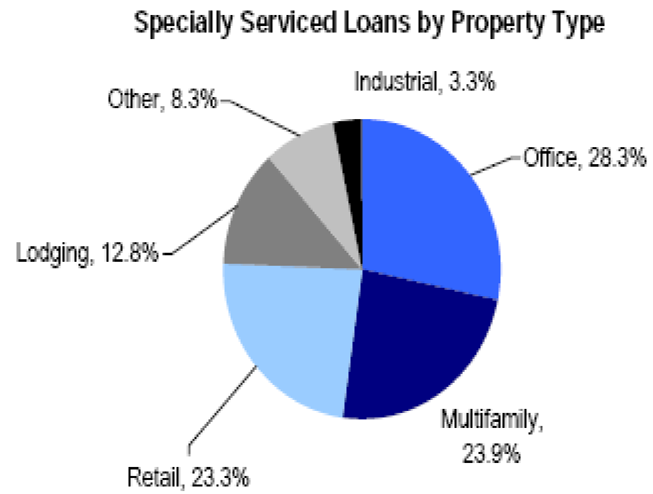


Source: RealPoint Monthly Delinquency Report 0 October 2010

CMBS Specially Serviced Loans - Composition

76% of the $73B in specially serviced loans involve retail, multi-family, and office; overall, 11.7% of all CMBS loans by balance are in specially serviced status





Property Type	# of Loans	% in Spec Serv by Count	Aggregate Balance	% in Spec Serv by Balance	Max Loan Size	Avg Loan Size	% of Total Prop Type Balance in Spec Serv	Prop Type as % of Entire Universe	Ratio
Office	973	21.5%	$ 20,760,474,997	28.3%	$ 775,000,000	$ 21,336,562	10.8%	30.7%	0.92
Multifamily	1,056	23.3%	$ 17,518,323,790	23.9%	$ 1,500,000,000	$ 16,589,322	17.9%	15.6%	1.53
Retail	1,391	30.7%	$ 17,090,635,581	23.3%	$ 305,000,000	$ 12,286,582	8.8%	30.9%	0.75
Lodging	455	10.0%	$ 9,421,035,970	12.8%	$ 412,701,271	$ 20,705,574	19.0%	7.9%	1.62
Other	362	8.0%	$ 6,121,875,178	8.3%	$ 414,000,000	$ 16,911,257	10.0%	9.7%	0.86
Industrial	293	6.5%	$ 2,449,369,679	3.3%	$ 89,000,000	$ 8,359,623	7.6%	5.2%	0.65
Total	**4,530**	**100.0%**	**$ 73,361,715,195**	**100.0%**		**$ 16,194,639**	**11.7%**	**100.0%**	**1.00**

Source: JP Morgan Research: Monthly Fixed Rate Special Servicing Analysis dated October 25, 2010

CMBS Specially Serviced Loan Trends

CMBS loans have deteriorated noticeably in past 12-18 months with specially serviced assets at 11.7% of conduit universe

Special Servicing Analysis for Fixed-Rate CMBS Universe
October 25, 2010

CMBS Research
As of September 2010

J.P.Morgan

	As of 10/22	Δ 1 month	Δ 6 months	Δ 12 months
# of Loans in Special Servicing:	4,530	+ 80	+ 202	+ 1,254
# of Loans Outstanding:	54,794	- 392	- 2,715	- 4,274
% of Loans in Special Servicing:	8.27%	+ 20 bp	+ 74 bp	+ 272 bp

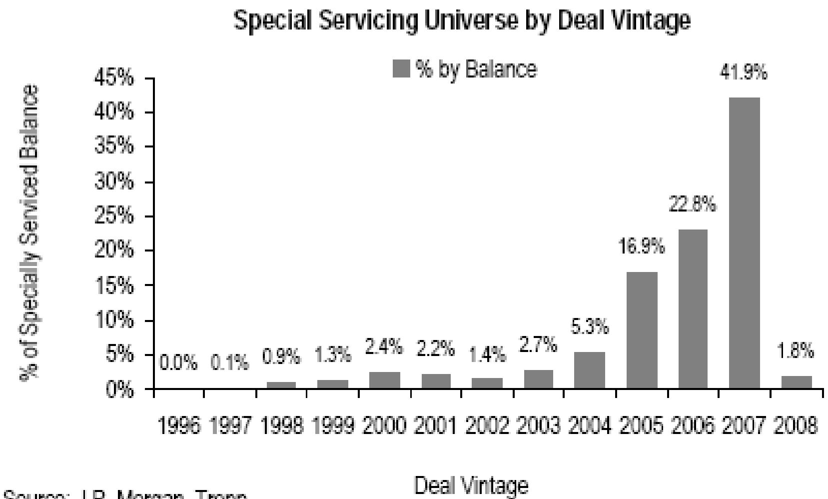
Deal Vintage	# of Deals	Total # of Deals	% by Count	# of Loans	Aggregate Balance	% by Balance	% of Vintage (by Balance)
1996	4	9	44.4%	8	$ 35,674,939	0.0%	8.6%
1997	11	21	52.4%	20	$ 50,491,287	0.1%	2.8%
1998	26	31	83.9%	96	$ 665,979,765	0.9%	12.1%
1999	34	38	89.5%	175	$ 972,939,757	1.3%	22.1%
2000	32	33	97.0%	321	$ 1,786,689,504	2.4%	44.4%
2001	34	35	97.1%	235	$ 1,625,176,126	2.2%	7.5%
2002	34	36	94.4%	135	$ 1,024,832,352	1.4%	4.0%
2003	44	47	93.6%	190	$ 2,014,700,849	2.7%	5.3%
2004	59	59	100.0%	343	$ 3,912,937,737	5.3%	6.9%
2005	62	62	100.0%	747	$ 12,432,037,188	16.9%	10.7%
2006	62	62	100.0%	1,053	$ 16,740,155,907	22.8%	10.6%
2007	58	58	100.0%	1,128	$ 30,750,298,059	41.9%	16.6%
2008	8	8	100.0%	77	$ 1,349,601,725	1.8%	12.9%
Total	468	499	93.8%	4,530	$ 73,361,715,195	100.0%	11.7%

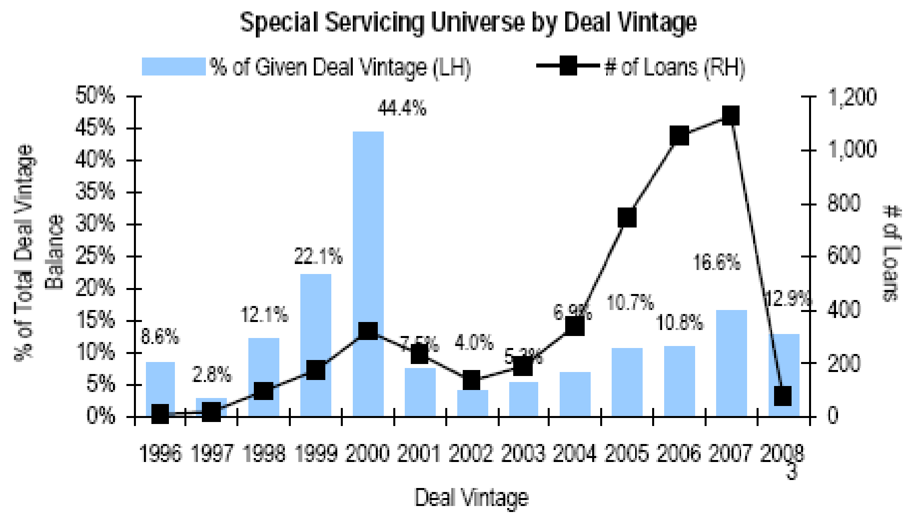
Delinquency Status	# of Loans	Aggregate Balance	% by Balance	% by Count
Current	225	$ 9,861,013,812	13.4%	5.0%
Grace/Not Yet Due	205	$ 4,377,068,967	6.0%	4.5%
<1 Month	228	$ 5,193,503,619	7.1%	5.0%
30 Days	175	$ 3,160,249,340	4.3%	3.9%
60 Days	164	$ 3,123,703,696	4.3%	3.6%
90+ Days	1,357	$ 17,984,571,805	24.5%	30.0%
Foreclosure	1,167	$ 18,396,373,311	25.1%	25.8%
REO	647	$ 6,936,631,357	9.5%	14.3%
Performing Matured	34	$ 698,284,396	1.0%	0.8%
Non-Performing Matured	328	$ 3,630,314,892	4.9%	7.2%
Total	4,530	$ 73,361,715,195	100.0%	100.0%

Source: JP Morgan Research: Monthly Fixed Rate Special Servicing Analysis dated October 25, 2010

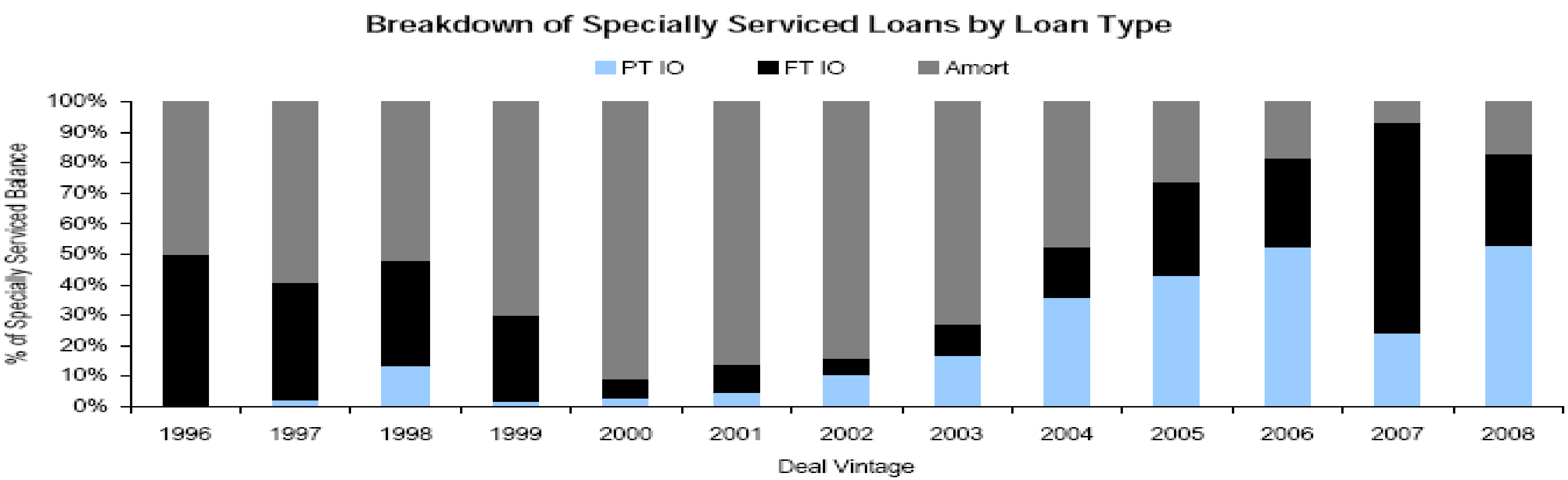
Deal Vintage Matters

CMBS conduit collateral is deteriorating at a historically fast pace, with 2005-2007 vintage loans materially underperforming other vintages, notably due to I/O loans





Source: J.P. Morgan, Trepp



Source: JP Morgan Research: Monthly Fixed Rate Special Servicing Analysis dated October 25, 2010

CMBS Special Servicers - Concentration

Top five CMBS special servicers account for nearly 88% of the market, and exhibit varying degrees of aggressiveness towards foreclosure

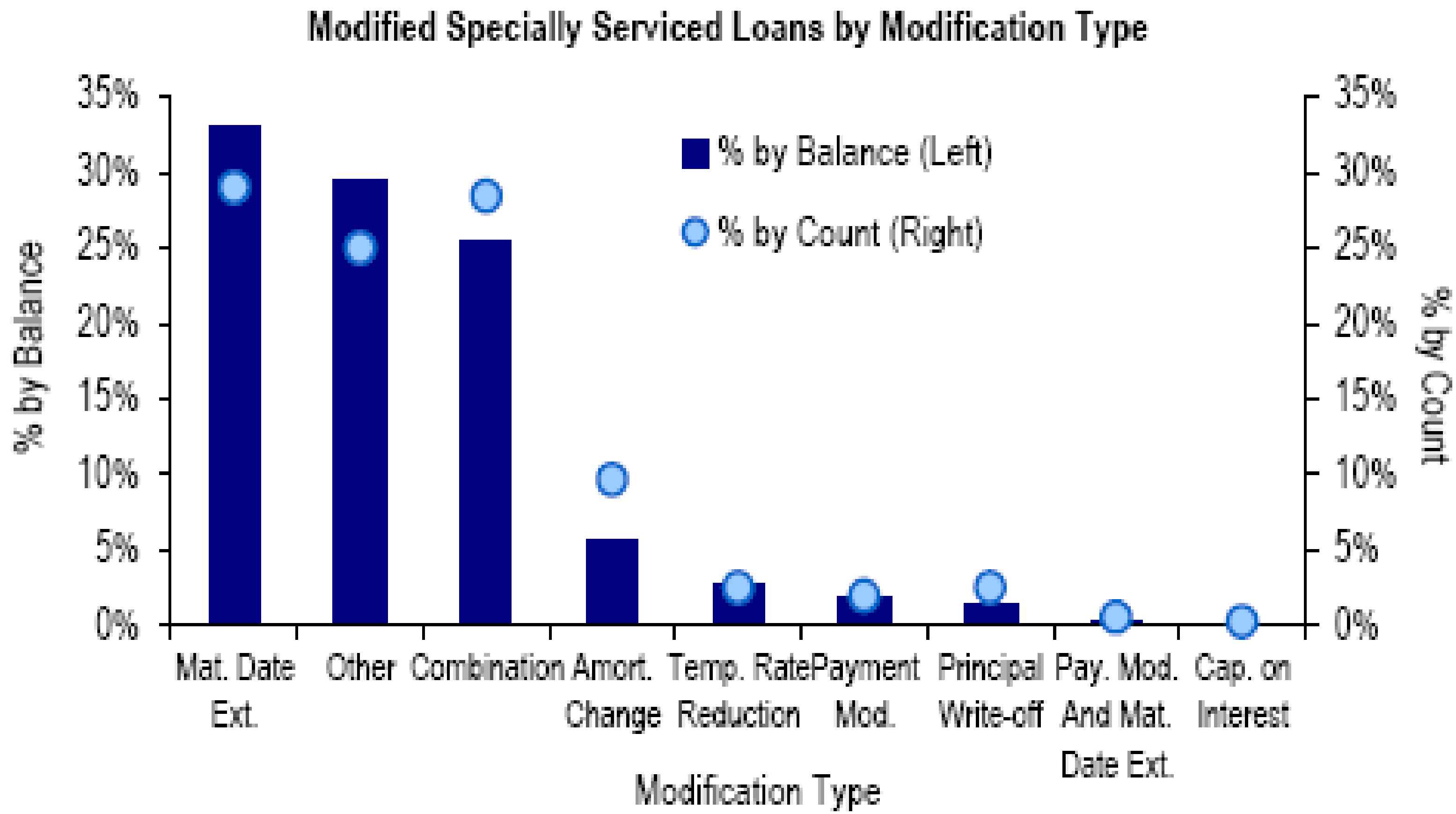
Breakdown of Specially Serviced Loans by Special Servicer:

				Delinquency Status							
Special Servicer	# of Loans	Balance of Loans	% by Balance	Current	30 Days	60 Days	90+ Days	FC/REO	Non-Performing Matured	Performing Matured	Total
LNR Partners, Inc.	1,280	$ 23,673,386,000	32.3%	31.42%	5.18%	2.66%	26.69%	26.13%	6.84%	1.08%	100%
CWCapital Asset Management	954	$ 18,165,218,366	24.8%	16.34%	5.93%	2.48%	12.35%	60.40%	2.38%	0.12%	100%
C-III Asset Management LLC	656	$ 8,986,192,113	12.2%	23.55%	1.16%	9.98%	21.60%	39.50%	3.61%	0.60%	100%
Midland	515	$ 8,501,869,782	11.6%	32.45%	6.87%	4.96%	40.09%	9.27%	4.63%	1.72%	100%
JE Roberts	322	$ 5,313,933,577	7.2%	29.61%	1.85%	6.40%	22.97%	32.16%	5.56%	1.44%	100%
Helios AMC, LLC	203	$ 3,518,735,370	4.8%	38.68%	3.93%	6.62%	27.54%	18.69%	4.52%	0.00%	100%
ING Clarion Partners, LLC	162	$ 2,226,438,546	3.0%	16.11%	1.45%	2.68%	62.16%	5.20%	7.04%	5.36%	100%
Berkadia	294	$ 1,881,332,136	2.6%	25.26%	2.14%	0.82%	10.86%	52.63%	7.37%	0.92%	100%
Orix	96	$ 770,153,635	1.0%	19.48%	0.58%	1.11%	23.74%	41.64%	12.43%	1.03%	100%
NCB, FSB	10	$ 171,507,566	0.2%	16.34%	0.00%	43.00%	38.96%	1.70%	0.00%	0.00%	100%
GMAC	19	$ 49,364,643	0.1%	4.25%	0.00%	3.32%	30.78%	61.65%	0.00%	0.00%	100%
Prudential	3	$ 54,307,023	0.1%	92.86%	0.00%	0.00%	0.00%	7.14%	0.00%	0.00%	100%
Wells Fargo	7	$ 21,948,753	0.0%	0.00%	0.00%	0.00%	58.64%	0.00%	41.36%	0.00%	100%
GE Capital	3	$ 14,700,572	0.0%	0.00%	0.00%	0.00%	63.84%	0.00%	36.16%	0.00%	100%
Lend Lease	5	$ 7,688,725	0.0%	62.65%	0.00%	0.00%	0.00%	13.95%	23.40%	0.00%	100%
KeyBank	1	$ 4,998,227	0.0%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100%
Total	**4,530**	**$ 73,361,775,034**	**100.0%**								

Source: JP Morgan Research: Monthly Fixed Rate Special Servicing Analysis dated October 25, 2010

Loan Modification Trends (only $7.8B out of $74 B)

Very few principal write-downs at front end of modification strategy….how long will it last?



Source: JP Morgan Research: Monthly Fixed Rate Special Servicing Analysis dated October 25, 2010

Patterns of Loan Modifications by Special Servicers

To date, special servicers have focused on maturity date extensions (hoping to buy time for more favorable financing), and various measures of amortization / combined relief

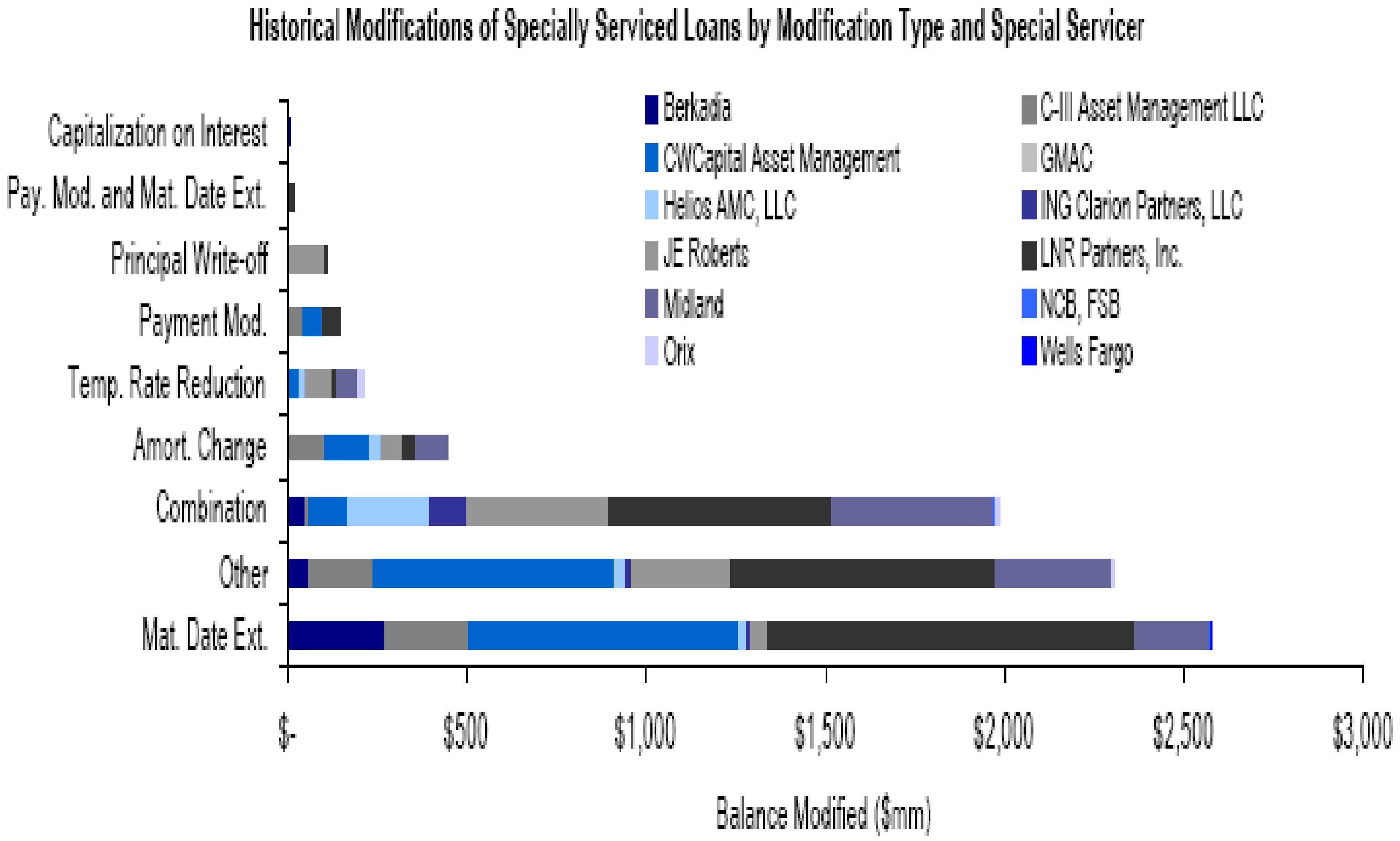
Loan Modifications of Specially Serviced Loans- Historical

Modification Type	# of Loans	% by Count	Aggregate Balance	% by Balance
Mat. Date Ext.	102	29.0%	$ 2,576,793,595	33.0%
Other	88	25.0%	$ 2,305,041,104	29.5%
Combination	100	28.4%	$ 1,986,700,389	25.4%
Amort. Change	34	9.7%	$ 448,755,651	5.7%
Temp. Rate Reduction	9	2.6%	$ 213,753,030	2.7%
Payment Mod.	7	2.0%	$ 146,512,159	1.9%
Principal Write-off	9	2.6%	$ 112,252,398	1.4%
Pay. Mod. and Mat. Date Ext.	2	0.6%	$ 20,299,954	0.3%
Capitalization on Interest	1	0.3%	$ 4,440,101	0.1%
Total	**352**	**100%**	**$ 7,814,548,381**	**100%**

Source: JP Morgan Research: Monthly Fixed Rate Special Servicing Analysis dated October 25, 2010

CMBS Modifications by Special Servicers

Collateral with positive DSC had been granted maturity date extensions, while challenged collateral has a combination of relief; however, limited principal write-downs to date.



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