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Trepp Finds Delinquencies on Pro Forma Loans Negligible

NEW YORK, New York – April 17, 2008 – A new report from Trepp LLC, the leading provider of CMBS and commercial mortgage information, analytics and technology, provides an in-depth look into the details and performance of Pro Forma loans in the CMBX indices.

Since the beginning of the credit crunch in 2007, it has often been asserted that the inclusion of loans in CMBS Conduit Deals from 2005 to 2007 originated on the basis of "Pro Forma" underwriting would cause CMBS from those vintages to endure greater losses than other vintages. Until now, there has not been a great deal of evidence to either support or refute this assertion.

“Over the past few months, Trepp has sought to replace guesswork regarding the presence and size of this exposure with solid data.” said Manus Clancy, senior managing director of bond finance at Trepp.

Trepp analysts spent the past few months combing through Annex A's and Prospectuses harvesting data on loans that were originated with Pro Forma underwriting.

“Our belief has been that greater transparency is the first step toward steadying the CMBS and Commercial Real Estate Lending markets,” Clancy continued. “Week after week, as new financials are reported by borrowers, CMBS investors will now be able to track the progress of these properties on TreppDerivative. We hope that by replacing speculation and fear with real data the market will see greater liquidity and spreads that reflect true loan performance.”

Trepp’s research of the Pro Forma loans within the first four CMBX indices reveals that:

- 1) As expected, the number of Pro Forma Underwritten Loans grew from late 2005 thru 2007. For CMBX 1, there were 92 loans that were included with Pro Forma Underwriting or 3.6% by balance. By CMBX 4, this grew to 353 loans or 13.6% by balance.
- 2) Pro Forma Underwritten Loans, to date, have had lower delinquency than the broader CMBS market. As of the end of March, Trepp reported that the percentage of loans 60 or more days delinquent among US Fixed Rate Conduit Loans was 0.34%. For Pro Forma Underwritten Loans, the percentage was less than half that amount.
- 3) While some loans have "made plan" already, the majority of borrowers have not yet provided 2007 year end DSCR numbers. Given the timing of the annual reporting cycle, Trepp expects to be able to examine the progress of more loans in the coming weeks.

Clients of Trepp’s credit default swap product, TreppDerivative™, will be able follow Pro Forma performance on a week by week basis as financials continue to be reported. The chart below provides a summary of Trepp’s initial findings:

Pro Forma Loans as Percent of Total Secur Loan Balance

	CMBX Series					Total*
	1	2	3	4		
Number of Pro Forma Loans	92	174	238	350		854
Total Number of Loans	4,512	4,523	5,301	5,247		19,583
Pro Forma Loan Balance (billions)	2.25	3.63	6.94	11.32		24.14
Secur Loan Balance (billions)	61.91	60.94	84.71	83.37		290.93
Pro Forma as % of Total Secur Loan Balance	3.63	5.96	8.19	13.58		8.30
Percent 60 Days or More Delinquent (Pro Forma Loans)	0.00%	0.14%	0.20%	0.08%		0.12%
Attained Plan? - Yes #	12	22	12	3		49
Attained Plan? - Not Yet	18	50	24	11		103
Attained Plan? - Awaiting Data	62	100	202	338		702

*Totals may not add up due to rounding

As of April 10, 2008

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"The current market conditions demand that industry participants engage more sophisticated research tools, risk management capabilities, and multi-channel information resources." says Dan Gottlieb, Chief Operating Officer at Trepp. "Through the release of this research and the enhancements made to our derivative product, we stand ready to add that value to the market."

The new TreppDerivative enhancement will provide clients the ability to review:

- The "As-Is" DSCR and LTV at time of securitization side-by-side with the "Pro Forma" underwritten DSCR and LTV
- An indicator whether loans have "made plan" or not yet attained it where new financial data has been reported
- The commentary provided by the lead manager that accompanied the loan data in the prospectus

Trepp plans to make Pro Forma tools and data available shortly for the upcoming CMBX Series 5 within TreppDerivative and to then expand its efforts to cover most CMBS conduit issues since 2006 in its core Trepp CMBS Analytics products in coming months..

Additional Pro Forma Background

Beginning in late 2005, broker dealers began to produce two sets of financials for the Annex A's: "pro forma" and "as is". "As Is" reflects the financials at the current state of the property at time of securitization. "Pro Forma" reflects the expected financials after a business plan or re-positioning has taken place. For example, the borrower might use the proceeds to improve fixtures, such as lighting, and parking. In turn, this would attract better tenants, allow for additional rent, etc. Pro Forma financials are often a function or prediction of this plan being successful.

Notes Regarding the Use of this Data

First, precisely what determines a "Pro Forma" loan can be debated. Trepp analysts scoured the CMBX-related Annex A's and Prospectuses for indications of were differences between the reported Securitized LTV or DSCR and what was often referred to as the "As-Is" LTV or DSCR. It is possible that some loans that we classified as Pro Forma might not reach that same threshold by other analysts. Similarly, there may be other loans that we excluded that others might have seen as Pro Forma. Wherever possible, we have included the precise footnote from the Offering Documents for these loans.

Second, many of the loans have Securitized DSCR and As-Is DSCR. For these loans, since year end DSCR are reported by the borrower, determining whether a property has "attained plan" should be transparent. However, for a large set of loans, the only "as-is" item was Appraised Value/LTV. Since the borrower is not required to have the property re-appraised after issuance, it may be harder to learn where these properties sit in their transition.

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About Trepp, LLC

Trepp, LLC is the leading provider of commercial real estate finance information, analytics and technology to the securities and investment management industry. Our extensive deal coverage includes North American, European and Asian CMBS as well as Commercial Real Estate backed CDOs. The industry's largest broker dealers, originators, commercial banks and institutional investors rely on Trepp's suite of products for trading, risk management, and surveillance. Headquartered in New York City with offices and representation in London and Shanghai, Trepp's expanding global product reach continues to increase information transparency and provide best-in-class solutions to over 400 clients worldwide.

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