

Presale: Wachovia Bank Commercial Mortgage Trust

(Reprinted from RatingsDirect)

Publication date: 16-Jun-2006

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\$1.619 Billion Commercial Mortgage Pass-Through Certificates Series 2006-C26

This presale report is based on information as of June 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 June 16, 2006			
Class	Preliminary rating*	Preliminary amount (\$)	Recommended credit support (%)
A-1	AAA	35,786,000	30.000
A-2	AAA	214,858,000	30.000
A-PB	AAA	85,647,000	30.000
A-3	AAA	662,284,000	30.000
A-1A	AAA	229,955,000	30.000
X-P¶	AAA	1,698,267,000§	N/A
A-M	AAA	175,505,000	20.000
A-J	AAA	138,209,000	12.125
B	AA	30,713,000	10.375
C	AA-	17,551,000	9.375
D	A	28,519,000	7.750
E	A-	19,745,000	6.625
F	BBB+	19,744,000	5.500
G	BBB	21,938,000	4.250
H	BBB-	19,744,000	3.125
J	BB+	4,388,000	2.875
K	BB	6,581,000	2.500
L	BB-	4,388,000	2.250
M	B+	4,387,000	2.000
N	B	6,582,000	1.625
O	B-	4,387,000	1.375
P	NR	24,132,767	0.000
X-C¶	AAA	1,755,043,767§	N/A
WM	BBB-	10,000,000	N/A

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

Profile

Expected closing date: June 29, 2006.

Collateral: 117 loans secured by 127 properties.

Underwriters: Wachovia Capital Markets LLC, Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Goldman Sachs & Co., and Lehman Brothers.

Sellers: Wachovia Bank N.A. Artesia Mortgage Capital Corp.

Master servicer: Wachovia Bank N.A.

Special servicer: LNR Partners Inc.

Depositor: Wachovia Commercial Mortgage Securities Inc.

Trustee: Wells Fargo Bank N.A.

Rationale

The preliminary ratings assigned to Wachovia Bank Commercial Mortgage Trust's \$1.619 billion commercial mortgage pass-through certificates series 2006-C26 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-PB, A-3, A-1A, A-M, A-J, B, C, and D notes 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 1.29x, a beginning LTV of 101.1%, and an ending LTV of 92.8%.

Unless otherwise indicated, all calculations in this report, including weighted averages, do not include the subordinate nontrust B notes for the Woodlands Mall (10.0% of the pool balance), Prime Outlets Pool II (8.6% of the pool), Chemed Center Leasehold (3.5% of the pool), and Tan-Tar-A Resort (2.9% of the pool) loans.

Strengths

The transaction exhibits the following strengths:

- One of the loans (10.0% of the pool) has a trust balance with credit characteristics consistent with investment-grade ratings by Standard & Poor's: Woodlands Mall ('AA');
- Loans representing 99.9% of the pool balance have borrowing entities that are structured as special-purpose entities (SPEs). In addition, loans representing 51.7% of the pool have borrowers with nonconsolidation opinions, loans representing 52.0% of the pool have independent directors, and loans representing 41.8% of the pool have borrowers that are structured as bankruptcy-remote SPEs with both a nonconsolidation opinion and an independent director;
- The weighted average quality score for the assets securing mortgages in the pool is 2.76, an above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest); and
- Monthly real estate tax escrows have been established for 92 loans (76.3% of the pool), and monthly insurance premium escrows have been established for 72 loans (59.7% of the pool). Ongoing capital expenditure reserves have been established for loans representing 75.4% of the pool balance.

Concerns and mitigating factors

This transaction exhibits the following concerns and mitigating factors:

- The pool exhibits geographic concentration, with 59.1% of the mortgaged properties concentrated in eight states. The largest concentrations are in Texas (14.4%), Florida (10.3%), Ohio (6.8%), Alabama (6.0%), New Jersey (5.7%), North Carolina (5.5%), California (5.2%), and Virginia (5.2%). The remaining assets are dispersed throughout 25 states and the District of Columbia, with no other state concentration exceeding 4.5% of the pool balance;
- The pool exhibits asset type concentration in retail (39.2% of the pool). One of the retail loans, the Woodlands Mall ('AA', 10.0%) has a trust balance with credit characteristics consistent with obligations rated investment-grade by Standard & Poor's. In addition, the retail concentration is most heavily weighted toward anchored retail (24.2 %), which is one of the most stable segments of the sector. The underwriting assumptions and capital structures take property type into account, and the credit support levels for the pool consider asset class concentrations;
- The pool exhibits loan concentration, as the top 10 trust balances represent 41.7% of the pool balance. The economics of the top 10 trust balances are better

than those of the entire pool, with a weighted average DSC of 1.36x compared with 1.29x for the entire pool, and a beginning LTV of 95.9% compared with a 101.1% LTV for the entire pool. In addition, one of the top 10 loans has credit characteristics consistent with obligations rated investment-grade: Woodlands Mall ('AA'; 10.0% of the pool). Finally, the Prime Outlets Pool II (8.5% of pool) is secured by multiple, crossed assets;

- Twenty-two loans (26.3 %of the pool) are full-term, interest-only (IO) loans, and 51 loans (51.5%) have partial IO terms. Standard & Poor's took the IO structure into account in sizing levels; and
- Fourteen loans, which represent 37.7% of the pool balance, have secondary financing in place in the form of a subordinate B note (24.8%), mezzanine debt (8.8%), secured by a pledge of partnership interests (3.7%), and subordinated unsecured debt (0.4%). In addition, 24 loans, representing 36.6% of the pool balance, permit the borrower to incur future financing in the form of subordinated secured secondary debt, mezzanine debt, or 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 112 fixed-rate whole loans (95.7%) and the senior interests of five fixed-rate whole loans (4.27%) that are structured as A/B or pari passu loans. The junior-interest B notes will not be included in the trust.

The pool includes three loans (2.0%) 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 110 conventional fixed-rate loans secured by liens on 127 properties. By property type, the pool has the following composition: retail (39.2%), office (25.3%), multifamily (14.3%), hotel (8.5%), industrial/warehouse (5.5%), mixed-use (2.5%), Land (2.9%), special purpose (0.8%), self-storage (0.8%), and mobile-home park (0.2%).

Hard lockboxes are in place for 15 loans, representing 37.0 % of the total pool balance. In addition, one loan (1.2%) has a soft lockbox in place, and 27 loans (22.1%) have springing cash management, which 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 92 loans (76.3% of the pool), and monthly insurance premium escrows have been established for 72 loans (59.7% of the pool). Ongoing capital expenditure reserves have been established for loans representing 75.4% of the pool balance.

Reserves have been established for the remediation of existing deferred maintenance items for 32 loans (32.6% of the pool). Generally, the reserve established for each loan equals 125% of the amount recommended in the engineering report.

Monthly leasing reserves have been established for 35 loans (37.0%) of the pool representing office, retail, industrial, and mixed-use properties.

Thirty-three properties (14.4%) are leased to single tenants. Of those, tenants rated

investment-grade by Standard & Poor's occupy 36% of the properties. The tenants occupying six of these properties, which secure 23.1% of the pool balance, have leases that expire after the respective loan maturity. In addition, four of those six properties are occupied by tenants rated investment-grade by Standard & Poor's.

Geographic diversity

The pool consists of properties located in 33 states and the District of Columbia. The pool exhibits geographic diversification, with 59.1% of the mortgaged properties concentrated in eight states. The largest concentrations are in Texas (14.4%), Florida (10.3%), Ohio (6.8%), Alabama (6.0%), New Jersey (5.7%), North Carolina (5.5%), California (5.2%), and Virginia (5.2%). The remaining assets are dispersed throughout 25 states and the District of Columbia, with no other state concentration exceeding 4.50% of the pool balance.

Loan sellers

Wachovia Bank N.A. contributed 87 loans (89.5%), and Artesia Mortgage Capital Corp. contributed 30 loans (10.5%).

Loan origination dates

All of the loans (100.0%) were originated within 12 months of the cutoff date.

Hyperamortizing loans

Fourteen loans (9.1% 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, 22 (26.3% of the pool) are IO for the full term of the loans, and an additional 51 loans (51.5% 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 1.29x on a weighted average coupon of 6.06%. 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 6.7% 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 101.1%, and the weighted average ending LTV is 92.8%. The weighted average capitalization rate applied to Standard & Poor's NCF is 9.02%. 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 51.0% of the total pool and re-underwrote cash flows and derived asset values for assets representing 78.0% of the pool. The weighted average quality score for the inspected properties is 2.76, an above-average score on Standard & Poor's scale of 1 (highest) to 5 (lowest).

Borrower Loan concentrations

The largest sponsor group is General Growth Properties, the sponsor for the Woodlands Mall (10.0% of the pool). The top five sponsors represent 35.4% of the pool, and the top 10 sponsors represent 49.0% of the sponsor pool.

Of the top 10 loans, eight (41.3% of the pool) have bankruptcy-remote SPE borrowers with nonconsolidation opinions and independent directors.

The top five loans represent 29.0% of the pool balance, and the top 10 loans account for 41.7% of the overall pool balance. The largest loan in the pool, the Woodlands Mall loan (10.0% of the pool), has a trust balance with credit characteristics consistent with investment-grade ratings by Standard & Poor's ('AA'). In addition, the economics of the top 10 loans are better than the overall pool with a DSC of 1.36x and a beginning LTV of 95.9%. Finally, Prime Outlets Pool II is secured by multiple, crossed assets.

Leasehold interests

Nine mortgaged properties, representing 14.5% of the pool, are secured in whole or materially by a mortgage lien on the borrower's leasehold interest pursuant to a ground lease. All of these loans have ultimate lease terms (considering extension options) that extend at least 20 years beyond the loan maturity. All but one of the ground leases affords the lender notice and cure rights. One loan, the Holiday Inn Express, represents only 0.2% of the pool. In addition, two mortgaged loans (3.8% of pool) are encumbered by both a fee interests and ground leasehold interest, respectively, in the same mortgage.

Tenancies-in-common

Of the loans, 20 (22.2%) are owned by individuals or entities as tenants-in-common (TIC). Generally, these tenants conform to Standard & Poor's criteria.

A/B notes

The mortgaged properties securing four loans, representing 24.8% of the pool balance, are encumbered by additional debt in the form of a subordinate B note.

The Woodlands Mall (10.0% of pool balance) is structured with a \$55.0 million subordinate B note, the Prime Outlets Pool II loan (8.6%) is structured with a \$17.0 million subordinate B note, the Chemed Center Leasehold (3.5%) is structured with a \$15 million subordinate B note, and the Tan-Tar-A Resort loan (2.9 %) is structured with a \$5.5 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 that the relative rights in a bankruptcy are more favorable when an A/B loan is structured as 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

Six loans (8.8%) have existing additional debt secured by mortgaged property and ownership interests in borrower. Four loans (3.7%) are secured by pledges of ownership interest and secured by mortgaged property in borrower, and one loan (0.4%) has existing unsecured debt.

Future secondary secured debt is permitted on 24 loans (36.6% of pool balance) in the pool. Of these, 16 loans (23.5% of pool) allow the borrower to incur future mezzanine debt. In addition, three loans (9.4% of pool) allow a combination of future secured

subordinate debt and mezzanine debt. Finally, four loans (2.8% of pool) allow future financing secured by the mortgaged property. This future additional debt requires a satisfactory intercreditor agreement and certain performance parameters to be met. Standard & Poor's took all existing and potential additional debt into account when sizing the levels for the deal.

Terrorism insurance coverage

Loans representing 99.6% of the pool 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.

Environmental review

Phase I environmental site assessments and/or updates of prior site assessments were prepared for all properties, with 97.6% prepared during the past 12 months.

One property (1% of the pool) required a phase II assessment, and no evidence of recognized environmental condition was found; further action was deemed unnecessary. Two loans (2.2% of pool) provided environmental insurance in favor of the mortgagee, in lieu of environmental indemnity.

Structural review

Independent, licensed engineers prepared engineering reports for 98.7% of the properties in the pool. The reports identified both deferred maintenance items to be corrected immediately and long-term capital expenditure needs.

Thirty-two properties (32.6%) were identified as needing immediate repairs, and escrows totaling \$4.9 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 as indicated in the reports.

Of the engineering reports, 99% were completed within 12 months of the cutoff date.

Seismic review

Eleven properties, securing 7.0% of the pool, are located in seismic zones 3 or 4. Seismic studies were completed for all of these properties, and all properties had a probable maximum loss of less than 20%.

Hurricane and flood review

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. Of the loans, 40 properties (53.0% of pool balance) have both windstorm and flood insurance. In addition, 78 properties (70.2% of pool) have windstorm insurance, and 43 properties (54% of pool) have flood insurance.

Top Seven Loans

Woodlands Mall

The largest loan in the pool is the Woodlands Mall loan; with a pooled trust balance of \$175.0 million (10.0% of the pool balance) and a whole-loan balance of \$240.0 million. The whole loan consists of a \$185.0 million senior A-note that is included in this transaction and a \$55.0 million subordinate B-note that will be held outside of the trust. Of the \$185.0 million A-note, a senior \$175.0 million component is pooled with the other trust assets, and a subordinate \$10.0 million component will be contributed to the trust, but will not be pooled with the other trust assets. The five-year, fixed-rate loan bears interest of 5.914%, provides for IO payments for the entire term and matures in June 2011.

The loan is secured by a first mortgage encumbering 611,556 sq. ft. of a two-level enclosed mall located north of Houston, Texas. The subject has excellent access and good visibility with its location directly next to Interstate 45 in the master-planned community of The Woodlands Texas, roughly 30 miles north of downtown Houston. The Woodlands has a population of more than 67,000 residents and more than 900 businesses employing more than 24,000 people. The subject contains approximately 1,354,474 sq. ft. of retail space anchored by Foley's, Dillard's, Sears, and J.C. Penny. All four of the anchors own their land and improvements and are not part of the collateral. A fifth anchor department store, an 85,000 sq. ft. vacant box previously occupied by Mervyn's (vacated in January 2006), is part of the collateral. Table 1 details the property's anchor tenants.

The subject was originally built in 1944. An expansion in 2004 added 175,000 sq. ft. in an outdoor lifestyle format. The expansion also added six new restaurants including Cheesecake Factory and P.F. Chang's. New retailers added at this time include Anthropologie, Pottery Barn, Williams Sonoma, and White House/Black Market. In addition, this expansion connects the Woodland's Mall to the Woodland's Waterway, a 1.2-mile long park and transportation corridor featuring water taxis, vehicle shuttles, and walking trails. There is 526,406 sq. ft. of in-line retail space accounting for 38.9% of the total gross leaseable area. Table 1 details the tenants at the subject.

Tenant	S&P rating	Occupied sq. ft.	% of total NRA	2005 sales per sq. ft. (\$)	Lease expiration
Foley's (Federated)	BBB	199,019	14.69	304.0	Owned
Dillard's	BB	229,666	16.94	164.0	Owned
J.C. Penny	BB+	146,553	10.82	147.0	Owned
Sears	BB+	167,480	12.36	111.0	Owned
Mervyn's (dark)	NR	85,150	6.29	N/A	Vacant
Total	—	828,068	61.14	—	—

NRA—Net rentable area. N.A.—Not available. NR—Not rated.

As of March 2006, the overall occupancy for the subject was 95.1% (due to the vacant ex-Mervyn's box), and the in-line tenant occupancy was 95.1%. Comparable mall shop sales for in-line tenants were \$518 per sq. ft. with occupancy costs of just over 11.0% for the 12 months ended February 2006. Sales in 2003 and 2004 were \$411 per sq. ft. and \$448 per sq. ft., respectively. The subject's largest in-line tenants are listed in Table 2.

Tenant	S&P rating	Occupied sq. ft.	% of total NRA	Base rent per sq. ft. (\$)	Lease expiration
Barnes & Noble	NR	30,605	5.23	20.42	Jan. 31, 2015
Foley's Children Store	NR	17,161	2.93	22.14	Jan. 31, 2012
Express (Parent is Limited Brands)	BBB	15,617	2.67	21.00	Nov. 30, 2007

Tenant	S&P rating	Occupied sq. ft.	% of total NRA	Base rent per sq. ft. (\$)	Lease expiration
Pottery Barn	NR	13,363	2.28	30.88	Jan. 31, 2017
Gap Kids	BBB-	12,329	2.11	30.00	Dec. 31, 2006

NRA—Net rentable area. NR—Not rated.

The borrower is structured as a bankruptcy-remote SPE sponsored by General Growth Properties Inc. (GGP, 'BBB-'), a publicly traded REIT. GGP is the second-largest owner/operator of regional malls in the country, and owns/manages 200 retail properties in 44 states containing approximately 200 million sq. ft. An affiliate of the borrower, General Growth Management Inc. (GGM), manages the property. The loan is structured with a springing lockbox for cash management.

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

- Standard & Poor's bifurcated the underwriting analysis to give value credit for future lease-up of the currently vacant ex-Mervyn's department store space. Cash flow was underwritten and DSC calculated using an as-is approach; however, Standard & Poor's used a stabilized approach to determine the additional value derived from the vacant department store;
- Gross potential rent (GPR) was underwritten based on rents in place as of March 2006, with vacant space grossed-up to estimated market retail rents;
- Expense reimbursements were based on the leases in place as of March 2006 and historical levels;
- The subject is 95.1% occupied. A 5.0% market vacancy rate was assumed was assumed for the as-is cash flow and overall DSC analysis;
- Percentage rent and other income were based on historical levels and tenants in place;
- A 4.0% management fee was taken on effective gross income (EGI) less recoveries, capped at \$1.0 million;
- Operating expenses were based on historical and projected levels;
- Normalized TI allowances for in-line tenants were assumed to be \$12.00 per sq. ft. for new leases and \$5.00 per sq. ft. for renewals;
- TI allowances for the leased-up anchor space were assumed to be \$4.00 per sq. ft. for new leases and \$2.00 per sq. ft. for renewals;
- LCs were underwritten at 4.0% for new leases and 2.0% for renewals;
- TI/LC assumptions were based on the in-place weighted average lease term of 11.7 years with LCs capped at 10 years;
- A 65.0% renewal probability was assumed for anchor and in-line tenants;
- Replacement reserves were estimated at \$0.25 per sq. ft. of collateral net rentable area (NRA);
- Based on these assumptions, Standard & Poor's NCF variance for the property was 8.32%;
- Standard & Poor's applied a 7.75% capitalization rate to the NCF and deducted TI/LC allowances associated with the lease-up of the vacant Mervyn's space, resulting in a value of \$274.43 million (\$449.0 per sq. ft.); and
- This asset's quality score is 2.50, an above average score according to Standard *Poor's criteria.

This loan exhibits the following strengths:

- The pooled trust balance exhibits credit characteristics consistent with investment-grade obligations rated 'AA' by Standard & Poor's;
- The property is well-located directly next to Interstate 45 in the planned-community of The Woodlands Texas, just 30 miles north of downtown Houston;
- The subject is the dominant regional mall in its trade area, reflected by its currently strong in-line occupancy of 95.1%, solid sales of \$518 per sq. ft., and favorable occupancy costs of just over 9.0%; and
- The property benefits from strong sponsorship and management.

This loan exhibits the following concern and mitigating factor:

- Included as part of the loan's collateral is the fee interest in the vacant Mervyn's anchor, which closed in January 2006. The borrower is reportedly in negotiations with various department stores to take occupancy of the space. Standard & Poor's employed a stabilized approach to drive the ultimate value of this space by leasing it up at estimated rents consistent with current market reports, subtracting up-front TI/LC expenses and discounting it back over a nine-month stabilization period.

Prime Outlets Portfolio

The second-largest loan in the pool, the Prime Outlets Portfolio loan, has a trust balance of \$150.0 million (8.6% of the pooled trust balance) and a whole-loan balance of \$317.0 million. The \$317.0 million whole loan has been divided into two equal pari passu pieces: the \$150.0 million A-1 note that is included in this transaction, a \$150.0 million A-2 note that will be securitized in a future transaction and a \$17.0 subordinated note that will be held outside the trust. The 10-year, fixed-rate loan bears interest at 5.79%, 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 April 2016.

The loan is secured by a first mortgage encumbering the fee interests in three cross-collateralized and cross-defaulted outlet center properties (see table 3).

Property name	Location	Allocated loan amount (\$)	Sq. ft.	TTM sales as of 12-31-05 (\$ psf.)	TTM occup. cost (%) as of 12-31-05	Occupancy (%) as of January 2006
Birch Run	Birch Run, Mich.	106,725,900	682,312	299	7.43	85
Hagerstown	Hagerstown, Md.	89,674,481	485,341	301	7.30	99
Williamsburg	Williamsburg, Va.	103,599,616	349,7875	456	7.27	100
Total portfolio	—	300,000,000	1,517,388	337	7.34	93

TTM—Trailing 12 months.

Prime Outlets at Birch Run (35.6% by allocated loan amount) is an 18 building retail outlet center totaling 682,312 sq. ft. spread over 95.8 acres located in Birch Run, Mich. adjacent to Interstate 75 midway between Flint and Saginaw, Mich. Constructed in phases between 1986 and 1996, the property is 85% occupied by 115 tenants at an average triple-net rent of \$16.46 per sq. ft. The largest tenant is Pottery Barn Outlet, which occupies 4.4% of the property's NRA through January 2011. The property is

located in an area that is a popular recreation and tourism destination for residents of southern Michigan and Ohio.

Prime Outlets at Hagerstown (29.9%) is a seven building retail outlet center totaling 485,341 sq. ft. spread over 64.1 acres located in Hagerstown, Md. adjacent to Interstate 70 approximately 75 miles from both Baltimore and Washington, D.C. Constructed in phases between 1998 and 2001, the property is 99% occupied by 108 tenants at an average triple-net rent of \$15.29 per sq. ft. The largest tenant is Wolf Furniture, which occupies 13.8% of the property's NRA through May 2009. The property is located in an area within easy driving distance of many east coast cities that contains many historic and recreational sites.

Prime Outlets at Williamsburg (34.5%) is an 11 building retail outlet center totaling 349,735 sq. ft. spread over 38.7 acres located in Williamsburg, Va., with nearby access to Interstate 64. Constructed in phases between 1988 and 2004, the property is 96% occupied by 88 tenants at an average triple-net rent of \$25.59 per sq. ft. The largest tenant is L.L. Bean, which occupies 4.6% of the property's NRA through August 2012. The property is located near historic Williamsburg and Busch Gardens amusement park.

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 January 2006, with vacant space grossed up at weighted average in-place rents;
- The highest of 5.0%, actual or market vacancy was applied;
- Reimbursements were based on historical recovery ratios and tenant's contractual obligations.
- Operating expenses were based on historical levels and in-place tax and insurance expenses;
- A management fee of 4.0% of EGI was assumed;
- TI allowances were estimated at levels ranging from \$4.00 to \$8.00 per sq. ft. for new leases and \$2.00 to \$4.00 per sq. ft. for renewal leases;
- LCs were underwritten at 4.0% for new leases and 2.0% for renewals;
- Weighted average in-place lease terms ranging from 8.2 to 10.6 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 3.15%;
- Standard & Poor's applied capitalization rates ranging from 9.25%-10.00% to NCF, resulting in a blended capitalization rate of 9.74%, yielding a value of \$252.3 million or \$166 per sq. ft.; and

- Quality scores for these assets range from 2.75-3.00, resulting in a blended portfolio quality score of 2.86, an above-average score according to Standard & Poor's criteria.

This loan exhibits the following strengths:

- The loan is secured by 3 properties located in three states and three distinct submarkets that are cross-collateralized and cross-defaulted;
- The portfolio is performing well with sales of \$337 per sq. ft. and occupancy costs of 7.3% for the 12 months ended December 2005; and
- The properties benefit from strong sponsorship and management.

This loan exhibits the following concern and mitigating factor:

- 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 \$337 per sq. ft., occupancy costs of 7.3% for the 12 months ended December 2005.

Eastern Shore Centre

The third-largest loan in the pool, the Eastern Shore Centre loan, has a trust and whole-loan balance of \$73.0 million (4.2% of the pool). The 10-year, fixed-rate loan bear interest at 6.28%, amortizes on a 30-year schedule, and is scheduled to mature in June 2016. The borrower is permitted to incur future mezzanine debt secured by a pledge of direct or indirect equity interest in the borrower. However, this additional debt will be subject to certain DSC and LTV thresholds.

The loan is secured by a first mortgage encumbering 432,689 sq. ft. of a 557,513 sq. ft. lifestyle center located in Spanish Fort, Ala. The center, originally built in 2003, consists of anchor tenant space totaling 263,298 sq. ft. and in-line tenant space totaling 294,215 sq. ft. As of April 2006, the subject was 92.8% occupied by two anchor/major tenants (14.4% of collateral NRA) and 80 in-line tenants (85.6% of collateral NRA) paying weighted average in-place triple-net rents of \$9.94 per sq. ft. and \$23.15 per sq. ft., respectively. The center's anchor tenants are described in table 4.

Tenant	S&P rating	Sq. ft.	Base rent per sq. ft. (\$)	Lease expiration
Bed Bath & Beyond	BBB	19,397	9.76	January 2015
Barnes and Noble	NR	22,500	10.22	November 2014
Dillard's	BB	124,824	N/A	N/A
Belk's (ground lease)	NR	96,577	2.99	February 2025

NRA—Net rentable area. NR—Not rated. N/A—Not applicable.

A selection of some of the subject's largest in-line tenants is listed in table 5.

Tenant	S&P rating	Occupied Sq. ft.	% of total NRA	Lease expiration
Pottery Barn	NR	11,455	2.60	May 2019
Express	BBB	8,005	1.90	December 2014
Hollister	NR	6,509	2.23	December 2009
Charlotte Russe	NR	6,500	2.23	January 2011
American Eagle	NR-	6,000	2.00	January 2011

NRA—Net rentable area. NR—Not rated.

The sponsors of the bankruptcy-remote SPE borrower are Frank Schilleci and Charlie Trotman. Mr. Schilleci and Mr. Trotman specialize in the ownership and development of retail and single tenant properties. Mr. Schilleci owns numerous small to medium shopping centers and several single tenant commercial properties. Trotman Co., established by Mr. Trotman in 1990, manages the property. The Trotman Co. has developed and leased more than three million sq. ft. of retail space. The loan is structured with a springing lock box for cash management.

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

- GPR was based on leases in place as of the April 2006 rent roll;
- Expense reimbursements were based on historical levels;
- Operating expenses were based on either the historical levels or the appraiser's estimate;
- A management fee of 5.0% of EGI less reimbursements was assumed;
- TI allowances for anchor tenants were estimated at \$3.00 per sq. ft. for new leases and \$1.50 per sq. ft. for renewal leases;
- TI allowances for nonanchor tenants were estimated at \$8.00 per sq. ft. for new leases and \$4.00 per sq. ft. for renewal leases;
- LCs 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 10.1 years for anchor tenants and 8.0 years for in-line tenants, with LC's capped at 10 years;
- A renewal probability of 65.0% was assumed;
- Replacement reserves were underwritten at \$0.25 per sq. ft.;
- Based on these assumptions Standard & Poor's NCF variance was 8.39%;
- Standard & Poor's applied a capitalization rate of 8.75% to NCF and gave present value credit for rent steps relating to investment-grade tenants yielding a value of \$75.1 million, or \$185 per sq. ft.; and
- The quality score for this asset was 2.75, an above average score for Standard & Poor's criteria.

This loan exhibits the following strengths:

- The property is new, having been constructed in 2003 and has no direct lifestyle center competition;
- The property is well located along I-10, having good access, frontage and visibility; and
- The property benefits from a diversified rent roll; with more than 70 tenants, the largest tenant providing less than 3.7% of the GPR.

The loan exhibits the following concern and mitigating factor:

- The borrower is permitted to incur future mezzanine debt secured by a pledge of direct or indirect equity interest in the borrower. However, this additional debt will be subject to certain DSC and LTV thresholds. Standard and Poor's took the additional debt into account when determining the capital structure for this loan.

Chemed Center Leasehold

The fourth-largest loan in the pool, the Chemed Center loan, has a trust balance of \$61.0

million and whole balance of \$76.0 million (3.5% of the pool). The 10-year, fixed-rate loan bears interest at 6.13%, amortizes on a 30-year schedule following an initial four-year IO period, and matures in May 2016. In addition to the first mortgage financing, the loan has existing mezzanine debt of \$31.5 million secured by a pledge of equity interests in the borrower and subject to subordination and intercreditor agreements.

The loan is secured by a first mortgage encumbering the leasehold interest in Chemed Center, a 551,470-sq. ft., class A office building located in the the central business district (CBD) Cincinnati, Ohio, with expansive views of the Ohio River and northern Kentucky. Ten of the country's Fortune 500 companies are headquartered in the city, including Kroger Co., Procter & Gamble, Federated Department Stores, and Fifth Third Bank. Built in 1990, the 31-story subject building is the premier office property in Cincinnati and is a highly visible landmark of the city's skyline. The property offers a six-level parking garage that is being expanded to include 157 additional spaces by September 2006 for a total 1,223 parking spaces and 15,281 sq. ft. of ground floor retail space for which construction is under way to add a two-story, 10,920-sq.-ft. Walgreen's drug store ('A+', lease commences in September 2006). Other retail tenants are Skyline Chili (not rated, 1.0% of NRA, lease expires in 2011), Wendy's ('BBB-', 1.0% of NRA, lease expires in 2009), New York Deli (not rated, 0.5% of NRA, lease expires in 2010), and STK Sundries and Bagel Shop (not rated, 0.3% of NRA, lease expires in 2007).

The property has a 99-year unsubordinated triple-net ground lease between the ground lessee and fee borrower; the ground lease expires in April 2105. Payments step up at 3% per year through the 14th lease year (2019), at which point they are fixed at \$3,634,620 for lease years 15 through 28.

As of April 2006, Chemed Center was 82.6% leased and 65.0% occupied by 16 office and four retail tenants paying weighted average rents of \$17.56 per sq. ft. and \$17.33 per sq. ft., respectively. One of the property's original tenants, PNC Bank ('A', 15.6% of NRA, lease expires in 2014), consolidated its operations into the adjacent PNC Center in 1995, leaving 86,055 sq. ft. of dark space at the subject. PNC Bank is expected to pay full rent and expense reimbursements through the remainder of its lease term. In addition, the borrower is required to pay \$41,667 monthly (\$500,000 annually) into a PNC Bank TI/LC reserve, totaling \$1.5 million by the tenant's lease maturity in 2014. Finally, an upfront TI/LC escrow of \$1.0 million was established at closing for future TI/LC costs. The building has historically averaged occupancy of greater than 95%. The largest tenants at the subject property are listed in table 6.

Tenant	S&P rating	Leased sq. ft.	% of NRA	Rent per sq. ft.	Lease expiration
Dinsmore & Shohl	NR	152,547	27.7	19.15	February 2009 and December 2018
PNC Bank	A	86,055*	15.6	19.00	February 2014
Chemed Corp.	BB-	60,231	10.9	15.54	October 2006 and April 2016
Katz, Teller, Brant & Hild	NR	32,334	5.9	18.25	August 2012
Greenbaum & McDonald	NR	24,418	5.0	15.00	November 2013

*Dark space. NRA—Net rentable area. NR—Not rated.

The sponsor of the bankruptcy-remote SPE borrower is Meridian Realty Investments LLC (MRI), the real estate investment arm of Meridian Cos., a Boston-based firm founded more than 20 years ago to provide tax-advantaged real estate investment opportunities for corporate and individual clients. To date, MRI's corporate investors have invested

more than \$6 billion in the company's real estate transactions and an additional \$4 billion in MRI's tax-advantaged energy transactions. The property will be managed by Hines Management, a subsidiary of Hines Interests L.P (Hines). Hines is a privately owned, international real estate investment firm with more than 93 million sq. ft. under management and assets valued at approximately \$11.7 billion. The loan is structured with a springing lockbox for cash management.

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

- GPR was based on leases in place as of March 2006;
- Expense reimbursements were based on in-place tenants' contractual obligations;
- No additional vacancy allowance was taken, as the property is currently 82.6% leased;
- Parking and other income were based upon the property's historical performance and the appraiser's estimates;
- Operating expenses, excluding real estate taxes and insurance premiums, were based on the property's historical performance and the appraiser's estimates;
- Real estate tax and insurance premium expenses were based on in-place expenses and the appraiser's estimates;
- For DSC purposes, ground rent expense was based on the ground lease payment at loan maturity. However, for valuation purposes, the net present value of the difference between the current ground lease payment and the ground lease payment at maturity was used;
- A management fee of 4% of EGI was assumed;
- TI allowances for office tenants were estimated at \$15.00 per sq. ft. for new space and \$7.50 per sq. ft. for renewal space;
- TI allowances for retail tenants were estimated at \$10.00 per sq. ft. for new space and \$5.00 per sq. ft. for renewal space;
- LCs were estimated at 4% for new space and 2% for renewal space;
- Weighted average lease terms of 19.0 years for office tenants and 20.2 years for retail tenants were assumed based on in-place leases, with LCs capped at 10 years;
- Given the tenant composition and leases in place, a renewal probability of 65% was assumed;
- Replacement reserves were underwritten at \$0.35 per sq. ft.;
- Based on these assumptions, Standard & Poor's overall as-is NCF variance was 2.1%;
- Standard & Poor's applied a capitalization rate of 9.00% to NCF, and added the NPV of the ground lease differential, yielding a value of \$73.2 million, or \$133 per sq. ft.; and
- The quality score for this asset is 2.50, an above-average score.

This loan exhibits the following strengths:

- The class A trophy property is a highly visible landmark of the Cincinnati CBD skyline, and is the city's premiere office buildings;
- The subject property offers expansive views of the Ohio River and Northern

Kentucky from its strong location in the Cincinnati CBD, which is also home to several Fortune 500 companies, including Kroger Co., Procter & Gamble, Federated Department Stores, and Fifth Third Bank; and

- The property benefits from strong sponsorship and management.

This loan exhibits the following concerns and mitigating factors:

- The property exhibits below-market occupancy of 65.0%, due in large part to 86,055 sq. ft. of dark space attributable to PNC Bank, which physically vacated the property 10 years ago. However, PNC Bank (S&P rated "A") is expected to pay full rent and expense reimbursements through the remainder of its lease term. The borrower is required to pay \$41,667 monthly (\$500,000 annually) into a PNC Bank TI/LC reserve, totaling \$1.5 million by the tenant's lease maturity in 2014. In addition, an upfront TI/LC escrow of \$1.0 million was established at closing for future TI/LC costs relating to other tenants. Prior to the PNC Bank vacancy, the subject historically averaged occupancy of greater than 95%; and
- The loan has mezzanine financing of \$31.5 million secured by a pledge of partnership interests in the borrowing entity and is subject to an intercreditor agreement. Standard & Poor's took the loan structure and all additional debt into consideration when sizing the loan's capital structure.

Tan Tar A Resort

The fifth-largest loan in the pool, the Tan Tar A Resort loan, has a trust balance of \$49.9 million (2.9% of the pool) and a whole-loan balance of \$55.4 million. The whole-loan consists of a \$49.9 million senior participation and a \$5.5 million junior participation that will be held outside of the trust. The 10-year, fixed-rate loan bears interest at a rate of 6.71%, amortize on a 30-year schedule, and is scheduled to mature in June 2016.

The loan is secured by a first mortgage encumbering a 497-room full service resort hotel situated on 237 acres in Osage Beach, Camden County, Mo. located 200 miles from both St. Louis and Kansas City. Tan-Tar-A Resort, a major family destination and conference meeting center, offers an assortment of amenities including 90,000 sq. ft. of conference meeting space, food and beverage outlets, a 27-hole golf course, a marina, an indoor water park, indoor and outdoor swimming pools, and a health club and spa. Built in 1960, the property underwent a \$23.0 million (\$46,278 per key) renovation in 2003, which included the addition of 133 lodging rooms and the creation of the indoor Water Park.

The primary demand generator is the property's location in the midst of Lake of the Ozarks. Lake of the Ozarks boasts 15 golf courses and popular outdoor activities such as bass fishing and hunting. In addition, the Lake of the Ozarks has become one of Missouri's largest shopping destinations anchored by The Osage Beach Premium Outlets with 110 manufacturers' stores.

There are four direct competitors to Tan Tar A Resort comprising 744 rooms located in Osage Beach and Lake of the Ozarks. The competitive set is comprised of The Lodge of the Four Seasons, a 303-room resort built in 1964; Resort at Port Arrowhead, a 207-room resort in Lake Ozark built in 1964; the Country Club Hotel & Spa, a 83-room resort built in 1998; and The Inn at Grand Glaze, a 151-room resort built in 1985.

Recent performance of the property is highlighted in table 7.

	2004	2005	TTM through March 2006	
Average Occupancy (%)		61.3	62.6	66.2
ADR (\$)		103.12	105.12	105.49

Table 7 Tan Tar A Resort			
2004	2005	TTM through March 2006	
RevPAR (\$)	63.22	65.83	69.80
TTM—Trailing 12 months. ADR—Average daily rate. RevPAR—Revenue per available room.			

Tan Tar A Resort's core financial performance indicators average occupancy, ADR and revenue per available room (RevPAR), have remained consistent or have increased each year since the sponsors acquired and renovated the property in 2003. The property's RevPAR penetration index was 106.8% in 2005. In addition, the property is less reliant on leisure travel than its competitors. The guest segmentation consists of 73% of room nights from meeting and group demand and 27% from leisure demand compared to 63% and 37%, respectively, for the property's competitors.

The sponsor of the bankrupt remote SPE is Columbia Sussex Corp., one of the largest privately held hotel owners in the U.S. Columbia Sussex Corp. (Columbia) owns 83 hotels totaling more than 27,000 rooms in 30 states throughout the U.S. and the Cayman Islands. Columbia has experience in both ground up construction and redevelopment/reflagging of hotel assets throughout the country. An affiliate of Columbia Sussex Corp. will manage the property. The loan is structured with a hard lockbox for credit card receipts.

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 ADRs; the penetration yields and the subject's general market position relative to the competitive set. Standard & Poor's concluded an occupancy of 65.6% and an ADR of \$105.49, yielding a RevPAR of \$69.18;
- Departmental revenues were generally underwritten based on historical levels, on a per-occupied-room basis, with greater emphasis on data from the trailing 12-month (TTM) period ending March 2006.
- Departmental expenses were generally underwritten based on the historical departmental profit margin level, with greater emphasis on data from the TTM period ending March 2006;
- Undistributed and fixed expenses are in line with historical expenses on an absolute and percentage basis;
- An furniture, fixtures, and equipment reserve was underwritten at 4.0% of total revenues;
- Based on these assumptions, Standard & Poors NCF variance was 0.00%. Standard & Poor's assumed a capitalization rate of 11.25% and derived a total value of \$57.20 million or \$115,162 per key; and
- The quality score for this asset was 2.75, an above average score for Standard & Poor's.

This loan exhibits the following strengths:

- The collateral is a major destination lodging/recreational resort recently renovated in 2003 at a cost of \$23.0 million (\$46,278 per key); and
- The property benefits from strong sponsorship and experienced management.

This loan exhibits the following concerns and mitigating factors:

- In addition to the trust balance, the loan is encumbered by a \$5.5 subordinate B note. However, Standard & Poor's took loan structure and all debt into account when determining capital structure for the loan and subordination levels on the deal; and
- The property does not currently have a franchise agreement. This is typically a risk for hotel properties, however this risk is mitigated by the fact the property is a major destination resort for midwesterners, none of the direct competitors in the market carry flags, and further mitigated by the experienced of the owners/managers, Columbia Sussex Corp., which owns 83 hotels throughout the U.S and has been successful in redeveloping hotel assets.

Lincoln Place

The sixth-largest loan in the pool, the Lincoln Place loan, has a trust and whole balance of \$45.2 million (2.8% of the pool). The 10-year, fixed-rate loan bears interest at 5.87%, provides for IO payments for the first seven years of the term, amortizes on a 30-year schedule thereafter, and is scheduled to mature in June 2016.

The loan is secured by a first mortgage encumbering the leasehold interest in Lincoln Place, a 139,887 sq. ft., 8-story office building located in the South Beach district of Miami, Fla. The subject was completed in 2002 and is currently 100% leased to LNR Property Corp. ('B+') under a 15-year triple-net lease with no early termination clauses. Rental rates range from \$18.75 to \$31.25 per sq. ft. over the term of the lease. The building was constructed in the art-deco style and is appointed with marble, glass, and metal finishes. It is served by seven elevators and contains 534 parking spaces in an attached garage.

The sponsor of the bankruptcy-remote SPE borrower is Allan Silverman, who formed the Andalex Group. The Andalex Group is based in New York City and was formed in 1989 by Alan Silverman. Andalex is a full service real estate firm focused on the acquisition, development, and management of office buildings. Andalex's current holdings include 101 Avenue of the Americas (New York) and 444 North Michigan Avenue (Chicago). The subject is managed by an affiliate of the sponsor. The loan is structured with a hard lockbox for cash management.

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

- Revenues were based on in-place rents as of February 2006;
- Expense reimbursements were based on the terms of the net lease in place with LNR Property Corp.;
- A vacancy of 7.0% was underwritten, based on market performance;
- Operating and ground rent expenses are the obligation of the tenant;
- A management fee of 3% of EGI was assumed;
- A TI allowance was estimated at \$20.00 per sq. ft. for new space and \$10.00 per sq. ft. for renewal space;
- Leasing commissions were estimated at 4% for new space and 2% for renewal space;
- A weighted average lease term of 15 years was assumed based on in-place leases with LCs capped at 10 years;
- A renewal probability of 65% was assumed;
- Replacement reserves were underwritten at \$0.30 per sq. ft.;

- Based on these assumptions, Standard & Poor's overall as-is NCF variance was 11.9%;
- Standard & Poor's applied a capitalization rate of 9.00%, yielding a value of \$41.3 million, or \$295 per sq. ft.; and
- The quality score for this asset is 2.75, an above-average score.

This loan exhibits the following strengths:

- The property benefits from its good location in South Beach, Miami, just over the causeway from downtown Miami; and
- The property benefits from strong and experienced sponsorship.

This loan exhibits the following concern and mitigating factors:

- The property exhibits significant concentration risk as LNR Property Corp. occupies a significant portion of the property. The property exhibits significant concentration risk as LNR Property Corp. occupies a significant portion of the property. This is mitigated by the fact that the property serves as LNR Property Corp.'s corporate headquarters.

Chemed Center Fee

The seventh-largest loan in the pool, the Chemed Center Fee loan, has a trust and whole balance of \$45.0 million (2.6% of the pool). The 10-year, fixed-rate IO loan bears interest at 6.030%, and matures in May 2016. In addition to the first mortgage financing, the loan has existing mezzanine debt of \$31.5 million secured by a pledge of equity interests in the borrower, and subject to a subordination and intercreditor agreement.

The loan is secured by a first mortgage encumbering the fee interests in the land beneath Chemed Center, a 551,470-sq. ft., Class A office building located in the Cincinnati, Ohio CBD. Built in 1990, the 31-story subject building is considered to be the premier office property in Cincinnati. It offers a six-level parking garage, which is being expanded to include 157 additional spaces for a total of 1,223 parking spaces by September 2006, and 15,281 sq. ft. of ground floor retail space. Construction is under way to add a two-story, 10,920-sq.-ft. Walgreen's drug store ('A+', lease commences in September 2006).

The 99-year unsubordinated ground lease is triple-net between the ground lessee and fee borrower, and expires in April 2105. The ground lease payment is currently \$2,475,000, resulting in a DSC of 0.91x. Payments step up at 3% per year through the 14th lease year (2019), at which point they are fixed at \$3,634,620 for lease years 15 through 28 and through the remaining term, increasing at 1% per year. The leasehold lender is afforded standard notice and cure rights with respect to any default of the fee interest loan. At closing the borrower was required to establish a ground lease payment reserve until ground lease payments step to sufficiently produce a DSC of 1.00x for the fee interest loan in three years.

The sponsor of the bankruptcy-remote SPE borrower is Meridian Realty Investments (MRI) LLC, the real estate investment arm of the Meridian Cos., a Boston-based firm formed in the 1980s to provide tax-advantaged real estate investment opportunities for corporate and individual clients. To date, MRI's corporate investors have invested more than \$6 billion in the company's real estate transactions, and an additional \$4 billion in Meridian's tax-advantaged energy transactions. The property is managed by Hines Interests L.P., a subsidiary of Hines Development (Hines). Hines is a privately owned, international real estate investment firm with more than 93 million sq. ft. under

management, and assets valued at \$11.7 billion. The loan is structured with a springing lockbox for cash management.

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

- Given the nature of the transaction, Standard & Poor's analyzed the probability of default on the loan, the loss severity during the loan term, and the anticipated repayment date. With loans secured by ground leases, the borrower does not have an economic interest in either the property improvements or its net cash flow prior to a ground lease default or an expiration of the ground lease.

Based on NCF and 2005 NOI before ground lease payments provided a ground lease DSC of 4.46x. Additionally, the leasehold lender and leasehold borrower each have investments and interests subordinate to the subject loan with a significant incentive to protect those interests. These parties have a right to cure defaults under the ground lease. A prudent lender must consider whether the contracted ground lease payments are adequate to service the ground lease loan during its term and result in a balloon balance that is readily refinancable. Since current interest rates are at historic lows, it is likely that borrowers under ground lease loans will face an increase in interest rates when they refinance. In addition, ground lease loans that are IO are subject to greater refinance risk due to lack of loan pay down over the loan term. The balloon risk was analyzed by reviewing the balloon balance and ground lease payment at maturity, and applying an appropriate stressed refinance constant of 8.75% to in order to determine the loan's refinance risk.

This loan exhibits the following strengths:

- The leasehold improvements encumbered by the loan consist of one of the finest Class A office properties in Cincinnati, Ohio;
- The leasehold improvements benefit from strong sponsorship and management;
- The leasehold and fee borrowers share the same sponsorship; and
- The quality score for the property is 2.50, an above-average score.

This loan exhibits the following concerns and mitigating factors:

- The loan has mezzanine financing of \$31.5 million secured by a pledge of partnership interests in the borrowing entity. The mezzanine debt is subject to an intercreditor agreement;
- The minimum annual ground lease payments paid by the leasehold borrower are insufficient to cover the fee loan payments for the first three years of the loan term, with a current DSC of 0.91x. An interest reserve was established at closing to cover loan payments until the leasehold borrower's required payments step up sufficiently maintain adequate coverage. Moreover, ground rent steps continue such that DSC reaches 1.31x by the time the loan matures; and
- Based upon Standard & Poor's stressed refinance constant of 8.75%, DSC at loan maturity is only 0.87x. This is somewhat mitigated by the loan's strong sponsorship.

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.

Property type	% of pool	DSC (x)	NCF diff.* (%)	Cap rate (%)	Beginning LTV (%)	Ending LTV (%)	Value per unit/sq. ft. (\$)
Multifamily	14.4	1.21	4.17	8.43	101.91	93.72	62,939
Retail/anchored	25.0	1.43	8.45	8.27	86.50	80.78	261
Office	23.0	1.20	8.76	9.09	109.71	103.60	160
Industrial	4.4	1.22	5.36	9.08	105.52	96.27	88
Mobile home park	0.2	1.18	3.95	8.50	94.91	83.50	32,208
Self-storage	0.9	1.33	0.73	10.25	102.81	89.08	909
Hotel	8.5	1.47	6.06	11.20	96.80	80.58	108,528
Outlet	8.6	1.17	3.15	9.74	118.93	104.85	166
Mixed	2.5	1.41	16.16	9.11	100.08	90.68	115
Warehouse	1.1	1.28	5.36	9.08	93.88	76.47	20
Special purpose	0.8	1.44	3.80	9.87	99.47	93.65	7,947
Medical office	2.0	1.20	6.10	9.30	108.96	94.55	129
Retail/unanchored	1.6	1.18	2.00	9.00	102.92	93.09	189
Retail/single tenant	4.1	1.34	7.99	8.75	97.93	92.93	287
Ground lease	2.9	1.06	0.00	8.59	113.98	112.84	97
Total	100.0	1.29	6.74	9.02	101.22	92.90	0

DSC—Debt service coverage. NCF—Net cash flow.

Property name	Property type	% of pool	DSC (x)	NCF diff.* (%)	Cap rate (%)	Beginning LTV (%)	Ending LTV (%)	Value per unit/sq. ft. (\$)
The Woodlands Mall	Retail/anchored	10.0	1.80	8.32	7.75	63.74	63.74	449
Prime Outlets Pool II	Retail outlet	8.6	1.17	3.15	9.74	118.93	104.85	166
Eastern Shore Centre	Retail/anchored	4.2	1.10	8.39	8.75	91.29	78.06	185
Chemed Center Leasehold	Office/CBD	3.5	1.49	2.10	9.00	83.27	76.79	133
Tan-Tar-A Resort	Hospitality/full service	2.9	1.59	0.00	11.25	87.18	75.46	115,162
Lincoln Place	Office/CBD	2.8	1.06	11.86	9.00	120.09	115.62	295
Chemed Center Fee	Land/office	2.6	1.05	0.00	8.50	115.00	115.00	71
4 Becker Farm Road	Office/suburban	2.5	1.15	6.44	9.00	105.41	98.99	145
One Enterprise Center	Office/CBD	2.4	1.11	8.10	9.25	115.00	107.65	113
Marriott - Tampa, Fla.	Hospitality/full service	2.2	1.37	15.62	11.00	107.34	92.02	113,600

Property name	Property type	% of pool	DSC (x)	NCF diff.* (%)	Cap rate (%)	Begin-ning LTV (%)	Ending LTV (%)	Value per unit/sq. ft. (\$)
Weighted avg.	—	41.7	1.36	6.15	9.07	95.87	88.38	—

DSC—Debt service coverage ratio. NCF—Net cash flow. CBD—Central business district.

No. of loans	Loan balance (\$)	% of pool
>1.65	11	231,940,650
1.55 to 1.65	3	58,847,000
1.50 to 1.54	2	29,100,000
1.45 to 1.49	3	76,125,000
1.40 to 1.44	4	35,324,026
1.35 to 1.39	2	55,266,028
1.30 to 1.34	10	80,857,865
1.25 to 1.29	8	121,061,430
1.20 to 1.24	9	91,715,633
1.15 to 1.19	30	468,895,705
1.10 to 1.14	16	204,261,637
1.05 to 1.09	6	176,748,794
1.04 to 1.00	4	86,900,000
0.00 to 1.00	2	38,000,000
Total	110	1,755,043,767

DSC—Debt service coverage.

No. of loans	Loan balance (\$)	% of pool
<50	0	0
50 to 60	2	13,390,222
61 to 70	1	175,000,000
71 to 75	2	16,787,428
76 to 80	6	34,675,000
81 to 85	3	65,125,534
86 to 90	6	62,672,688
91 to 95	12	145,440,916
96 to 100	11	129,664,977
>100	67	1,112,287,003
Total	110	1,755,043,767

No. of loans	Loan balance (\$)	% of pool
Fully amortizing loans	1	4,000,000
0 to 50	1	6,990,222
51 to 60	2	15,387,428
61 to 70	7	210,938,562
71 to 75	4	32,167,954
76 to 80	12	244,962,623
81 to 85	7	35,302,730
86 to 90	12	82,038,764
91 to 95	18	224,986,190
96 to 100	20	256,696,000
>100	26	641,573,294
Total	110	\$1,755,043,767

No. of loans	Loan balance (\$)	% of pool
>1.65	11	231,940,650
1.55 to 1.65	3	58,847,000

Table 13 Standard & Poor's DSC Range (x)			
No. of loans	Loan balance (\$)	% of pool	
1.50 to 1.54	2	29,100,000	1.7
1.45 to 1.49	3	76,125,000	4.3
1.40 to 1.44	4	35,324,026	2.0
1.35 to 1.39	2	55,266,028	3.1
1.30 to 1.34	10	80,857,865	4.6
1.25 to 1.29	8	121,061,430	6.9
1.20 to 1.24	9	91,715,633	5.2
1.15 to 1.19	30	468,895,705	26.7
1.10 to 1.14	16	204,261,637	11.6
1.05 to 1.09	6	176,748,794	10.1
1.04 to 1.00	4	86,900,000	5.0
0.00 to 1.00	2	38,000,000	2.0
Total	110	1,755,043,767	100.0

DSC—Debt service coverage.

In this presale report, originally published June 15, 2006, the percentage of the pool balance that the top 10 loans constitute was misstated. In addition, a table detailing the top 10 loans was omitted. A corrected version follows.

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