

Structured Finance

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Presale: Wachovia Bank Commercial Mortgage Trust

\$4.2 Billion Commercial Mortgage Pass-Through Certificates Series 2006-C23

This presale report is based on information as of Feb. 16, 2006. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings As Of Feb. 16, 2006

<i>Class</i>	<i>Preliminary rating*</i>	<i>Preliminary amount (\$)</i>	<i>Recommended credit support (%)</i>
A-1¶	AAA	105,862,000	30.000
A-2¶	AAA	137,308,000	30.000
A-3¶	AAA	62,705,000	30.000
A-PB¶	AAA	252,070,000	30.000
A-4CPI¶	AAA	100,000,000	30.000
A-4¶	AAA	1,680,707,000	30.000
A-1A¶	AAA	622,245,000	30.000
A-M¶	AAA	422,985,000	20.000
A-J¶	AAA	274,941,000	13.500
B¶	AA+	37,011,000	12.625
C¶	AA	52,873,000	11.375
D¶	AA-	37,011,000	10.500
E¶	A+	31,724,000	9.750
F¶	A	42,299,000	8.750
G	A-	52,873,000	7.500
H	BBB+	52,873,000	6.250
J	BBB	58,160,000	4.875
K	BBB-	52,874,000	3.625

Preliminary Ratings As Of Feb. 16, 2006 (cont. 'd)

<i>Class</i>	<i>Preliminary rating*</i>	<i>Preliminary amount (\$)</i>	<i>Recommended credit support (%)</i>
L	BB+	10,574,000	3.375
M	BB	21,150,000	2.875
N	BB-	15,862,000	2.500
O	B+	10,574,000	2.250
P	B	15,862,000	1.875
Q	B-	15,862,000	1.500
S	NR	63,448,337	0.000
X-P§	AAA	4,069,641,000**	N/A
X-C§	AAA	4,229,853,337**	N/A

*The rating of each class of securities is preliminary and subject to change at any time. †Currently being offered publicly. §Interest-only class. **Notional amount. NR—Not rated. N/A—Not applicable.

Profile

Expected closing date: March 7, 2006.

Collateral: 270 loans secured by 344 properties.

Underwriters: Wachovia Capital Markets, LLC, Nomura Securities International, Inc., Banc of America Securities LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., and J.P. Morgan Securities Inc.

Sellers: Wachovia Bank, N.A., Nomura Credit & Capital Inc., and Artesia Mortgage Capital Corp.

Master servicer: Wachovia Bank N.A.

Special servicer: LNR Partners Inc. (The Hyatt Center whole loan will be specially serviced by CWC Capital Asset Management LLC, according to the WBCMT 2005-C22 pooling and servicing agreement (PSA)).

Depositor: Wachovia Commercial Mortgage Securities Inc.

Trustee: Wells Fargo Bank N.A.

Rationale

The preliminary ratings assigned to Wachovia Bank Commercial Mortgage Trust's \$4.2 billion commercial mortgage pass-through certificates series 2006-C23 reflect the credit support provided by the subordinate classes of certificates, the liquidity provided by the trustee, the economics of the underlying loans, and the geographic and property type diversity of the loans. Class A-1, A-2, A-3, A-PB, A-4CPI, A-4, A-1A, A-M, A-J, B, C, D, E, and F are currently being offered publicly. Standard & Poor's Ratings Services' analysis determined that, on a weighted average basis, the pool has a debt service coverage (DSC) of 1.26x, a beginning LTV of 105.8%, and an ending LTV of 95.2%.

Unless otherwise indicated, all calculations in this report, including weighted averages, do not include the pari passu portions of the Prime Outlets Portfolio and the Hyatt Center loan, or the subordinate nontrust B notes for the 620 Avenue of the Americas, Hohokam Towers, and the GSA Portfolio.

For class A-4CPI, Standard & Poor's rating does not apply to the receipt of interest at the floating rate, but rather, Standard & Poor's rating applies only to the receipt of interest by the trust at the fixed rate payable to the class A-4CPI "regular interest", as more specifically described in the related PSA.

Strengths

The transaction exhibits the following strengths:

- Two of the loans (1.2% of the pool) have trust balances with credit characteristics consistent with investment-grade ratings by Standard & Poor's: Cavalier Country Club Apartment ('AAA', 0.6%) and 594 Broadway ('AA+', 0.6%);

- Relatively stable property types make up 19.9% of the pool balance: multifamily (17.0%), mobile home park (1.8%), and industrial/warehouse (1.1%);
- Twenty-one loans (17.3%) are secured by multiple cross-collateralized and cross-defaulted assets; and
- The weighted average quality score for the assets securing mortgages in the pool is 2.79, an above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Concerns and mitigating factors

This transaction exhibits the following concerns and mitigating factors:

- The pool exhibits geographic concentration, with 46.9% of the mortgaged properties concentrated in five states. The largest concentrations are in New York (14.1%), California (10.5%; 5.5% in Southern California and 5.0% in Northern California), Texas (8.7%), Illinois (7.0%), and Florida (6.6%). The remaining assets are dispersed throughout 42 states and the District of Columbia, with no other state concentration exceeding 5.8% of the pool balance;
- The pool exhibits loan concentration, as the top 10 trust balances represent 33.7% of the pool balance. However, the largest loan, the Prime Outlets Portfolio (7.5%), is secured by multiple cross-collateralized and cross-defaulted assets, and nine of the top 10 loans (32.3% of the pool balance) are structured with bankruptcy-remote special-purpose entity (SPE) borrowers with nonconsolidation opinions and independent directors;
- Twenty-six loans (15.7%) are full-term, interest-only (IO) loans, and 102 (55.6%) have partial IO terms. Standard & Poor's took the IO structure into account in sizing levels; and
- The collateral related to 16 loans, which represent 20.0% of the pool balance, have secondary financing in place in the form of a subordinate B note (6.0%), mezzanine debt (12.0%), subordinated secured debt (1.1%), and subordinated unsecured debt (0.4%). One of the loans, the 1200 Wall Street loan (0.5%), has secondary financing in place in the form of existing mezzanine debt and subordinated unsecured debt. Furthermore, 50 loans, representing 33.2% of the pool balance, permit the borrower to incur future financing in the form of subordinated secured secondary debt, mezzanine debt, and subordinated unsecured debt. This future additional debt requires a satisfactory intercreditor agreement and certain performance parameters to be met. All existing and potential future additional debt has been taken into account in the credit support levels.

Transaction Structure

The certificates issued by the trust represent the beneficial ownership interest in 267 fixed-rate whole loans (94.0%) and the senior interests of three fixed-rate whole loans (6.0%), which are structured as A/B loans. The junior-interest B notes will not be included in the trust.

The pool includes 21 loans (17.3%) that consist of related loans that are cross-defaulted and cross-collateralized with each other. For the purposes of this report, each of these loan groups is considered to be one loan.

Pool Characteristics

Collateral description

The pool contains 270 conventional fixed-rate loans secured by liens on 344 properties. By property type, the pool has the following composition: retail (33.1%), office (29.4%), multifamily (17.0%), hotel (12.4%), mixed use (4.5%), mobile-home park (1.8%), industrial/warehouse (1.1%), self-storage (0.6%), and health care (0.1%).

Hard lockboxes are in place for 20 loans, representing 21.6% of the total pool balance. In addition, 13 loans (9.6%) have soft lockboxes in place, and 41 loans (27.7%) have springing cash management that is triggered by certain conditions, including minimum DSC tests or events of default under the loan documents.

Monthly real estate tax escrows have been established for 212 loans (87.0% of the pool), and monthly insurance premium escrows have been established for 186 loans (77.0% of the pool).

Reserves have been established for the remediation of existing deferred maintenance items for 72 loans (39.8% of the pool). Generally, the reserve established for each loan equals 125% of the amount recommended in the engineering report.

Monthly leasing and/or up-front leasing reserves have been established for 83 loans (37.3% of the pool representing office, retail, industrial, and mixed-use properties).

Forty-seven loans (6.8% of the pool) are secured by 55 properties leased to single tenants that have lease terms that expire after the loan maturity. In addition, 58 properties (5.6%) are leased to investment-grade tenants, including: General Services Administration ('AAA'), General Electric Corp. ('AAA'), Mutual of Omaha Insurance Co. ('AA-'), Walgreens ('A+'), Travelers Indemnity Co. ('A+'), Verizon Communications Inc. ('A'), CVS ('A-'), Kohl's ('A-'), Limited Brands ('BBB'), and Best Buy ('BBB').

Geographic diversity

The pool consists of properties in 42 states and the District of Columbia. The largest concentrations are in New York (14.1%), California (10.5%; 5.5% in Southern California and 5.0% in Northern California), Texas (8.7%), Illinois (7.0%), and Florida (6.6%). The remaining assets are dispersed throughout 42 states and the District of Columbia, with no other state concentration exceeding 5.8% of the pool balance.

Loan sellers

Wachovia Bank N.A. contributed 126 loans (68.7%), Nomura Credit & Capital Inc. contributed 68 loans (21.2%), and Artesia Mortgage Capital Corp. contributed 76 loans (10.1%).

Loan origination dates

Of the 270 mortgage loans in the pool, 264 (98.0%) were originated in the past six months, an additional four loans (1.1%) were originated within 12 months, and the remaining two loans (0.9%) were originated within 24 months of the cutoff date.

Agreed-upon procedures

Agreed-upon procedures were performed on three loans representing 4.5% of the pool balance.

Hyperamortizing loans

Twenty-five loans (4.2% of the pool) were structured as hyperamortizing loans. All of these loans are structured with some form of cash management.

IO loans

Of the loans in the pool, 26 (15.7% of the pool) are IO for the full term of the loans, and an additional 102 loans (55.6% of the pool) have initial IO periods ranging from 12-84 months.

Collateral quality

Based on Standard & Poor's analysis, the pool has a DSC of 1.26x on a weighted average coupon of 5.58%. Standard & Poor's DSC reflects adjustments made to the net cash flow (NCF) of the properties based on the bankers' underwriting, historical and projected operating statements, and the assets' competitive positions in their respective markets.

Standard & Poor's adjusted the NCF of the portfolio downward by 8.3% on a weighted average basis. This decrease reflects adjustments to rental rates, expense reimbursement ratios, parking and other income levels, occupancy levels, operating expenses, capital expenditure reserves, and tenant improvement and leasing commission (TI/LC) assumptions.

Standard & Poor's weighted average beginning LTV for the pool is 105.8%, and the weighted average ending LTV is 95.2%. The weighted average capitalization rate applied to Standard & Poor's NCF is 9.20%. Capitalization rates are a function of asset type, quality, tenancy, position in the competitive set, and current and future market conditions.

Properties

Standard & Poor's inspected assets representing 54.3% of the total pool and re-underwrote cash flows and derived asset values for assets representing 63.6% of the pool. The weighted average quality score for the inspected properties is 2.79, an above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Borrower concentrations

The largest sponsor group is David W. Lichtenstein (8.7%), the sponsor for two loans, including the largest loan, Prime Outlets Pool (7.5%). The five-largest sponsors represent 29.6% of the pool, and the 10-largest sponsors represent 47.1% of the pool.

The largest loan in the pool is the Prime Outlets Pool loan (7.5% of the pool balance). The top five loans represent 25.2% of the pool balance, and the top 10 loans account for 33.7% of the overall pool balance.

The largest loan in the pool, the Prime Outlets Pool loan (7.5% of the pool) is secured by a portfolio of multiple cross-collateralized and cross-defaulted assets.

Of the top 10 loans, nine (32.3% of the pool) have bankruptcy-remote SPE borrowers with nonconsolidation opinions and independent directors.

Bankruptcy issues

Three loans (1.8%) have been made to a borrower with principals that have been involved in prior bankruptcies in the past 10 years. All three loans are structured as SPEs, of which the Holiday Inn, Phoenix, Ariz. loan (0.3%) is structured as a bankruptcy-remote SPE, and the Huntington Oaks Shopping Center loan (1.2%) is structured as a bankruptcy-remote SPE with a nonconsolidation opinion. One loan, the U.S. Bank Building (0.3%), is structured with a hard lockbox for cash management, and another loan, the Huntington Oaks Shopping Center loan (1.2%), is structured with a springing lockbox. The remaining loan, the Holiday Inn, Phoenix, Ariz. (0.3%) has no cash management feature.

Leasehold interests

Ten loans (2.8% of the pool) are secured either solely or materially by a mortgage lien on the borrower's leasehold interest according to a ground lease. Eight of these loans (1.5%) have ultimate lease terms (considering extension options) that extend at least 20 years beyond the loan maturity. Two loans (1.3%) have ultimate lease terms that extend less than 10 years beyond the loan maturity. The Huntington Oaks Shopping Center (1.2%) provides for a \$1 purchase option upon ground lease expiration. All the ground leases provide for notice and cure provisions.

Tenancies-in-common

Of the loans, 29 (17.0%) are owned by individuals or entities as tenants-in-common (TIC). These generally conform to Standard & Poor's criteria.

Pari passu loans

The largest loan in the pool, the Prime Outlets Pool, has a trust balance of \$315.34 million (7.5%) and a whole-loan balance of \$630.68 million. The whole loan has been divided into two pari passu pieces: the \$315.34 million A-1 note that was included in this transaction and a \$315.34 million A-2 note to be included in a future transaction. This loan will be serviced according to the PSA for the WBCMT 2006-C23 transaction.

The fourth-largest loan in the pool, the Hyatt Center loan, has a trust balance of \$162.5 million (3.8%) and a whole-loan balance of \$325.0 million. The whole loan has been divided into two pari passu pieces: the \$162.5 million A-2 note that was included in this transaction and a \$162.5 million A-1 note that was included in the WBCMT 2005-C22 transaction. This loan will be serviced pursuant to the PSA for the WBCMT 2005-C22 transaction.

A/B notes

The mortgaged properties securing three loans, representing 6.0% of the pool balance, are encumbered by additional debt in the form of a subordinate B note.

The 620 Avenue of the Americas loan (4.8% of the pool balance) is structured with a \$30.0 million subordinate B note, the Hohokam Towers loan (0.8%) is structured with a \$5.0 million subordinate B note, and the GSA Portfolio loan (0.4%) is structured with a \$2.1 million subordinate B note. Each of these subordinate loans is subject to a subordination agreement and is held outside of the trust.

Standard & Poor's believes the relative rights in a bankruptcy are more favorable when an A/B loan is structured as a participation rather than with separate notes. Currently, the master and special servicer of this trust will service both the A and B notes for the above-mentioned A/B loans. These A/B loans are subject to intercreditor agreements that generally conform to Standard & Poor's criteria.

Additional indebtedness

Seven loans (12.0%) have existing mezzanine debt subject to the terms of an intercreditor agreement. One loan (1.1%) has existing subordinated secured debt. An additional four loans (0.4%) have existing subordinate unsecured debt. One of the loans, the 1200 Wall Street loan (0.5%) has secondary financing in place in the form of existing mezzanine debt and subordinated unsecured debt.

Two loans (0.6%) permit the borrower to incur future secondary subordinate secured debt. This future additional debt requires a satisfactory intercreditor agreement and certain performance parameters to be met.

Thirty-two loans (22.5%) permit the borrower to incur future mezzanine debt subject to a subordination and standstill agreement.

Ten loans (8.0%) permit the borrower to incur future subordinate unsecured debt.

In addition, three loans (0.5%) permit the borrower to incur future subordinate unsecured debt and mezzanine debt. Two loans (0.5%) permit the borrower to incur future subordinate secured debt and mezzanine debt. The 3500 Maple loan (1.1%) permits the borrower to incur future subordinate secured debt or mezzanine debt.

All existing and potential future additional debt has been taken into account in the credit support levels.

Terrorism insurance coverage

Loans representing 74.0% have insurance coverage for acts of terrorism, contain express requirements that terrorism coverage be in place, or have coverage that does not specifically exclude acts of terrorism. The loan documents generally require the related borrower to maintain insurance against damage from terrorism and other acts of sabotage. However, the requirements may contain certain qualifications, such as the availability of insurance at commercially reasonable rates and the possibility of the expiration of the Terrorism Risk Insurance Act of 2002, which could prevent terrorism-related coverage from being obtained by the applicable borrower.

Appraisal reports

Appraisal reports, in conformance with USPAP and FIRREA, were prepared for 100% of the pool balance in the past 12 months.

Environmental review

Phase I environmental site assessments and/or updates of prior site assessments were prepared for 342 properties (99.1%) in the 12-month period before the cutoff date. The remaining two properties (0.9%) had phase I environmental site assessments and/or updates of prior site assessments prepared 24 months before the cutoff date.

For 10 properties (0.5%), a phase II assessment was performed in connection with origination of the loan, and no further action was deemed necessary.

A phase II assessment was recommended for the Memphis Midtown property in the GSA Offices Pool (0.8%) but was not performed as the borrower is providing additional information to the environmental assessment agency to clear the recommendation for a phase II.

An escrow totaling \$0.6 million has been established for seven properties (4.0%) to address minor actions that were recommended in the phase I environmental reports.

Structural review

Independent, licensed engineers prepared engineering reports for all of the properties in the pool. The reports identified both deferred maintenance items to be corrected immediately and long-term capital expenditure needs. Eighty-seven properties (39.8%) were identified as needing immediate repairs, and escrows totaling \$7.6 million were established at closing to remedy these items and perform planned, near-term capital improvements. Generally, the loan sellers' requirements for up-front, deferred maintenance reserves are 100%-125% of the recommended amount indicated in the reports.

Engineering reports were completed within 12 months of the cutoff date for 342 properties (99.1%). The remaining two properties (0.9%) had engineering reports prepared 24-months before the cutoff date.

Seismic review

Forty-five properties, securing 16.9% of the pool, are located in seismic zones 3 or 4. Seismic studies were completed for all of these properties, and all but one had a probable maximum loss (PML) of less than 20%. The Broadway Medical Plaza loan (0.5%) has a PML of 35%, but was required to obtain seismic insurance.

Hurricane and flood review

Of the loans, 54 (25.3%) have properties that are in Florida or Texas, states that have historically been at greater risk for hurricanes and tornadoes. Generally, the originators require wind insurance for all properties in coastal areas. The loans secured by properties in Federal Emergency Management Agency-designated flood zones are required to comply with flood insurance regulations.

Top Seven Loans***Prime Outlets Portfolio***

The largest loan in the pool, the Prime Outlets Portfolio loan, has a trust balance of \$315.34 million (7.5% of the pooled trust balance) and a whole-loan balance of \$630.68 million. The \$630.68 million whole loan has been divided into two equal pari passu pieces: the \$315.34 million A-1 note that is included in this transaction and a \$315.34 million A-2 note that will be securitized in a future transaction. The 10-year, fixed-rate loan bears interest at 5.510%, provides for IO payments for the first 24 months of the term, amortizes on a 30-year schedule thereafter, and is scheduled to mature in January 2016.

The loan is secured by 10 cross-collateralized and cross-defaulted outlet center properties, nine of which are fee interests, and one that is a leasehold interest (see table 1).

Table 1. Prime Outlets Portfolio

<i>Property name</i>	<i>Location</i>	<i>Allocated loan amount (\$)</i>	<i>Sq. ft.</i>	<i>TTM sales as of Oct. 31, 2005 (\$ per sq. ft.)</i>	<i>TTM occupancy cost (%) as of Oct. 31, 2005</i>	<i>Occupancy (%) as of November 2003</i>
San Marcos	San Marcos, Texas	153,500,000	640,974	468	5.6	92.3
Grove City	Grove City, Pa.	121,240,000	532,290	323	8.7	97.1
Ellenton	Ellenton, Fla.	112,100,000	476,534	388	7.1	98.3
Jeffersonville	Jeffersonville, Ohio	75,100,000	409,923	317	7.5	96.5
Pleasant Prairie	Pleasant Prairie, Wis.	64,500,000	270,324	369	7.3	97.3
Huntley	Huntley, Ill.	32,000,000	279,387	183	8.4	78.8
Gulfport	Gulfport, Miss.	27,000,000	302,799	275	6.5	79.4
Naples	Naples, Fla.	17,200,000	145,962	184	8.5	78.9
Lebanon	Lebanon, Tenn.	16,600,000	226,816	234	6.3	77.7
Florida City	Florida City, Fla.	11,440,000	207,873	234	5.3	58.1
Total portfolio	—	630,680,000	3,492,882	—	—	89.0

TTM—Trailing 12 months.

Each property is owned by an individual bankruptcy-remote SPE. The sponsor of the borrower is the Lightstone Group, a company that owns and manages a diversified real estate portfolio that includes more than 25.0 million sq. ft. of office and industrial space, and 16,000 apartment units. The properties are managed by Prime Retail L.P. Prime Retail is one of the largest developers and/or owners of outlet centers in the U.S., with a portfolio totaling approximately 18.0 million sq. ft. of retail space. The loan has a hard lockbox in place for cash management.

The following points summarize Standard & Poor's underwriting assumptions for this loan:

- The underwritten revenues were based on in-place leases, as of November 2005, with vacant space grossed up at weighted average in-place rents;
- The higher of 5%, actual, or market vacancy rate was applied;
- Reimbursements were based on historical recovery ratios and the terms of the existing leases;
- Operating expenses were based on historical levels and in-place tax and insurance expenses;
- A management fee of 4.0% of effective gross income (EGI) was assumed;
- TI expenses were estimated at levels ranging from \$2.50-\$7.00 per sq. ft. for new leases and \$1.25-\$3.50 per sq. ft. for renewal leases;
- LC expenses were underwritten at 4.0% for new leases and 2.0% for renewals;
- Lease terms ranging from 8.2-11.1 years were assumed and were capped at 10 years for LC calculations where applicable;
- A 65.0% renewal probability was assumed for the portfolio;
- Capital reserves were underwritten at the higher of \$0.20 per sq. ft. or the engineer's recommended capital reserve recommendation for each individual property;
- Based on these assumptions, Standard & Poor's NCF variance for the portfolio was 1.8%;
- Standard & Poor's applied capitalization rates ranging from 9.25%-10.50% to NCF, resulting in a blended capitalization rate of 9.79%, yielding a value of \$528.1 million or \$151 per sq. ft.; and
- Quality scores for these assets range from 2.50-3.25, resulting in a blended portfolio quality score of 2.72, an above-average score.

This loan exhibits the following strengths:

- The loan is secured by 10 properties located in eight states and 10 distinct submarkets that are cross-collateralized and cross-defaulted;
- The portfolio is performing well with sales of \$326 per sq. ft. and occupancy costs of 7.2% for the 12 months ended October 2005; and
- The properties benefit from strong sponsorship and management.

This loan exhibits the following concerns and mitigating factors:

- Standard & Poor's considers retail outlet centers to be inherently more volatile than other types of retail properties due to their typical locations in secondary and tertiary markets and the low barriers to entry. However, this portfolio has performed well overall with sales of \$326 per sq. ft., occupancy costs of 7.2% for the 12 months ended October 2005, and improved performance over the last several years.

1775 Broadway

The second-largest loan in the pool, the 1775 Broadway loan, has a trust and whole-loan balance of \$250.0 million (5.9% of the pooled trust balance). The 10-year, fixed-rate loan bears interest at 5.680%, provides for IO payments for the first 48 months of the term, amortizes on a 30-year schedule thereafter, and is scheduled to mature in January 2016.

The loan is secured by a first mortgage encumbering the fee interest in 1775 Broadway, a 25-story, 618,122-sq.-ft. office building located on a full city block at 57th Street and Broadway in Midtown Manhattan. The improvements include 546,682 sq. ft. of office space and 71,440 sq. ft. of retail space. Constructed in 1904, the property was fully renovated in 1929 and further renovated numerous times over the years, most recently in 2003. Currently, the office space is 98.0% occupied by 46 tenants. The average in-place base rent for office and retail tenants is \$27.87 and \$106.07 per sq. ft., respectively, both of which are below market rents of \$40.00 and \$300.00 per sq. ft for office and rental space, respectively. Table 2 lists the largest tenants at the subject.

Table 2. 1775 Broadway

<i>Tenant/use</i>	<i>S&P rating</i>	<i>Occupied sq. ft.</i>	<i>% of total NRA</i>	<i>Base rent (% of GPR)</i>	<i>Lease expiration</i>
Newsweek Inc.	A+	203,000	32.8	15.1	April 2009
Comedy Partners	BBB	111,000	18.0	14.9	June 2008
CompUSA	NR	32,750	5.3	6.4	June 2011
Telemundo Network	AAA	27,790	4.5	3.1	July 2008
Gilder, Gagnon, Howe & Co.	NR	27,106	4.4	4.1	January 2010

NRA—Net rentable area. GPR—Gross potential rent. NR—Not rated.

The sponsor of the SPE borrower is Joseph Moinian. Mr. Moinian has been actively involved in New York City commercial real estate for over 15 years and currently owns and controls a portfolio of properties that exceeds 10 million sq. ft. of commercial, industrial, residential, retail, and hotel space throughout the U.S. and abroad. The property is managed by Newmark and Co. Real Estate Inc. Newmark manages and/or leases approximately 37 million sq. ft. of commercial space nationally. The loan is structured with a hard lockbox for cash management.

The following points summarize Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's bifurcated the underwriting due to the tenants below market rents at the property. Cash flow was underwritten, and DSC was derived following an as-is approach; however, Standard & Poor's used a stabilized approach to determine the ultimate value of the property;
- Gross rents were based on in-place leases, as of December 2005;
- Expense reimbursements were based on the tenant's contractual obligations;
- Other income was based on the property's historical performance and contractual amounts;

- A vacancy of 5.0% was assumed. The property is currently 97.8% occupied;
- Operating expenses, other than property taxes and insurance premiums, were based on the property's historical performance;
- Real estate taxes were based on the estimated expenses, assuming below market tenants are renewed at market rents;
- Insurance premium expenses were based on the property's current actual expenses;
- A management fee of \$1.0 million was assumed;
- Replacement reserves were underwritten at \$0.35 per sq. ft.;
- TI expenses for the office space were estimated at \$20.00 per sq. ft. for new leases and \$10.00 per sq. ft. for renewal leases. TI expenses for the retail space were underwritten at \$25.00 per sq. ft. for new leases and \$12.50 per sq. ft. for renewal leases;
- LC expenses were estimated at 4% for new leases and 2% for renewal leases;
- TI/LC assumptions were based on in-place weighted average lease terms of 10.4 years for office space and 14.4 years for retail space, with LC expenses capped at 10 years;
- A renewal probability of 65% was assumed;
- Based on these assumptions, Standard & Poor's overall NCF variance was 33.0%;
- A capitalization rate of 8.4% for the office space and 8.0% for the retail space, resulting in a blended capitalization rate of 8.40%, was applied to as-is NCF. Office rents (\$33.00 per sq. ft. versus \$40.00 per sq. ft.) and retail rents (\$109.00 per sq. ft. versus \$300.00 per sq. ft.) were adjusted upward to give credit to market rents that would increase upon lease expiration. This yielded a value of \$251.2 million, or \$406 per sq. ft.; and
- The quality score for this asset is 3.00, an average score.

This loan exhibits the following strengths:

- Of the subject's current gross potential rent (GPR), 44.3% is generated from investment-grade tenants;
- The property benefits from being located in the well-performing midtown Manhattan office market, and from being close to major subway and bus lines;
- The property benefits from having highly desirable retail store frontage along 57th Street and from being across the street from the Shops at Columbus Circle in the Time Warner Center; and
- The property benefits from strong sponsorship and experienced management.

This loan exhibits the following concern and mitigating factors:

- Tenants comprising 50.6% of net rentable area (NRA) and 34.3% of in-place rent expire between 2008 and 2009. These tenants in aggregate pay below-market rent of \$27.22 per sq. ft. versus market rents of \$40.00 per sq. ft. The risk also mitigated by a cash flow sweep tied to specific tenants vacating their space.

620 Avenue of the Americas

The third-largest loan in the pool, the 620 Avenue of the Americas loan, has a trust balance of \$205.0 million (4.8% of the pooled trust balance) and a whole-loan balance of \$235.0 million. The whole loan consists of a \$205.0 million A note that will be included in the trust and a \$30.0 million B note that will be held outside of the trust. In addition, the borrower has incurred \$30.0 million in mezzanine financing secured by a pledge of equity interests of the borrower. The 10-year, fixed-rate, IO, loan bears interest at 5.810% and is scheduled to mature in February 2016.

The loan is secured by a first mortgage encumbering the fee interest in 620 Avenue of the Americas, a seven-story, 669,513-sq.-ft. office building located on the east side of Avenue of the Americas between 18th street and 19th streets in the Chelsea section of Manhattan. The improvements include 461,789 sq. feet of office space; 201,509 sq. ft. of retail space configured on the basement, first, and second floors; and 6,215 sq. ft. of storage space. In addition, the property has 200,000 sq. ft. of unused development rights because the building is not constructed to its full zoning potential. Constructed in 1896, the property is an architecturally significant landmark that contains large floor plates stretching up to 100,000 sq. ft. and lofty ceiling heights reaching up to 17 ft. The property was substantially renovated

between 1992 and 1996, with the sponsor investing \$42.9 million (\$64 per sq. ft.) predominantly in systems work and architectural repairs.

Currently, the property is 89.6% occupied by eight tenants paying an average in-place base rent of \$21.83 per sq. ft., which is considerably below the market level of approximately \$45 per sq. ft. Before the fourth quarter of 2005 and going back to 1999, the property was consistently 100% occupied. The sponsors are not actively marketing the vacant space, which comprises the top (seventh) floor of the building, because they are considering converting the building to condominium ownership and selling off this floor as a separate condominium unit. The Gap, the largest tenant in the building, occupies 241,478 sq. ft. of office space (36.1% of overall NRA), and Bed Bath & Beyond, the second-largest tenant in the building, occupies 98,980 sq. ft. of retail space (14.8% of NRA). Table 3 lists the largest tenants at the subject.

Table 3. 620 Avenue of the Americas Tenants

<i>Tenant/use</i>	<i>S&P rating</i>	<i>Occupied sq. ft.</i>	<i>% of total NRA</i>	<i>Base rent (% of GPR)</i>	<i>Lease expiration</i>
Gap Inc./office and storage	BBB-	244,278	36.4	38.6	November 2010
Bed Bath & Beyond/retail	BBB	98,980	14.8	15.5	January 2010
Yahoo/office	BBB-	77,651	11.6	12.0	October 2011
TJ Maxx/retail	A	60,393	9.0	11.9	March 2010
Nike Inc./office	A+	47,866	7.1	9.2	August 2015

NRA—Net rentable area. GPR—Gross potential rent.

The sponsors of the bankruptcy-remote SPE borrower are Joe Chetrit, Charles Dayan, and Yair Levy. Currently, The Chetrit Group has interests in more than 15 million sq. ft. of property in New York, Philadelphia, and California. In addition, the company also has ownership interests in the Sears Tower in Chicago and the Bank of America building in San Francisco. Mr. Levy has been involved in New York real estate since the early 1970's and has interests in \$1.5 billion of residential and commercial property in New York. Mr. Dayan is a New York City investor whose real estate interests include 303 West 10th Street (300,000-sq.-ft. building) and 601 West 26th Street (2.5 million-sq.-ft. building). The property is managed by Newmark and Co. Real Estate Inc., which has been in the property management business for over 70 years. Newmark manages more than 37 million sq. ft. of commercial space domestically for third parties and itself. The loan is structured with a hard lockbox for cash management.

The following points summarize Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's bifurcated the underwriting analysis as a result of a temporary vacancy not characteristic of historical performance. Cash flow was underwritten and DSC was derived following an as-is approach; however, Standard & Poor's used a stabilized approach to derive the ultimate value of the property;
- For cash flow and DSC purposes, an in-place physical vacancy of 10.4% was assumed under the as-is approach; for valuation purposes, a 93.3% stabilized occupancy was assumed;
- Expense reimbursements were based on the tenant's contractual obligations;
- Percentage rent was underwritten based on the historical average;
- Other income was based on the property's historical performance;
- Operating expenses, other than property taxes and insurance premiums, were based on the property's historical performance;
- Real estate tax and insurance premium expenses were based on the property's current actual expenses;
- A management fee of 4% of EGI was assumed;
- Replacement reserves were underwritten at \$0.35 per sq. ft. for the office space and \$0.25 per sq. ft. for the retail space;

- TI expenses for the office space were estimated at \$15.00 per sq. ft. for new leases and \$7.50 per sq. ft. for renewal leases. TI expenses for the retail space were underwritten at \$7.00 per sq. ft. for new leases and \$3.50 per sq. ft. for renewal leases;
- LC expenses were estimated at 4% for new leases and 2% for renewal leases;
- TI/LC assumptions were based on in-place weighted average lease terms of 14.9 years, with LC expenses capped at 10 years;
- A renewal probability of 65% was assumed;
- Based on these assumptions, Standard & Poor's overall NCF variance was 28.6;
- Standard & Poor's completed a stabilized analysis by grossing up the vacant office space at average in-place rents. One year of downtime NOI associated with leasing the vacant space and new TI/LC costs were subtracted from the value. A capitalization rate of 8.5% for the office space and 8.0% for the retail space was chosen, resulting in a blended capitalization rate of 8.33%. The blended capitalization rate was applied to as-is NCF, and a capitalization rate of 8.58% was applied to the incremental stabilized NCF, assuming a 93.3% overall stabilized occupancy rate. In addition, Standard & Poor's gave value credit on a net present value basis for market rents yielding an additional \$30.6 million in value. Moreover, an additional \$15 million was also added to value, reflecting the value of the 200,000 sq. ft. in unused air rights. This foregoing yielded a final value of \$178.0 million, or \$266 per sq. ft.; and
- The quality score for this asset is 2.75, an above-average score.

This loan exhibits the following strengths:

- Of the subject's current GPR, 87.0% is generated from investment-grade tenants; and
- The subject property is well located near multiple subway lines, with connections to the B, D, F, V, N, R, Q, W, and PATH trains (to New Jersey). All of these subway lines can be accessed at the 14th Street or 23rd Street stations, of which the latter borders the property.

This loan exhibits the following concerns and mitigating factors:

- In addition to the trust balance, there is an additional \$30.0 million subordinate B note as well as \$30.0 million in mezzanine debt. Standard & Poor's believes that the A/B loan structure poses a greater risk of a prolonged bankruptcy proceeding should one occur, due to the existence of multiple creditors. Standard & Poor's took the loan structure and all additional debt into consideration when sizing the loan's capital structure; and
- Constructed in 1896, the property is very old. However, it was substantially renovated between 1992 and 1996, with the sponsor investing \$42.9 million (\$64 per sq. ft.) predominantly in systems work and architectural repairs.

Hyatt Center

The fourth-largest loan in the pool, the Hyatt Center loan, has a trust balance of \$162.5 million (3.8% of the pooled trust balance) and a whole-loan balance of \$325.0 million. The whole loan has been divided into two equal pari passu notes: the \$162.5 million A-2 note that is included in this transaction and a \$162.5 million A-1 note that was included in the Wachovia WBCMT 2005-C22 transaction. In addition, there is a \$75.0 million mezzanine loan secured by a pledge of equity interests of the borrower. The 10-year, fixed-rate loan bears interest at 5.440%, provides for IO payments for the first 60 months of the loan term, amortizes on a 30-year schedule thereafter, and is scheduled to mature in November 2015.

The loan is secured by a first mortgage encumbering the fee interest in Hyatt Center, a 47-story, 1,472,460-sq.-ft. class A office building located in Chicago's West Loop office market. Designed in a uniquely oval shape by Pei, Cobb, Freed & Partners, the property was recently completed in June 2005, and offers highly efficient floor plates averaging 32,000 sq. ft. Amenities include a 300-seat cafeteria, a penthouse dining facility, and a fitness center, all of which are leased and shared by the three-largest tenants. There is also an onsite 165-car parking garage.

Currently, the property is 78.9% leased by 18 office tenants paying an average in-place triple-net base rent of \$25.52 per sq. ft. The property serves as the North American headquarters for the Hyatt Corp. and Mayer, Brown,

Rowe & May LLP (Mayer-Brown). Mayer-Brown is currently ranked ninth in the National Law Journal's annual survey of the nation's 250-largest law firms. Both Hyatt Corp. and Mayer-Brown have expansion options totaling an additional combined 151,852 sq. ft. (10.3% of NRA that commence in 2010, with the latest occurring in 2016). The borrower is actively leasing this space to tenants with lease terms that expire co-terminus with the extension date of these expansion options.

The largest tenants at the subject are listed in table 4.

Table 4. Hyatt Center Tenants

<i>Tenant</i>	<i>S&P rating</i>	<i>Occupied sq. ft.</i>	<i>% of total NRA</i>	<i>Base rent (% of GPR)</i>	<i>Lease expiration</i>
Mayer, Brown, Rowe & May LLP	NR	392,534	26.7	34.3	June 2020
Hyatt Corp.	BBB+*	292,227	19.8	26.5	January and June 2020
Goldman Sachs	A+	134,049	9.1	10.8	April 2020
IBM	A+	126,607	8.6	10.9	August 2016
Towers, Perrin, Forester & Crosby	NR	61,034	4.1	4.7	September 2016

*Parent rating. NRA—Net rentable area. GPR—Gross potential rent. NR—Not rated.

The borrower will be using a portion of the \$75.0 million mezzanine loan to fund future TI/LC expenses associated with leasing the current vacant space at the property (\$241 per sq. ft. of the current vacant space), subject to a minimum DSC of 1.00x on the total debt outstanding.

The sponsor of the bankruptcy-remote SPE borrower is the Pritzker family, which privately controls an estimated \$15 billion in real estate assets, including the Hyatt Hotel chain. The property manager is a borrower affiliate, who currently has a subproperty management agreement with Jones Lang LaSalle that expires in 2007. Jones Lang LaSalle is a leading global provider of integrated real estate and money management services that serves clients locally, regionally, and globally from offices in more than 100 markets on five continents. The loan is structured with a hard lockbox for cash management.

The following points summarize Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's bifurcated the underwriting analysis because the property is still leasing up and has not yet reached its expected stabilized occupancy level. Cash flow was underwritten and DSC was derived following an as-is approach; however, Standard & Poor's used a stabilized approach to derive the ultimate value of the property;
- For cash flow and DSC purposes, in-place physical vacancy of 21.1% was assumed under the as-is approach; for valuation purposes, a stabilized vacancy of 8% was assumed;
- For cash flow and DSC purposes, the tenants' contractual expense reimbursement income was assumed under the as-is approach; however, for valuation purposes, reimbursement income was based on the appraiser's stabilized estimate;
- Other income was based on the appraiser's estimate and the borrower's pro forma budget;
- For cash flow and DSC purposes, the appraiser's and borrower's estimates of in-place operating expenses, including real estate taxes and insurance premiums, were assumed under the as-is approach. However, for valuation purposes, operating expenses, including real estate taxes and insurance premiums, were based on the appraiser's stabilized estimate;
- A management fee of \$1 million was assumed;
- Replacement reserves were underwritten at \$0.35 per sq. ft.;
- Normalized TI expenses were estimated at \$25.00 per sq. ft. for new leases and \$12.50 per sq. ft. for renewal leases;
- TI expenses for lease up of the vacant space were estimated at \$50.00 per sq. ft. for new leases;
- LC expenses were estimated at 4% for new leases and 2% for renewal leases;

- TI/LC assumptions were based on the overall in-place weighted average lease term of 13.9 years, with LC expenses capped at 10 years;
- A renewal probability of 65% was assumed;
- Based on these assumptions, Standard & Poor's overall NCF variance was 24.8%;
- Standard & Poor's completed a stabilized analysis by grossing up the vacant space at the estimated triple-net market rent of \$26.00 per sq. ft. One and one-half years of downtime NOI associated with leasing the vacant space and new TI/LC costs were subtracted from the value. These TI/LC costs were offset by a portion of the \$75.0 million mezzanine loan that is reserved for those costs. A capitalization rate of 8.75% was applied to as-is NCF, and a capitalization rate of 9.00% was applied to the incremental stabilized NCF, assuming a 92.0% stabilized occupancy rate. From this resulting value, Standard & Poor's subtracted out remaining free rent concessions and added to value rent steps for credit tenants. This yielded a value of \$331.1 million, or \$225 per sq. ft.; and
- The quality score for this asset is 2.25, an above-average score.

This loan exhibits the following strengths:

- Tenants rated investment grade by Standard & Poor's occupy 38.2% of the NRA and constitute 38.0% of the GPR;
- The building is the newest class A office building in the Chicago office market, with high-quality construction and a competitive amenity package that includes a fitness center, a cafeteria, and a parking garage; and
- The property benefits from an outstanding location in Chicago's West Loop office market, with convenient access to commuter trains and parking.

This loan exhibits the following concerns and mitigating factors:

- The property has not reached its stabilized occupancy, as it was just completed in June 2005. This is mitigated by the property's excellent location, high-quality new construction, competitive amenity package, and the fact that it was already preleased to high-quality tenants before its construction; and
- The borrower has the ability to incur up to \$75 million mezzanine debt secured by a pledge of the equity interests in the borrower, which is subject to an intercreditor agreement. Standard & Poor's factored current and future allowable mezzanine debt amounts into the capital structure for this loan and the subordination levels for the transaction.

Belmar

The fifth-largest loan in the pool, the Belmar loan, has a trust and whole-loan balance of \$132.5 million (3.1% of the pooled trust balance). The 10-year, fixed-rate loan bears interest at 5.760%, amortizes on a 30-year schedule, and is scheduled to mature in February 2016.

The loan is secured by a first mortgage encumbering Belmar, a newly constructed mixed-use development of a new "downtown" for the suburban city of Lakewood, Colo. The property is located approximately six miles southwest of the Denver central business district (CBD), and is accessible from US-25, a major Denver arterial highway. Belmar contains 715,601 sq. ft. of commercial space and 109 multifamily units. The commercial space includes 535,111 sq. ft. of retail space (74.8% of the commercial NRA) and 180,490 sq. ft. of office space (25.2% of the commercial NRA). The majority of the property is developed as two- and three-story buildings, with retail tenant space on the first level and office or multifamily uses above. The subject property represents the first phase of a multi-phase development which, when completed, will include up to 2.1 million sq. ft. of retail, office, and hotel space and 1,300 residential units contained within 22 square blocks. Belmar was developed with the help of the City of Lakewood through the use of tax incremental financing, in which the city issued \$120 million of general revenue bonds backed in part by the new incremental real estate taxes and retail sales taxes to be generated from the property, with the bond proceeds being used by the borrower to cover the initial development costs.

As of January 2006, the subject's retail component was 86.9% leased (85.5% occupied) at a weighted average in-place rent of \$12.55 per sq. ft. for anchor retail space, \$28.42 per sq. ft. for in-line space, and \$7.39 per sq. ft. for theater space subject to a ground lease, with 75,480 sq. ft. of vacant space. The office component was 96.9% leased

(88.9% occupied) at a weighted average in-place rent of \$19.68 per sq. ft., with 5,517 sq. ft. of vacant space. The multifamily component was 89.0% occupied with 12 vacant units at a weighted average monthly rent of \$1,256 per unit. A holdback reserve of \$7.5 million was established at closing to be released based upon meeting minimum DSC hurdles. \$2.5 million of the reserve is to be used for future TI/LC expenses and is released once the property achieves a DSC of 1.20x. The remaining \$5.0 million holdback is released once the property achieves a DSC of 1.25x.

Belmar anchor tenants are described in table 5

Table 5. Belmar Anchor Tenants

<i>Tenant</i>	<i>S&P rating</i>	<i>Sq. ft.</i>	<i>Property NRA (%)</i>	<i>Base rent per sq. ft.</i>	<i>Lease expiration</i>
Dick's Sporting Goods	NR	80,000	11.2	7.37	2020
Century Theaters Inc.	B+	63,611	8.8	7.39	2019
Bally's Fitness (Bally Total Fitness Holdings Corp.)	CCC	25,000	3.5	14.50	2019
Linens 'n Things	B	29,026	4.0	19.00	2015
DSW Shoe Warehouse	NR	24,836	3.4	14.00	2014
Lucky Strike	NR	23,893	3.3	20.00	2015

NRA—Net rentable area. NR—Not rated.

A selection of some of the subject's largest nonanchor tenants is listed in table 6.

Table 6. Belmar Nonanchor Tenants

<i>Tenants</i>	<i>S&P rating</i>	<i>Occupied sq. ft.</i>	<i>% of collateral NRA</i>	<i>Lease expiration</i>
Belmar Center	NR	19,182	2.7	2025
Pier 1 Imports	B	10,775	1.5	2014
Party America	NR	10,161	1.4	2014
Wells Fargo Bank	AA	8,883	1.2	2014
Elephant Bar	NR	7,560	1.1	2019
PF Changs China Bistro	NR	7,000	1.0	2014
Baker Street Pub	NR	6,816	1.0	2015
Victoria's Secret	Parent Limited Brands rated BBB	5,834	0.8	2014
Sur La Table	NR	5,625	0.8	2015
Ann Taylor	BB-	5,479	0.8	2015

NRA—Net rentable area. NR—Not rated.

A selection of some of the subject's largest office tenants is listed in table 7.

Table 7. Belmar Office Tenants

<i>Tenants</i>	<i>S&P rating</i>	<i>Occupied sq. ft.</i>	<i>% of collateral NRA</i>	<i>Lease expiration</i>
The Integer Group	NR	102,391	14.3	2016
Corporate Office Images	NR	12,895	1.8	2011
AMEC Earth & Environmental	NR	9,597	1.3	2010
Belmar Ambulatory Surgical Center	NR	9,290	1.3	2014
AG Edwards & Sons	NR	8,995	1.3	2016

NRA—Net rentable area. NR—Not rated.

The sponsor of the bankruptcy-remote SPE borrowers is Continium Partners LLC, a real estate company established in Denver in 1997 with a primary focus on developing commercial properties. The members of the Continium team have developed more than 15 million sq. ft. of commercial and mixed-use properties over the past

two decades. The property is managed by an affiliate of the borrower. The loan is structured with a soft lockbox for cash management.

The following section summarizes Standard & Poor's underwriting assumptions for this loan:

- Due to the property being new, Standard & Poor's bifurcated the underwriting analysis to give value credit for future lease-up of the property's first generation vacant space. Cash flow was underwritten and DSC calculated using an as-is approach; however, Standard & Poor's employed a stabilized approach to derive the ultimate value of the subject property;
- GPR was based on leases in place as of January 2006, with vacant space grossed up at the weighted average in-place rents;
- For cash flow and DSC purposes, in-place vacancy for the in-line space was assumed under the as-is approach; however, for valuation purposes, the following vacancy rates were assumed: 10% for office, 10% for in-line retail, 5% for anchor retail, and 7% for the theater;
- For cash flow and DSC purposes, in-place expense reimbursement income was assumed under the as-is approach; however, for valuation purposes, reimbursement income collectible from retail tenants was based upon the appraiser's and Standard & Poor's stabilized estimate;
- For cash flow and DSC purposes, in-place other income was assumed under the as-is approach; however, for valuation purposes, other income was based on the appraiser's stabilized estimate;
- A management fee of 4.0% of EGI was assumed;
- For cash flow and DSC purposes, in-place operating expenses (excluding insurance premiums) were assumed under the as-is approach; however, for valuation purposes, operating expenses (excluding insurance premiums) were based upon the appraiser's stabilized estimate;
- Insurance premium expenses were based on the property's current actual expenses;
- TI expenses for the anchor retail tenants were assumed to be \$4.00 per sq. ft. for new leases and \$2.00 per sq. ft. for renewal leases;
- TI expenses for the in-line retail tenants were assumed to be \$9.00 per sq. ft. for new leases and \$4.50 per sq. ft. for renewal leases;
- TI expenses for the office tenants were assumed to be \$10.00 per sq. ft. for new leases and \$5.00 per sq. ft. for renewal leases;
- TI expenses for lease up of the vacant first generation in-line retail space was assumed to be \$20.00 per sq. ft. for new leases;
- LC expenses were estimated at 4.0% for new leases and 2.0% for renewal leases;
- TI/LC assumptions were based on the weighted average in-place lease terms of 13.3 years for the anchor retail tenants, 10.3 years for in-line retail tenants, 9.8 years for office tenants, and 15.0 for the theater tenant, with LC expenses capped at 10 years;
- A 65% renewal probability was assumed;
- Replacement reserves were estimated at \$0.25 per sq. ft. for retail NRA, \$0.25 per sq. ft. for office NRA, and \$225 per unit for the multifamily collateral;
- Based on these assumptions, Standard & Poor's NCF variance for the property was 9.5%;
- Standard & Poor's capitalized NCF at a weighted average rate of 8.86% based upon applying 8.84% to the property's stabilized portion of NCF, and 9.09% to the additional NCF attributed to lease-up of the property's vacant space, which was based upon an 8.75% cap rate for the retail NRA, a 9.50% cap rate for the office and theater NRA, and an 8.25% cap rate for the apartment units. Downtime NOI and TI/LC expenses associated with the lease-up of the vacant space were offset by a portion of an initial \$2.5 million holdback allocable to costs associated with lease-up of the property's vacant space, resulting in a value of \$135.1 million (\$189 per sq. ft.); and
- The quality score for this asset was 2.50, an above-average score.

This loan exhibits the following strengths:

The subject property benefits from a good location, six miles north of the Denver CBD, accessible from the major arterial US-25 highway. The property's intersection boasts significant traffic flow with approximately 60,000 cars per day along one of its major streets, and 30,000 cars per day along another;

- The property offers a unique new live-work "lifestyle" concept to the City of Lakewood, encompassing retail, office, and class A apartment units. The retail component is leased to a highly desirable mix of national tenants, such as Dick's Sporting Goods, Century Theaters, Linens 'n Things, Bally's Fitness, DSW Shoe Warehouse, Pier I Imports, and PF Chang's China Bistro. Additionally, a Whole Foods Grocery (excluded from collateral) has been developed along the western border of the property; and
- Though new, the property has already proved to be popular, with the retail, office, and multifamily space currently being 86.9%, 96.9%, and 89.0% occupied, respectively.

This loan exhibits the following weaknesses and mitigating factors:

- Due to its recent completion in January 2006, the property offers no operating history, and constitutes a new and untested "lifestyle" redevelopment concept for the City of Lakewood. However, the center has undergone a quick lease-up, with the retail, office, and multifamily space is 86.9%, 96.9%, and 89.0% occupied, respectively;
- Following the complete release of the holdback reserve, future mezzanine financing secured by the membership interests, or associated equity interests, is permitted, subject to a minimum total DSC of 1.20x and a maximum LTV of 80%. Rating agency confirmation of no downgrade is required for approval of the mezzanine financing; and
- The largest office tenant, The Integer Group (102,391 sq. ft. or 13.2% of the total property NRA) has a contraction right in its sole discretion of up to 20% of its space, as well as for up to 20% of its space in a single contiguous block if it loses its primary client, the Coors Brewing Co. The tenant also has an early termination option if both more than 50% of the equity interest in the company has been sold and transferred to an unrelated party, and the tenant has decided to close its office at the property and all of its other offices in the Denver metropolitan area. However, Integer can only exercise its contraction rights by giving not less than 18 months notice after its seventh lease year; nor can it exercise its termination right without giving not less than 270 days notice after the seventh lease year. The Integer Group is America's fifth-largest promotional agency, and the property is the company's new corporate headquarters, in which it consolidated nearly 450 employees from two Denver locations. Integer invested more than \$2.0 million (\$19.35 per sq. ft.) in tenant improvements into its space, in addition to the \$44.25 per sq. ft. TI costs incurred by the borrower.

Clay Terrace

The sixth-largest loan in the pool, the Clay Terrace loan, has a trust and whole-loan balance of \$115.0 million (2.7% of the pooled trust balance). The 10-year, fixed-rate, IO loan bears interest at 5.080% and is scheduled to mature in October 2015.

The loan is secured by a first mortgage encumbering Clay Terrace, a 499,029-sq.-ft. open-air anchored lifestyle center located in Carmel, Ind., 15 miles north of the downtown Indianapolis CBD. The center was built in October 2004 and consists of anchor tenant space totaling 161,975 sq. ft. and nonanchor tenant space totaling 337,054 sq. ft.

As of December 2005, the subject was 86% occupied by four anchor tenants (32.5% of NRA) and 63 in-line and major tenants (53.5% of NRA) paying weighted average in-place rents of \$14.39 per sq. ft. and \$26.65 per sq. ft., respectively. The mall's anchor tenants are Dick's Sporting Goods (not rated), Circuit City (not rated), DSW Shoe Warehouse (not rated), and Wild Oats ('CCC+'). The anchors are described in table 8.

Table 8. Clay Terrace Anchor Tenants

<i>Tenant</i>	<i>S&P rating</i>	<i>Sq. ft.</i>	<i>Property NRA (%)</i>	<i>Base rent per sq. ft.</i>	<i>Lease expiration</i>
Dick's Sporting Goods	NR	66,000	13.2	12.75	2020
Circuit City	NR	34,548	6.9	14.85	2020

Table 8. Clay Terrace Anchor Tenants (cont. 'd)

<i>Tenant</i>	<i>S&P rating</i>	<i>Sq. ft.</i>	<i>Property NRA (%)</i>	<i>Base rent per sq. ft.</i>	<i>Lease expiration</i>
DSW Shoe Warehouse	NR	30,606	6.1	17.42	2015
Wild Oats	CCC+	30,127	6.0	13.95	2020

NRA—Net rentable area. NR—Not rated.

A selection of some of the subject's largest nonanchor tenants is listed in table 9.

Table 9. Clay Terrace Nonanchor Tenants

<i>Tenants</i>	<i>S&P rating</i>	<i>Occupied sq. ft.</i>	<i>% of collateral NRA</i>	<i>Lease expiration</i>
Pier 1 Imports	B	15,374	3.0	2014
Orvis	NR	13,818	2.7	2020
Z Gallerie	NR	10,143	2.0	2015
Express	NR	8,001	1.6	2015
Victoria's Secret	Parent Limited Brands rated BBB	6,772	1.3	2015
Ann Taylor Loft	BB-	6,000	1.2	2015
American Eagle Outfitters	NR	5,855	1.1	2015

NRA—Net rentable area. NR—Not rated.

The sponsors of the bankruptcy-remote SPE borrower are Simon Property Group and Lauth Property Group. Simon is engaged in the ownership, operation, leasing, management, acquisition, expansion, and development of real estate properties. Its real estate properties consist primarily of regional malls and community shopping centers. Simon owns or holds an interest in 296 properties in the U.S., containing 202 million sq. ft. of gross leaseable area (GLA) in 40 states and Puerto Rico; and interests in shopping centers in France, Italy, Poland, Japan, and Mexico. Simon is the largest publicly traded real estate company in North America. Lauth is engaged in the development, construction, acquisition, management, and ownership of commercial real estate. Its real estate holdings consist of 14 properties in the U.S., containing 2 million sq. ft. of GLA. Simon manages the property. The loan is structured with a springing lockbox for cash management.

The following section summarizes Standard & Poor's underwriting assumptions for this loan:

- GPR was based on leases in place as of the December 2005 rent roll;
- Expense reimbursements were based on the appraiser's estimate;
- No additional vacancy was taken, as the current occupancy is consistent with the market;
- Real estate taxes and insurance expense were based on the actual tax bill and actual insurance premium, respectively;
- All operating expenses, except for the management fee, were based on the appraiser's estimate;
- A management fee of 4.0% of EGI was assumed;
- TI expenses for anchor tenants were estimated at \$5.00 per sq. ft. for new leases and \$2.50 per sq. ft. for renewal leases;
- TI expenses for nonanchor tenants were estimated at \$8.00 per sq. ft. for new leases and \$4.00 per sq. ft. for renewal leases;
- LC expenses were estimated at 4.0% for new space and 2.0% for renewal space;
- TI/LC assumptions were based on in-place weighted average lease terms of 10.0 years for anchor and in-line tenants;
- A renewal probability of 65% was assumed;
- Replacement reserves were underwritten at \$0.20 per sq. ft.;
- Based on these assumptions Standard & Poor's NCF variance was 9.3%;

- Standard & Poor's applied a capitalization rate of 8.5% to NCF, yielding a value of \$106.6 million, or \$214 per sq. ft.; and
- The quality score for this asset was 2.50, an above average score.

This loan exhibits the following strengths:

- The subject property is newly constructed, has no direct lifestyle center competition and is well located 15 miles north of the Indianapolis CBD at the interchange of U.S. 31 and 146th Street, with direct access to State Road 431; and
- The property benefits from strong sponsorship and management.

This loan exhibits the following weakness and mitigating factor:

- Due to its recent completion in October 2004, the property offers no operating history. However, the center has undergone quick lease-up, and is currently 88% occupied.

The Intercontinental Hotel

The seventh-largest loan in the pool, The Intercontinental Hotel loan, has a trust and whole-loan balance of \$73.5 million (1.7% of the pooled trust balance). The 10-year, fixed-rate loan bears interest at 5.920%, provides for IO payments for the first 60 months of the term, amortizes on a 25-year schedule thereafter, and is scheduled to mature in February 2016.

The loan is secured by a first mortgage encumbering the Intercontinental Hotel, a 366-room four-diamond/four-star luxury full-service hotel located in Kansas City, Mo. The hotel is situated within the prestigious Country Club Plaza retail and entertainment district. The property, built in 1972 and expanded in 1975 and 1981, is in good condition because the previous owners completed significant renovations totaling \$12.7 million (\$34,700 per room) between 2000 and 2005. The hotel, which operated as a Ritz Carlton until 2000 and a Fairmont through the end of 2005, will undergo renovations totaling \$9.6 million (\$26,230 per room), as required by the property being reflagged as an Intercontinental Hotel. An escrow of \$4.75 million (\$12,978 per room) was taken by Wachovia at loan closing. The renovations include signage replacements, exterior parking repairs, technology upgrades, meeting room upgrades, business center upgrades, replacement of all case goods in the guestrooms, guestroom bath renovations, and cosmetic upgrades to the lobby, restaurant, bar, and common areas. The hotel offers 31,379 sq. ft. of meeting space, a full service restaurant, a bar/lounge, a business center, a heated outdoor pool, a concierge lounge, and a fitness center.

The hotel's historical performance numbers are provided in table 10, and statistics for the hotel's competitive set are provided in table 11.

Table 10. The Intercontinental Hotel Historical Performance

	2002	2003	2004	TTM ended December 2005	S&P underwritten
Avg. occupancy (%)	71.6	68.9	73.1	72.6	72.6
ADR (\$)	149.24	147.18	152.76	163.79	163.79
RevPAR (\$)	106.79	101.36	111.66	118.92	118.91

TTM—Trailing 12 months. ADR—Average daily rate. RevPAR—Revenue per available room.

Table 11. The Intercontinental Hotel Competitive Set 2004 Operating Performance

Property	Rooms	Occupancy (%)	ADR (\$)	RevPAR (\$)	RevPAR penetration (%)
The Intercontinental Hotel(subject)	366	73	153	112	141
Raphael Hotel Plaza	123	78	135	106	134
Sheraton Suites Country Club Plaza	257	76	135	91	110
Marriott Hotel at the Plaza	295	74	133	95	104
Westin Crown Center	729	67	103	69	88

Table 11. The Intercontinental Hotel Competitive Set 2004 Operating Performance (cont. 'd)

<i>Property</i>	<i>Rooms</i>	<i>Occupancy (%)</i>	<i>ADR (\$)</i>	<i>RevPAR (\$)</i>	<i>RevPAR penetration (%)</i>
Hyatt Regency Crown Center	731	61	104	64	81
Total/avg.	2,501	69	115	79	100.0

ADR—Average daily rate. RevPAR—Revenue per available room.

The property's demand mix in 2004 was comprised of 32% individual or negotiated corporate travelers, 26% corporate groups, 16% leisure, 25% meeting and group demand, and 1% government demand. By comparison, the demand mix for the competitive set for the same period was 30% individual or negotiated corporate travelers, 50% corporate groups, 17.5% of leisure demand, and 2.5% government demand.

The sponsor of the bankruptcy-remote SPE borrower is The Procaccianti Group (TPG). TPG is a second-generation, privately held real estate investment company. Using its net worth of more than \$370 million, TPG specializes in the acquisition, renovation, and management of investment hospitality real estate. Over the past four decades, TPG has owned, managed, developed, or has under development, more than \$2 billion of real estate assets. The property is managed by Lenox Hotels, an affiliate of the sponsor. Lenox Hotels currently has 33 hotels under ownership and management, comprising more than 8,000 guest rooms and 550,000 sq. ft. of meeting space. The loan is not structured with a cash management feature.

The following points summarize Standard & Poor's underwriting assumptions for this loan:

- Standard & Poor's underwritten rooms revenue was based on actual, historical, and projected occupancies and average daily rates (ADRs), the penetration yields, and the subject's general market position relative to the competitive set. Standard & Poor's concluded an occupancy of 72.6% and an ADR of \$163.79, yielding revenue per available room of \$118.91;
- Departmental revenues were generally underwritten based on historical levels, on a per-occupied-room basis, with greater emphasis on data from the trailing 12 months (TTM) period ending December 2005;
- Departmental expenses were generally underwritten based on the historical departmental profit margin level, with greater emphasis on data from the TTM period ending December 2005;
- Undistributed and fixed expenses are in line with historical expenses on an absolute and percentage basis;
- A furniture, fixtures, and equipment reserve was underwritten at 4.0% of total revenue;
- Based on these assumptions, Standard & Poor's NCF variance was 10.8%;
- Standard & Poor's assumed a capitalization rate of 11.00% and derived a total value of \$59.4 million (\$162,310 per room); and
- The overall quality score for this loan is 2.50, an above-average score.

This loan exhibits the following strengths:

- The property benefits from an excellent location within the prestigious Country Club Plaza retail and entertainment district, and represents one of the only true luxury hotels in the Kansas City metro area;
- From 2000 to 2005, more than \$12.7 million (\$34,700 per room) was invested in the property. Furthermore, to comply with the reflagging of the hotel as an Intercontinental, the borrower will contribute \$9.6 million (\$26,230 per room), of which \$4.75 million (\$12,978 per room) was escrowed at closing, on upgrades and required modifications to the hotel; and
- The subject has consistently outperformed its competitive set because it is well established as the preeminent hotel for corporate, group, and social hotel demand.

This loan exhibits the following concern and mitigating factor:

- The property is of older vintage than some of the properties within its competitive set, having its first phase constructed in 1971. However, the property has undergone significant renovations since 2000 at a cost of more than \$12.7 million (\$34,700 per room). Additionally, the borrower has a planned \$9.6 million property improvement

plan (PIP) with \$4.75 million (\$12,978 per room) escrowed at closing, and \$2.5 million of the PIP to be funded by the Intercontinental Franchise for required upgrades to reflag the asset as an Intercontinental Hotel.

Credit Evaluation

The following tables provide further analysis of the cash flow and valuation of the various property types, the top 10 loan characteristics, and Standard & Poor's DSC and LTV stratification ranges.

Table 12. Cash Flow Analysis And Valuation

<i>Property type</i>	<i>% of pool</i>	<i>DSC (x)</i>	<i>NCF diff.* (%)</i>	<i>Cap rate (%)</i>	<i>Beg. LTV (%)</i>	<i>End. LTV (%)</i>	<i>Value per unit/sq. ft. (\$)</i>
Retail	33.1	1.36	3.8	9.30	108.2	97.6	158
Office	29.4	1.12	17.7	8.77	105.4	98.2	231
Multifamily	17.0	1.27	2.5	8.35	98.1	88.4	64,964
Hotel	12.4	1.37	7.8	11.28	113.8	97.3	107,601
Mixed-use	4.5	1.20	8.6	8.94	102.4	86.2	161
Mobile home park	1.8	1.23	2.0	8.38	99.4	87.7	37,053
Industrial/warehouse	1.1	1.44	2.7	9.07	93.8	76.0	39
Self-storage	0.6	1.32	0.0	10.25	113.1	97.3	793
Health care	0.1	1.31	0.0	11.00	115.3	99.6	68,808
Total	100	1.26	8.3	9.20	105.8	95.2	—

*Difference between Standard & Poor's estimated NCF and underwriter's estimated NCF as a percentage of underwriter's estimated NCF. DSC—Debt service coverage. NCF—Net cash flow.

Table 13. Top 10 Loans

<i>Property name</i>	<i>Property type</i>	<i>% of pool</i>	<i>DSC (x)</i>	<i>% NCF diff.*</i>	<i>Cap rate (%)</i>	<i>Beg. LTV (%)</i>	<i>End. LTV (%)</i>	<i>Value per unit/sq. ft. (\$)</i>
Prime Outlets Pool	Retail/outlet	7.5	1.20	1.80	9.79	117.96	103.36	151
1775 Broadway	Office/CBD	5.9	0.88	32.98	8.40	99.50	91.05	406
620 Avenue of the Americas	Office/CBD	4.8	0.83	28.56	8.33	115.19	115.19	266
Hyatt Center	Office/CBD	3.8	1.13	24.79	8.75	98.16	91.11	225
Belmar	Mixed-use retail/office/multifamily	3.1	1.20	9.54	8.86	97.91	82.50	189
Clay Terrace	Retail/anchored	2.7	1.53	9.30	8.50	107.83	107.83	214
The InterContinental Hotel – Kansas City, Mo.	Hospitality/full service	1.7	1.16	10.81	11.00	123.73	111.72	162,310
Britannia Business Center I	Office/suburban	1.4	1.17	4.20	9.25	118.09	109.42	171
Marriott - Irving, Texas	Hospitality/full service	1.4	1.38	6.62	11.25	116.69	98.37	140,937
Doubletree Hotel - Chicago, Ill.	Hospitality/full service	1.3	1.07	25.76	11.25	142.60	134.29	109,763
Total/weighted average	—	33.7	1.11	16.72	9.18	110.58	101.58	N/A

*Difference between Standard & Poor's estimated NCF and underwriter's estimated NCF as a percentage of underwriter's estimated NCF. DSC—Debt service coverage. NCF—Net cash flow. CBD—Central business district. N/A—Not applicable.

Table 14. Standard & Poor's DSC Range (x)

	<i>No. of loans</i>	<i>Loan balance (\$)</i>	<i>% of pool</i>
>1.65	30	252,969,154	6.0

Table 14. Standard & Poor's DSC Range (x) (cont. 'd)

	<i>No. of loans</i>	<i>Loan balance (\$)</i>	<i>% of pool</i>
1.55 to 1.65	5	41,513,804	1.0
1.50 to 1.54	8	186,120,041	4.4
1.45 to 1.49	12	157,488,724	3.7
1.40 to 1.44	13	150,629,024	3.6
1.35 to 1.39	17	217,358,484	5.1
1.30 to 1.34	22	246,856,923	5.8
1.25 to 1.29	38	398,708,663	9.4
1.20 to 1.24	46	523,943,653	12.4
1.15 to 1.19	60	1,162,700,240	27.5
1.10 to 1.14	5	200,100,568	4.7
1.05 to 1.09	10	229,794,626	5.4
1.04 to 1.00	1	2,569,249	0.1
0.00 to 1.00	3	459,100,000	10.9
Total	270	4,229,853,153	100.0

DSC—Debt service coverage.

Table 15. Standard & Poor's Beginning LTV Range (%)

	<i>No. of loans</i>	<i>Loan balance (\$)</i>	<i>% of pool</i>
<50	0	0	0.0
50 to 60	2	6,184,417	0.1
61 to 70	4	60,129,121	1.4
71 to 75	6	37,365,381	0.9
76 to 80	5	32,080,715	0.8
81 to 85	13	99,992,757	2.4
86 to 90	12	86,194,073	2.0
91 to 95	20	168,562,515	4.0
96 to 100	33	878,865,291	20.8
>100	175	2,860,478,883	67.6
Total	270	4,229,853,153	100.0

Table 16. Standard & Poor's Ending LTV Range (%)

	<i>No. of loans</i>	<i>Loan balance (\$)</i>	<i>% of pool</i>
Fully amortizing loans	2	7,229,749	0.2
0 to 50	3	9,092,285	0.2
51 to 60	6	47,970,260	1.1
61 to 70	11	91,943,217	2.2
71 to 75	8	61,922,558	1.5
76 to 80	21	156,496,800	3.7
81 to 85	35	394,924,022	9.3

Table 16. Standard & Poor's Ending LTV Range (%)

	<i>No. of loans</i>	<i>Loan balance (\$)</i>	<i>% of pool</i>
86 to 90	48	446,990,194	10.6
91 to 95	48	1,068,874,254	25.3
96 to 100	48	515,316,188	12.2
>100	40	1,429,093,626	33.8
Total	270	4,229,853,153	100.0

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