CREFC IRP SERVICER WATCHLIST IMPLEMENTATION GUIDELINE

The changing CMBS marketplace has required that the CREFC IRP committee review and update the current Servicer Watchlist/Portfolio Review Guidelines (PRG) criteria. The committee was comprised of Servicers, Investors, Issuers, Rating Agencies and Data Providers. The goal of the review was to ascertain the appropriateness of the existing PRG triggers, including thresholds for putting loans on the Servicer Watchlist, removal of loans from the Servicer Watchlist, additional triggers to account for current market conditions, and creation of a guideline to encourage consistency across the industry for implementation of the PRG criteria.

The most significant outcome of the committee was the recommendation to include a new field to classify the Watchlist comments as credit or informational. The addition of this field will provide added transparency to the market and allow the users greater flexibility in managing the volume of data that is presented on the Watchlist. This Implementation Guideline is to be used as a best practices document along with the CREFC Portfolio Review Guideline found on the CREFC website.

SERVICER WATCHLIST/PORTFOLIO REVIEW GUIDELINES

The Servicer Watchlist is a monthly report prepared by the Master Servicer pursuant to specific guidelines. The Portfolio Review Guidelines (PRG) represent a list of criteria that can be applied systematically to determine whether a loan will be reported on the Servicer Watchlist and establish a release threshold that defines when a loan should be removed from the Servicer Watchlist. The PRG consist of the following six categories:

1. Financial Conditions
2. Borrower Issues
3. Property Condition Issues
4. Lease Rollover, Tenant Issues and Vacancy
5. Maturity
6. Other (Servicer Discretion)
7. Returned Loans

If a loan has triggered one or more items within the PRG, then the loan will be reported on the Servicer Watchlist. Effective with this [7.1] release, the Servicer Watchlist was modified slightly to add a column for the Informational versus Credit Classification. Multiple Servicer Watchlist Codes should be separated by a vertical bar.

In general, acceptable Watchlist comments should contain the following items in a logical order:
Brief property and loan description including location, date of the Watchlist comment, trigger event description, borrower action/response and servicer action. Additionally, the comments should describe the status of each code triggered, an explanation of why the code was triggered, what has changed in the status of the property or borrower and details of which property or tenant the event is related.

This document contains best practices for CMBS Special Servicers, Master Servicers, Primary Servicers, Bondholders, Information Providers, Rating Agencies and other users of the Servicer Watchlist to:

1. Understand the application of the PRG criteria
2. Improve the consistency among Servicer Watchlist comments
3. Clarify when loans should be reported on the Servicer Watchlist
4. Provide guidance around the Credit versus Informational classification
5. Improve the amount of information available regarding loans on the Servicer Watchlist

Released March 19, 2014
Effective June 30, 2015

If a specific Servicer Watchlist code is not included in this guide, it was determined that the Portfolio Review Guidelines were sufficient to meet the needs of the users of the Servicer Watchlist and no additional guidance was needed.

INFORMATIONAL VERSUS CREDIT CLASSIFICATION

To increase transparency and still allow users of the Servicer Watchlist to focus on high priority loans, the concept of informational and credit classifications is being introduced with this version of the Servicer Watchlist. PRG criteria are predetermined to default to one classification or the other, with the servicer having the discretion to change the classification at a loan level based on the individual circumstances of that loan. This implementation guideline will provide examples of when this switch would be appropriate. It is important to note that when a loan triggers more than one Watchlist code, if any of the codes default to credit the entire loan should default to credit.

FINANCIAL CONDITIONS

<u>1A Delinquent P&I Payment</u>
Servicer shall add the loan to the Servicer Watchlist as a credit item when the loan has fallen 2 or more payments past due. The Servicer's Watchlist comments should address:

- What is the nature of the delinquency?
- What is the expected date for curing the default?
- What are the steps the borrower taking to correct the delinquency?

Examples of commentary:

1. The subject property is a 216 unit multifamily complex built in 1973 and located in Natchitoches, LA.
   10/23/2013: Loan is on the Watchlist due to 2 or more delinquent payments. Loan is currently delinquent for the September and October 2013 payments totaling $105,701.08 in Regular Payments and Late Charges. Borrower was sent a Demand Letter on 8/16/2013 as well as a Reservation of Rights letter on 08/22/2013, 9/16/2013 and 10/15/2013. Borrower explained that the property experienced 20 vacancies prior to lease end dates which has affected the revenue stream and the ability to meet debt service obligations. Borrower has advised that they are trying to bring the loan current and are seeing an improvement in occupancy. They will endeavor to bring the loan current and improve property operations.

2. The subject property is a four building, single story, 265,589 SF, retail center in Towanda, PA (a rural area of Northeastern PA). Subject was completed in 1994 and is in the main business district for the area.
   10/1/2013: The loan is on the Watchlist due to the August and September payments being delinquent. The Servicer attempted to spring the lockbox due to an EOD in late August. Due to the lack of response from the borrower, the Servicer issued a default letter on 9/20/13. Loan was previously at Special Servicer from 12/12/2011 thru 06/08/2012. Loan was returned as modified with an IO period thru January 2013. Loan began amortizing in February 2013 increasing monthly debt service obligations.

<u>1B Delinquent Taxes</u>
The loan is added to the Servicer Watchlist as a credit item when it is **verified** that the property's **non-escrowed** taxes are 60 or more days past due. Servicer should exercise proper due diligence in verifying the taxes are truly delinquent as in many cases there is a delay in processing tax payments by the county taxing authority. The Servicer's Watchlist comment should address the nature of the tax delinquency, including period and amount past due, steps the borrower is taking to rectify, and date by which taxes and any penalties will be paid in full.

Examples of commentary:

1. Loan collateral is a six property portfolio of single tenant buildings, all occupied by Citizen's Bank. Each property totals 8,000 SF for a total collateral size of 48,000 SF. All six properties are located in the state of New York.
   06/11/2013: Borrower's obligation to make monthly deposits into the Tax Impound Account was previously waived and continued to be waived as long as Borrower delivered to Lender proof of the payment of all taxes and assessments on the Property. Servicer has verified with the local taxing authority that town Taxes are delinquent on the property located in Ramapo, NY. Servicer has escalated the issue to asset management for the consideration of a re-instatement of a Tax Impound Account and is awaiting the decision.

2. Subject is a 48,769 SF anchored shopping center located in Temple Terrace, FL. There are 4 units situated in 1 single-story building that was built in 1999. The property is located on Busch Blvd, a main artery that runs East/West in NE Tampa. I-275 is two miles to the west & the University of South Florida is 1.5 miles to the north.
   09/12/2013 – Loan is currently non-escrowed for taxes. Per Servicer records, county taxes totaling $15,569.38 were due July 2013. Servicer has confirmed with the taxing authority that the tax amount was outstanding as of 09/01/2013. Borrower has been contacted regarding delinquency and proof of payment has been requested.

<u>1C Delinquent or Forced Placed Insurance</u>

The loan is added to the Servicer Watchlist as an informational item when it is verified that the property or liability coverage is more than 60 days past due or as soon as forced place insurance policy is implemented for coverage. The Servicer's Watchlist comment should address the nature of the insurance lapse, date forced placed coverage was put in place, and steps the borrower is taking to have their own coverage in place.

Examples of commentary:

1. Subject property is a mobile home park located in Cross Lanes, WV. The property consists of 135 units/pads and was built in 1984.
   10/14/2013 - Loan is on the Watchlist for forced place business income insurance. As of June 2013 the insurance for Business Interruption/Loss of Rents was force placed. FP Insurance premium is paid monthly. Borrower disputes need for FP insurance and states adequate insurance coverage is in place. Once borrower has provided proof of coverage for business interruption/loss of rents or receives a waiver for the necessity of the coverage, forced place coverage will be removed.

2. Subject property is an 11,775 sq ft retail center located in Sugarland, Texas and built in 2006. The subject is located twenty miles southwest of downtown Houston, near two major thoroughfares.
   08/07/2013: Loan is non-escrowed for insurance. Servicer was notified by insurance carrier of lapse in coverage due to non-payment. Forced placed insurance in place and Servicer continues to work with the borrower to rectify this situation in the next 30 days.

<u>1D Outstanding Servicing Advances</u>

The loan is added to the Servicer Watchlist as a credit item if there remains an outstanding servicing advance of greater than $10,000 in aggregate for 30 days or more. The Servicer Watchlist comments should include the amount of the advance for Taxes, Insurance, and/or Property Protection Advances, anticipated repayment date, and a running monthly update of the balance until such balance falls below $10,000 in aggregate.

Examples of commentary:

1. Property is an office building secured by Alliance Data Systems. The building is 76,350sf built in 2007 and located in Ennis, TX.
   07/08/2013: Master Servicer advanced $66,830 for Insurance premiums and $175,066 to pay Tax invoices in November 2012. Master Servicer sent correspondences to the Borrower regarding the shortages. In

addition, a new escrow analysis was completed in December 2012. Master Servicer plans to recover the funds advanced in a three to four month time frame. Upon receipt of the November 2013 payment, the shortage will be recovered and the loan will be removed from the Watchlist.

2. The loan is secured by a 4-unit, two-story 27,000 SF office building built in 2001 and located in southwest Houston, TX. The largest tenants include USA Printing (48% GLA, 9/30/2016 exp.) and Southern Chinese Newspaper (33% GLA, 9/30/2016 exp.).
   10/8/2013: Master Servicer advanced $20,473.53 on 07/30/2013 for insurance premiums. Master Servicer has sent correspondences to the Borrower regarding the shortages. With current monthly insurance escrow payments, Servicer will recover all advance funds within a 3-4 month timeframe. Loan is scheduled for an escrow analysis in February 2014.

<u>1E Fixed Rate DSCR Trigger</u>
The loan is added as a credit item to the Servicer Watchlist for a DSCR <1.10 or ≤ 1.20 for Healthcare and Lodging. NCF should be used for determining the DSCR trigger calculation to insure consistency from Servicer to Servicer. Watchlist commentary should include current NCF DSCR, prior YE NCF DSCR, and UW NCF DSCR if relevant. Occupancy should also be notated. A complete and informative comment should address the following questions regarding the property's performance:

General	What is the cause of the decline in DSCR? What are current market conditions? What steps have been taken to control expenses and increase revenue? How is the property marketed? Is there an on-site property manager? 3rd party mgmt? What are plans to improve property performance?
Multifamily	How do rates compare to the market/competition? Are concessions being offered? What type? Are there any renovations underway?
Retail/Office/Industrial	Are there any potential tenants? What size/types of space are the prospective tenants looking to rent? Are there any abatements?
Lodging	What are Occupancy, ADR, and RevPar? When is the high time of the year? What is the customer base/mix? Are there any renovations underway? Are there any issues with the flag? When does the flag expire? Is there a PIP?

There may be circumstances where the loan has triggered to the Watchlist but there are clear underwriting mitigants in place that alleviate the risk and warrant an *informational* classification rather than *credit*.

Examples of credit commentary:

1. This loan is secured by a 110,710 SF anchored retail center located in Bluffton, SC & built in 1999. The 3 major tenants, Old Navy, Bed Bath & Beyond, & Marshalls, account for 79,710 SF (72% NRA).
   09/05/2013 - YE 2012 DSCR decreased to 0.85x from 1.14x at YE 2011. YTD6 2013 reflects DSCR of 0.89x. Occupancy is reported at 100%; however, significant tenant changes and free rent occurred at the property during the first six months of 2012. Old Navy downsized from 25K SF to 17.3K SF with tenant Palmetto Moon (7.7K sq ft, 6.9% GLA) taking the space relinquished by Old Navy. Palmetto was given some rental abatements as incentive. Secondly, three tenants (total of 9K SF, 8.1% GLA) vacated, however, they were replaced by tenant Ulta Salon, who signed a ten year lease. As with Palmetto, the salon was given some rental concessions as incentive. Finally, Jockey (4K sq ft, 3.6% GLA) vacated in January 2012

but was replaced by tenant Direct Tools Outlet in March . In addition to all the tenant changes and rental incentives, the subject loan began amortizing in August 2011. The property manager remains confident in the property, stating that strong national tenants make up the 100% occupancy and that the local economy is still recovering. Management states that rental rates are in line with the Hilton Head market and that the property benefits from strong positioning around highly trafficked commercial space.

2. The subject property is a neighborhood shopping center located just west of downtown Pueblo, Colorado. The center was originally built in 1961 and most recently renovated in 2006. The largest tenant is ARC Thrift Stores (exp. 6/30/16) occupying 40,000 sf.
   08/08/2013 - YTD6 2013 DSCR has increased from 0.80x at FYE 12 to 1.03x while occupancy has increased from 60% as of April 2013 to 64% as of July 2013. Occupancy increased in Q2 2013 due to the addition of multiple small tenants. Monthly rental income (including CAM reimbursements) is reported at $64,044.87 on the July rent roll. Property management states that overall leasing remains slow and that they have recently hired a new broker to market the space but there are no prospects at this time. Management also expressed that there is excess supply in the market, which has put downward pressure on rates in an already weak economy. Property rates are currently in line with the market.

Example of informational commentary:

1. Loan collateral is 5 industrial properties located in New Jersey. Four of the properties are located in Piscataway and one is located in New Providence. Total SF of all five properties is 303,192 SF. Loan was U/W with annual NOI of $3,656,990, NOI DSCR of 1.50x and NCF DSCR of 1.39x.
   09/03/2013 – YTD6 2013 reflects a SUM level NCF DSCR of 0.99x and combined occupancy of 98.43%. NCF DSCR at YE 2012 reflected 1.02x. Major tenant, XXXXXX, occupying 61,224 SF (70% of GLA at 140 Centennial and 20% of total portfolio GLA) took occupancy in October 2012. Lease terms included free rent for the first 12 months of the lease. U/W reflects a full year rental income from tenant XXXXX. At closing, $860,053 in free rent was held back from loan proceeds and is being disbursed monthly to borrower during the free rent period. If the $860,053 in annual rent per the lease for tenant XXXX was included as income for the 140 Centennial Ave. property, DSCR for YE 2012 would be 1.18x for Centennial and 1.37x for the overall portfolio which is consistent with U/W. If the amount equal to 6 months of disbursements from the rental abatement reserve for tenant XXXX of $428,568 were included as revenues for 140 Centennial Ave. as of YTD6 2013, DSCR would be 1.27x for 140 Centennial and 1.34x for the entire portfolio.

<u>1F Fixed Rate DSCR compared to Underwriting DSCR</u>

The loan is added as an informational item to the Servicer Watchlist when current NCF DSCR is ≤ 75% of the UW NCF DSCR provided that the current DSCR is <1.40. NCF should be used in determining the DSCR trigger calculation for both current and UW in order to insure consistency from Servicer to Servicer. Watchlist commentary should address the same aspects as the 1E trigger above. It is important to note that even though the property may be performing above a 1.10 (or 1.20 as applicable); its performance has deteriorated enough from original underwriting to cause concern regarding a declining performance trend.

Examples of commentary:

1. Property is a 74 unit apartment complex located in Stephenville, TX. This is about 70 miles SW of Ft. Worth. Complex is approximately two miles from Tarleton State University.
   10/01/2013 - YTD6 2013 DSCR was 1.10x, up from 1.09x at YE12. Occupancy as of 6/30/2013 improved to 96% from 88% at YE 2012. Loan was U/W with DSCR of 1.52x. Per unit rental rates are down slightly (1.3%) when compared to the same period in 2012. EGI is down 6.4% on an annualized basis while operating expenses are down 10.7% annualized. The Borrower has stated that they have remained conservative in their pricing; however, they have established that the market has improved, as a result, they hope to have the ability to increase their lease rates.

2. The subject property is an 113,215 SF retail building consisting of various Tenants, built in 1988, located in Los Angeles, CA.
   08/05/2013 – YTD6 2013 NCF DSCR is 1.26x at 84.52% occupancy. Year over year EGI increased $102k or 10% and TOE increased $71k or 16%. Leases totaling 62,906sf (55% of GLA) expired in 2012. Per the Borrower, the on-site manager was able to secure 3-year lease extensions for most of the first floor Tenants. These leases run through 2015 and account for 10% of the GLA that had expired. The Tenants that are on a month-to-month tenancy have not indicated their intentions. The Property is being marketed by a broker in the form of ads, internet postings, and pamphlets including signage at the building. Concessions are offered to Tenants who sign a long term lease (3-yr term). Borrower further states that concessions being offered at the subject are in-line with market and conditions in the area are still poor and extremely competitive. Most of the Tenants that have been at the building for many years prefer to continue leasing on an M-T-M basis rather than being locked into long term leases.

<u>1G Floating Rate DSCR Trigger</u>

The loan is added as a credit item to the Servicer Watchlist for a floating rate loan when the DSCR is <1.0 and < 90% of NOI "in place" as of UW. NOI is to be used determining the DSCR trigger calculation for both current and UW DSCR.

Examples of commentary:

1. The subject property is a 5 building office project totaling 200,319 sf consisting of one one-story building, three two-story buildings, one twelve-story building and a five story parking garage along with a surface parking lot located in San Mateo, CA. The property was constructed in 1972-1974 and has undergone significant upgrades in 1997-1998 along with 2007-2008.
   10/14/13: Loan is a floating rate loan. YTD6 2013 reflects an NOI DSCR of 0.20x compared to YE 2012 NOI DSCR of 0.50x. Per the August 2013 Rent Roll, total occupancy has held steady at 58%. Buildings A and D of the property are 100% vacant. In March of 2013, the Borrower proposed selling Building A which would lower the expenses an estimated $9psf. Sale of the building was placed on hold while the Borrower worked on dividing the property into separate tax parcels. The Condo Map has been approved by the Special Servicer and is the process of being recorded. The Borrower is marketing the entire property for sale and is currently negotiating a sale contract. Borrower is working with the Special Servicer on this proposal.
   There is a substantial interest reserve which can carry the loan for several months if needed.

2. The subject property is a retail condominium totaling 27,807 sf along with a 170 space parking garage located in Chicago, IL. The property is one block north of Skinner Park.
   10/14/13: Loan is on the Watchlist as a result of DSCR being below 1.00x (0.29x as of YTD6 2013). According to the June rent roll, the property is now 100% occupied. With the rent commencement of the Gardner School, the DSCR will increase to be more in-line with the underwritten 1.31x. The loan is currently cash managed with a hard lockbox and is showing excess cash at this point.

<u>1H Defaulted or Matured Liens</u>

Loan is added to the Servicer's Watchlist as a credit item for defaulted or matured senior lien and/or mechanics lien in excess of 5% of UPB or defaulted, matured, or discovery of previously undisclosed, subordinate lien including mezzanine debt without lender consent.

Examples of commentary:

1. Loan collateral is a 30 story office building located in New York, NY totaling 452,000 SF. At closing, the total debt consisted of $95MM of which $80MM was securitized in this deal. The remaining $15MM consisted of a B Note that was not securitized.
   10/02/2013 – Servicer became aware of additional mezzanine debt totaling $8MM that was secured by the borrower with this property as collateral. Per the Loan Agreement no additional debt was allowed without

the prior consent and approval of Master Servicer on the $80MM A Note. Master Servicer has contacted borrower regarding this event of default under the loan docs.

2. Loan collateral is a 10 story apartment building located in Los Angeles, CA. The property was built in 1998 and consists of 51 units.
   09/15/2013 – Property has a mechanics lien of $2MM outstanding on an UPB of $25MM. The central air conditioning at the property was replaced in its entirety in early 2013. The contractor claims payment default by the borrower and has filed suit seeking payment for services rendered. Loan is non escrowed with no reserve funds in place.

<u>1I Failure to Submit Required Financials</u>
The loan is added as an informational item to the Servicer Watchlist when the borrower fails to submit financial statements as dictated by their loan requirements for 4 consecutive quarters. The Servicer Watchlist comments should include the last quarter and YE submitted (if any), the DSCR and occupancy percentage at the time, general Servicer collection efforts, any late payments over the prior 12 months and last Inspection rating.

Examples of commentary:
1. Loan collateral is a 48,000 SF retail center located in Joliet, IL. The property was built in 1995 and renovated in 2007. Loan was U/W with NCF DSCR of 1.45x and occupancy of 98%.
   10/17/2013 – Per the loan agreement, borrower is to submit quarterly and annual financial statements and rent rolls to Servicer within 45 days of each quarter end and within 90 days of each fiscal year end. Servicer has not received any quarterly or annual financial statements or rent rolls since YE 2011. YE 2011 reflected an NCF DSCR of 1.35x with occupancy of 95%. Per the 12/31/2011 rent roll, the property had 4 tenants each with an expiration date in 2019 or beyond. Servicer has sent reminder and delinquent financial reporting letters to the borrower on multiple occasions. Borrower has also been contacted via e-mail and phone. Last inspection was completed in March 2013 and indicated an overall rating of 3 with no deferred maintenance noted. Borrower did not provide a rent roll to Inspector at the time of inspection. Loan has never been delinquency for P and I payments. Loan is currently amortizing with a maturity date of 2017.

BORROWER ISSUES

<u>2C Occurrence of a Servicing Trigger Event</u>
Trigger events that start the establishment of a credit enhancement to the underlying loan are almost always a credit issue and would warrant disclosure on the Service Watchlist as a 2c event. The Servicer Watchlist comments should include details about what trigger event has occurred and what steps the Servicer has taken in response to the event. Discretion should be used to remove items from the Servicer Watchlist for trigger events noted in the loan documents that have little to no effect on the performance of the loan. For example, a common event is the borrower’s failure to deliver financial statements to the servicer. This alone would not warrant a servicer to put a loan on the Servicer Watchlist as a 2c event.

Examples of commentary:
1. The subject property is a mixed use (Multifamily/Office) property containing 25 rentable units, located in Jersey City, NJ. The property was originally built in 1924 and renovated in 1999. The occurrence of a servicing trigger event has occurred as per the Loan Docs. Per Reserve Agreement, borrower is required to deposit additional reserves following the vacation of tenant "Academy House". The named tenant vacated in Q1 2012 prior to their original lease termination date in June 2013. To date, borrower has only deposited a portion of the required reserves and servicer continues to work with borrower for the remaining amount. YE 2012 reflects NCF DSCR of 1.15x which is down from YE 2011 DSCR of 1.29x and 1.45x NCF

DSCR at UW.

2. The subject property is a 12,000 SF single tenant office building occupied by ADT Security Systems. Tenant's lease expired on 5/31/2013. Per the loan docs, borrower was required to deposit $250,000 into a TI reserve account if tenant had not renewed by 12/31/2012. A Cash Management event has occurred due to borrower's failure to fund the appropriate TIs required in regards to non-renewal of the tenant. YE 2012 DSCR was 1.41x compared to YE 2011 of 1.39x and U/W NCF DSCR of 1.45x.

<u>2F Operating Licenses or Franchise Agreement Default</u>
Evaluation of the notice of default or termination letter should be considered when determining the appropriate credit versus informational category. Affirmative action by the Licensor or Franchisor to move to cancel or terminate the license or agreement should be disclosed in the comments of the Servicer Watchlist with the anticipated borrower remedies, if any. Notices associated with a cure period where the servicer has a reasonable belief that the occurrence will be remedied should be placed on the Servicer Watchlist as an informational item. Examples of these notices would include issues associated with employee training, inspection or customer satisfaction surveys. However, repeated notices of failures of inspections (3 in a trailing 12 month period) should be reported using a 2F Trigger Code and be reported as a credit event as this is typically an indication of a larger problem at the property.

Examples of commentary:

1. Subject property is a 240,525 SF retail property located in Allen, TX. Property contains multiple anchor tenants which have all been in place since loan origination. Tenant A has an operating license expiring on X date. Servicer contacted borrower on XX/XX/2013 to inquire about renewal of operating license. Borrower indicated they are working on renewing license and will provide Master Servicer with updates as they become available. Borrower currently anticipates having the license renewed by XX/XX/2013.

2. DSCR test for the property failed to achieve a minimum DSCR threshold of 1.00x, for the period ended 12/31/2012. According to the loan documents, the Franchise Agreement could be terminated due to minimum threshold DSCR not being met. Servicer has sent a letter to borrower on XX/XX/2013 requesting current status of Franchise Agreement. Per the loan docs, if DSCR threshold is not met and Franchise Agreement is terminated, Master Servicer will implement cash management.

<u>2G Bankruptcy of borrower/owner or guarantor</u>
As soon as the Servicer becomes aware of a bankruptcy filing of a borrower, owner or guarantor, the loan should be placed on the Servicer Watchlist and coded as a credit item. However, when the entity filing bankruptcy has a minority role in the property/loan such that their bankruptcy is expected to have little to no impact on the financial performance of the property/loan, the Servicer should use their discretion and not place the loan on the Servicer Watchlist. An example of this would be a TIC where there are a many participants and one of the participants that have a minority interest files bankruptcy. The Servicer would not place this loan on the Servicer Watchlist as this participant's bankruptcy is not likely to impact the financial performance of the property/loan. Additionally the loan classification could be changed to informational if the Servicer felt the bankruptcy required disclosure, but unlikely to affect the performance of the property/loan.

Examples of commentary

1. The subject property is a 4-story, 41,350 SF multi-tenant office building located in the Professional Office Park in southeast Charlotte, North Carolina. This submarket, located around Park Mall, features some of the highest priced homes in the region, and is considered the most prestigious suburban submarket in the Charlotte MSA. The Professional Office Park is a highly visible development consisting of 5 office buildings (including the subject) totaling 95,394 sf. TheOffice Park is 100% built out. The subject property represents 43.3% of the office park. Master servicer received a letter from the carve out guarantors on

9/17/09 stating that they have filed for personal protection under Chapter 11 of the US Bankruptcy Code. The borrower denied Master Servicer's request for an additional carve out guarantor.

2. Loan collateral is a 160 unit multifamily complex located in Henderson, NV. The property was built in 1995 and renovated in 2008. Loan was U/W with NCF DSCR of 1.47x and 96% occupancy. Most recent NCF DSCR reported was as of YE 2012 which reflected 1.25x with property occupancy of 88%. Loan Guarantors have filed for Chapter 7 bankruptcy and the situation is being monitored by the Master Servicer.

PROPERTY CONDITIONS

3A Poor Inspection

The loan is added to the Servicer Watchlist whenever the inspection reveals a poor condition or if the property is not accessible, which would typically be due to a borrower refusing access to the inspector/servicer. Watchlist comments should include a description of the issues as well as actions taken by the Servicer and borrower responses.

Examples of commentary:

1. The Poor Inspection dated 7/24/2013 has deferred maintenance items including peeling paint on windows, degraded tuck pointing, damaged wood on porches, cracked asphalt with numerous potholes, poor hallway paint, kitchen cabinets in poor condition and possible peeling asbestos on an old boiler and piping. A letter was sent to the borrower on 11/10/13 asking for updates, borrower has yet to respond.

2. The Poor inspection dated 5/13/2013 has many items of deferred maintenance. The items are as follows: smoke alarm missing from unit 15, large tree limb leaning on south side of roof and rubbing a hole in the shingles, door to the electrical room is missing, several potholes in middle of parking lot, six vending machines are stored in middle of parking lot, non-working car with expired tags in parking lot, used oil in middle of parking lot, car tire left in middle of parking lot as well as a car battery and debris on east side of property. The borrower responded to our 7/12/2013 letter and stated that he would take immediate action to correct the items. A follow up inspection has been ordered to confirm repairs.

3B Property affected by life safety issue or potentially harmful environmental issue

The loan is added to the Watchlist whenever the Servicer becomes aware of an inspection of life safety issues or potentially harmful environmental issues. Watchlist comments should include a description of the issues as well as actions taken by the servicer and borrower responses.

Example of commentary:

1. Per most recent inspection dated 5/20/2013 property was rated as fair. Inspection noted deferred maintenance item with a safety issue: Mold on ceiling in shower of unit 203. Servicer is sending deferred maintenance letter to borrower to address these issues.

2. The subject property is a 65 unit multifamily garden style apartment complex built in 1979 and located in Porterville, CA, approximately 70 miles north of Bakersfield, CA.
   11/09/2013 - The loan is on the watchlist due to major deferred maintenance reported on most recent inspection. The annual property inspection was conducted on 2/22/13 and found the property to be in normal condition for its age and market. However, several deferred maintenance issues were noted including one life safety concern:
   Unit 162's balcony is falling due to wood rot.
   Servicer issued two letters of deferred maintenance and contacted the borrower via e-mail and phone requesting borrower's remediation plan. Borrower received three quotes in October 2013 from external parties to perform needed repair work on the balcony. The borrower has selected a company to perform the repairs which are currently scheduled for the first week of December. Once repairs are completed, invoices and photos will be supplied to the Servicer as evidence of remediation.

3C Property affected by major casualty or condemnation proceeding affecting future cash flows

The loan is added to the Watchlist whenever the Servicer becomes aware of a casualty or condemnation equal to the lesser of 10% of UPB or $500,000, however the $500,000 threshold is at the servicer's discretion as it may not be relevant depending on the size of the loan. For example, $500,000 may potentially be considered insignificant on a loan with UPB of $600,000,000.

Initially placed on the Watchlist as a "credit" issue. It is to be changed to "information" once all of the following three criteria occur: 1) Insurance or condemnation money has been paid 2) Repair work has started 3) Servicer determines it is not a cash flow risk.

Watchlist comments should include: the nature of the event, what occurred and when; the dollar amount of damages or condemnation; status of repairs (if applicable) and estimated time until completion.

Example of commentary:

1. The property was impacted by Hurricane Sandy on 10/29/2012. Per borrower, it will be some time before a full assessment can be completed. The borrower states the tenants are able to operate their businesses or to reoccupy their spaces and that City engineers are pumping water from the basement levels of the building. Borrower has advised they plan on paying the Nov and Dec payments. Also, per borrower, no one is allowed to reenter the premises until the City of New York gives grants authorization which is estimated to be done in 3-6 weeks. The borrower estimates it will be a minimum of four months before all repairs are completed.

2. On 7/15/2013 the City notified the borrower that the street in front of the apartment complex will be widened and the City intends to condemn 110 feet of the borrower's property along the street. The proposed condemnation plan calls for demolition of one of the four apartment buildings at the facility. Compensation of $1,800,000 is being offered, which will involve lender consent. Borrower has engaged legal counsel and is exploring options. The current unpaid balance of the loan is $6,319,000. The borrower is unsure how long the process will take.

LEASE ROLLOVER, TENANT ISSUES and VACANCY

4A Occupancy Decrease (excludes lodging)

The loan is added to the Servicer Watchlist as a credit item when occupancy has dropped by more than 20% from Underwriting for fixed rate loans or 10% of in place tenants as of Underwriting on floating rate loans. In addition to these criteria, Multifamily property types will be added to the Servicer Watchlist for occupancy decrease if the occupancy has dropped below 80%. The primary source of occupancy is the most current borrower Rent Roll or Operating Statements. Occupancy observed during inspection should not be considered for adding/removing the watchlist trigger. Underwriting occupancy is generally taken from the Annex to the Prospectus Supplement or similar source. The Servicer Watchlist comments should include: the percentage decrease from underwriting; detailed tenant vacancy leading to the decrease, supported by rent roll dates, sq. ft. /Units; market information and re-leasing progress sourced from the borrower; Vacancy trends for long term issues; Pre-lease projections should be included on student housing property types.

Examples of commentary:

1. Per the 3/31/2013 rent roll, the property was 67% occupied, compared to 94% at underwriting. Occupancy decreased from 89% on 01/01/2013 to 67% on 04/01/2013 due to tenant BT Counterpane Internet Security (17,488 sf, 22% NRA, $15.24/sf) vacating at lease end date of 03/31/2013. Average rental rates decreased

from $13.80/sf on 03/31/2012 to $13.56/sf on 03/31/2013. On 7/18/2013, the borrower stated that the local market continues to rebound and leasing activity has started to improve over the last six months. They have two LOI's from prospective tenants for 10,000 sf and 15,000 sf, which if finalized will bring the property back up to near 100% occupied. Current asking rates are in-line with market rates and concessions of up to one month free rent per year of lease term may be offered, consistent with market. The property is marketed by a third party broker via CoStar, LoopNet, weekly email blasts to the local brokerage community, cold calls and signage at the property.

2. Per borrower reports, occupancy declined from 84% at YE10 to 77% at YE11, and further declined to 71% at YE12. Occupancy per the 6/30/13 rent roll was 68%, compared to 89% at underwriting. The borrower has stated that the local economy continues to struggle and has not seen the improvements that many other markets have benefited from. Current asking rates of $635 for 1 bedroom units and $690 for 2 bedroom units are slightly lower than the competition due to the smaller unit size and age of the community. The property is marketed by Apartment Finder, Craigslist, signage and resident referral incentives.

4C Major Tenant Expiring

The loan is added to the Servicer Watchlist as a credit item when a single tenant occupying greater than 30% lease expires within the next 12 months for >= $30 Million loans or 6 months for < $30 Million. The borrower Rent Roll is the source of tenant lease expiration date or borrower notification in the case of early tenant vacating. Trigger release based on a new lease with reduced occupancy, will be supported by a new Rent Roll. The Servicer Watchlist comments should include: Tenant description with Sq. Ft. / percentage NRA/ lease expiration date; co-tenancy language and effects; market information and re-leasing progress sourced from the borrower.

Examples of commentary:

1. The rent roll dated 9/30/2013 indicates that NH, which occupies 41,250sf or 35% NRA, has a lease which is scheduled to expire 2/28/2014. The borrower has notified Servicer that this tenant will vacate upon their lease expiration. The local market continues to improve and the borrower is actively marketing the space through outside brokers.

2. Regional Hospital, which occupies 35,233 sf or 35% NRA, has a lease that expires 1/31/2014. The borrower is negotiating a lease renewal with this tenant but has not yet finalized the terms. The borrower has indicated the renewal will be for a ten year term with increased rental rates.

4D Top 3 Tenants Expiring

The loan is added to the Servicer Watchlist as a credit item when the combination of top 3 tenants with lease expirations within the next 6 months, and that individually occupy at least 5% of NRA and cumulatively occupy greater than 30% NRA. The borrower Rent Roll is the source of tenant lease expiration dates. The Servicer Watchlist comments should include: Tenant descriptions with Sq. Ft. / percentage NRA/ lease expiration date; vacancy status; market information and re-leasing progress sourced from the borrower.

Examples of commentary:

1. B&S Staffing LLC, which occupies 3,000 sf or 14% of NRA, has a lease which is scheduled to expire on 11/30/13; Fine Photography, which occupies 2,800 sf or 13% of NRA, has a lease which is scheduled to expire on 11/30/13; Green & Co., which occupies 1,550 sf or 7% of NRA has a lease which is scheduled to expire on 12/31/13. The borrower received notification from Green & Co. that they will be vacating upon their lease expiration date. A five-year Lease renewal has been signed with both B&S Staffing and Fine Photography.

2. A-Z Solutions, which occupies 3,618 sf or 12% of NRA, has a lease which expires on 11/30/13; B Wireless, which occupies 3,618 sf or 12% of NRA had a lease which expired on 09/30/13 and W Engineering Inc., which occupies 1,809 sf or 6% of NRA, has a lease which is scheduled to expire on

01/31/2014. On 11/01/13 the borrower responded that B Wireless has vacated the property and A-Z Solutions is renewing the entire 3rd floor and adding 3,618 sf on the 2nd floor that was previously occupied by B Wireless. The borrower is working on a lease renewal for W. Engineering Inc. , but do not expect renewal to be signed until the end of the year.

4E Bankruptcy of Licensee, Franchisor, or Top 3 Tenants

As soon as the Servicer becomes aware of a bankruptcy filing of Tenant(s), Licensee or Franchisor occupying > 30% NRA, the loan should be placed on the Servicer Watchlist and coded as a credit item. The bankruptcy process is slow with intermittent releases of information causing comments to become stale or tedious. Efforts should be made to provide relevant updates to the Watchlist to reflect the bankruptcy status and resolution as they become available. The Servicer Watchlist comments should include: initial bankruptcy information; tenant descriptions with Sq. Ft. / percentage NRA/ lease expiration date; vacancy status, market information and re-leasing progress sourced from the borrower; status of bankruptcy resolution.

Examples of commentary:

1. On May 2, 2008, Linens Holding Co. operating as Linens 'N Things (LNT), a leading home furnishings specialty retailer announced that they filed a voluntary petition for Chapter 11 Bankruptcy protection. As part of their financial restructuring strategy, LNT intended to close 120 underperforming stores. LNT is a major tenant at this property, occupying 36,000 sf or 55% of the NRA, with a lease expiration date of 8/31/2014. As of the filing date, the LNT at this property is not included on the store closing list. On October 7, 2008, LNT asked the Bankruptcy Court for permission to liquidate its remaining stores, including the store located at the subject property. The borrower expects LNT to vacate on 12/31/08 and is currently marketing the space through a third party leasing broker. The space has been toured by several prospective tenants but no firm commitments have been received at this time.

2. On Sept 23, 2010, Blockbuster, Inc. filed for Chapter 11 Bankruptcy protection. Blockbuster is a major tenant at this property, occupying 3,500 sf or 41% of the NRA. If the store were to close, occupancy would drop to 42%. The borrower has received an indication that Blockbuster will keep this store open and they are negotiating a possible restructure of the lease. However, the borrower advised that they are also marketing the space in the event that they can't reach an agreement.

4F Major Tenant Default, Terminated or Dark

The Servicer shall add the loan to the Servicer Watchlist as a credit item when it becomes aware that a tenant occupying >30% NRA lease is in default, terminated or dark. The Servicer Watchlist comments should include: tenant descriptions with Sq. Ft. / percentage NRA/ lease expiration date; vacancy status, explanation of tenant issues/default; market information and re-leasing progress sourced from the borrower.

Examples of commentary:

1. This loan is secured by a 100,000 sf retail center built in 1989. On 11/1/2009, Food World which occupies 68% of NRA, vacated the leased space at the property prior to their 12/31/2012 lease expiration date. Due to the downturn in the local economy, the remaining tenants at the property have notified the borrower they are exercising their co-tenancy clause and requesting a reduction in their rents.

2. This loan is secured by a 55,000 sf single tenant retail building. Per the borrower, Best Buy vacated the property prior to their 06/30/2013 lease expiration date. The space remains dark and the borrower is aggressively marketing the space but does not have any potential prospects at this time. Local market conditions have driven lease rates down but the local economy has not rebounded to the point to increase traffic in the area.

MATURITY

5A Pending Maturity or ARD

The loan shall be added to the Servicer Watchlist as a credit item when the maturity date or ARD date is <90 days from the maturity date. Fully amortizing loans are excluded from the Watchlist due to the absence of refinancing risk. The Servicer will hold ARD loans on the Watchlist for three payments after the ARD date to monitor requirements under the borrower loan documents. The Servicer Watchlist comments should include: specify if maturity or ARD loan and date; describe any extensions available; ARD loans: describe conditional requirements when not paying off and the status; borrower update, commitment letter received, lender rejections.

Examples of commentary:

1. This loan is scheduled to mature on 12/01/2013. The borrower has secured financing and is expected to pay-off the loan upon or prior to the maturity date. A commitment letter has been provided.

2. This loan has an ARD date of 12/01/2013. The borrower is not planning to pay-off the loan upon the ARD date. The borrower has executed a Cash Management Agreement and is in compliance with all post ARD requirements per the loan documents.

3. Subject property is a 119,614 sq ft. retail center, located in Pleasanton, California. Property was renovated in 2002.
   9/27/2013: Loan has an upcoming maturity date of 12/01/2013. Borrower has already requested to pay off loan by maturity. As of YTD06 2013, the DSCR (NCF) was 1.26x with an occupancy of 97%.

4. The loan is secured by 96,512 SF retail property located in Chicago, IL and built in 2001.
   9/27/2013: Loan has an upcoming maturity date of 11/01/2013. Borrower will be paying off by maturity. As of YTD06 2013, the DSCR (NCF) was 2.18x with an occupancy of 91%, compared to 2.04x and an occupancy of 100% at YE 2012.

5. The subject property is a single tenant office building with 102,315 square feet. Built in 2001, the property is in average condition.
   09/10/2013: YE 2011 DSCR was 1.63x, with 100% occupancy, which is in line with YE 2010 performance. Loan had an ARD of 03/11/2012. The Borrower did not pay off on the scheduled date. Servicer has implemented all remedies as afforded in the loan documents. The loan is hyper-amortizing.

OTHER

6A Any other situation that indicates increased default risk or loss

The loan is added to Watchlist based on Servicers discretion, which allows for reporting on situations that are unique and not readily defined. Also the loan is to go on the watchlist for three delinquencies in a trailing 12 month period (excluding grace days). This should be noted as a credit issue. Care should be taken to ensure that the loan is truly delinquent as some deals may have reporting dynamics such that a portfolio appears to be delinquent although it is not. Comments are to include: a description of why the loan is on Watchlist, what the borrower’s intentions are and any other pertinent information the reader may be interested in.

Example of commentary:

1. The borrower made three delinquent payments in the last twelve months. Borrower states the local economy has improved and he anticipates keeping the loan current going forward.

2. Citigroup originated $20.5MM loan ($152K per key) secured by the Courtyard Century City. The 135 room hotel is located in Century City (Los Angeles), CA. The property was constructed in 1988 and was renovated in 2006 just prior to the loan's origination. The property is flagged by Courtyard. 10/24/2013 - Marriott issued the Borrower a Franchise Default Notice dated 8/22/2012 due to the Borrower's failure to maintain the required Guest Survey Satisfaction Scores. On 2/22/2013, Marriott

issued a follow up letter stating the default had been cured; however, the Borrower is still in Marriott's "Yellow QA Performance Zone". Per the Borrower, the low GSS scores resulted from an $800K lobby/bistro renovation which caused serious inconvenience to the guests. The lobby/bistro renovations are complete. The Borrower is currently in the process of doing $1.3MM in room renovation work which is expected to be complete by May 2014. The Borrower believes this renovation will be less disruptive to the guests and will not impact the GSS scores to the degree the lobby renovations did. The property remains in "Yellow QA Performance Zone" as of a September 2013 letter from Marriott. Property performance of 2.43x as of YTD6 2013 compared to 2.21x as of YE 2012.

3. The subject property is a 590,022 SF industrial building located in Indianapolis, IN. The building was built in 1960 and renovated in 2006. The property is comprised of nine units on two floors. The surrounding area is densely populated with similar buildings.
   10/25/2013 - Borrower was required to send notice to Lender if tenant XXX (100,551 sq ft) provided notice of termination. Tenant XXX notified borrower on 2/27/13 that they would be terminating. Lender was not notified of this termination until 7/27/13. Cash Management has been implemented and excess cash is being held by Lender. As of YTD06 2013, the DSCR (NCF) has decreased to 1.25x compared to YE 2012 1.75x.

RETURNED LOANS

<u>7A Loan has been returned from the Special Servicer</u>

Loans are to be added to the Watchlist for three months after being returned from the Special Servicer as a corrected mortgage. During this period, other Watchlist triggers aren't applicable if they're based on information prior to the date the loan was returned to the Master Servicer (such information is considered outdated and stale).

Example of commentary:

1. Loan returned from special servicing effective 10/25/2013 as a corrected mortgage.

<u>7B Loan modifications, interest shortfalls and WODRA repayment periods</u>
The loan is added to the Watchlist for any of the following three conditions:

1. Loan modifications where a B note was created
2. Cumulative interest shortfalls
3. WODRA repayment periods.

Comments are to provide a condensed summary on why the loan was in Special Servicing as well as what the modification was. These comments will likely not change while the loan is on Watchlist.

Example of commentary:

1. 10/9/2013 - The loan recently returned from Special Servicing as a corrected mortgage loan. As of 6/30/13, the DSCR was 1.22x and the property was 90% occupied. The loan is secured by a super-regional mall, built in 1989 and renovated in 1998, containing 1,579,457 SF located in Philadelphia, PA. The loan sponsors are Simon Property Group and Farallon Capital Management LLC. The loan basis at origination was $184 PSF. The loan was originally structured as a $290 mm first mortgage loan with $174 mm A-1 Note in JP LDP 11 (full term interest only) and $116 mm A-2 Note in GG10. UW DSCR was 1.22x. The loan was modified 11/21/2012. The loan was split into $200MM of A Notes ($120MM A-1 Note & $80MM A-2 Note) and $90MM of B Notes ($54MM B-1 Note & $36MM B-2 Note). The rates on the A Notes are dropped to 0% until Oct 2013, when rates will increase to 5.65%. During the period 10/1/2013-6/1/2017, the Borrower is only required to make A Note interest only payments at a rate of 4.5%, with the remaining 1.15% interest accruing. For the period 7/1/2017 - maturity the Borrower will make A Note

payments at a rate of 5.65%. The Borrower will make payments into the Equity Reserve equal to 5.65% of the A Notes' UPB's during the prior the loans' interest rates are reduced to 0%. The B Notes will accrue interest at 5.65%. The maturity is extended to 6/1/2019. The vacant anchor space was sold to Walmart, resulting in $11,814,597.65 of sales proceeds being applied as principal curtailments to the A Notes ($7.1MM to A-1 Note & $4.7MM to A-2 Note).

2. 10/9/2013 - The loan recently returned from Special Servicing as a corrected mortgage loan. Property consists of two office buildings located in Chicago, IL; One and Two Prudential Plaza. One Prudential was originally built in 1955 and renovated in 1990, and Two Prudential was built in 1990. Total square feet for the two buildings is 2,196,342. DSCR at UW was 1.47x and occupancy was 85% at loan closing. Loan was returned from Special Servicing October 2013. A loan modification was executed in June 2013 that involved the following: split of both the A & B Notes with interest being deferred on the B Note and the A Note pay rate being reduced by 3% through June 2016. The loan now has extension options beyond 2016. Borrower contributed additional equity upon which they will earn a preferred return. The latest DSCR as of 9/30/13 was 1.08x and occupancy as of 9/30/13 was 70%. Several new leases have recently been executed: Ryan Specialty Group, Pru II, 46th floor, 18,007 rsf, 11 years, commences 12/11/13 University of Chicago, Pru I, 14th floor, 23,199 rsf, 7 years, commences 12/1/16 Chicago Federation of Labor, Pru I, 26th floor, 7,682 rsf, 5 years, commences 8/1/14 Borrower continues to focus on leasing up the property.