

## U.S. Commercial Mortgage Servicer Report

# CWCapital LLC and CWCapital Asset Management LLC

### Ratings

CWCapital LLC Primary Servicer Master Servicer	CPS2+ CMS3
CWCapital Asset Management LLC Special Servicer	CSS1–

### Analysts

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### Related Research

- Applicable Criteria
- *Global Rating Criteria for Structured Finance Servicers, Aug. 16, 2010*
  - *U.S. Commercial Mortgage Servicer Rating Criteria, Feb. 18, 2011*

**See page 8 for Servicer at a Glance.**

### Summary

CWCapital LLC (CWCapital) is a commercial mortgage-backed securities (CMBS) primary and master servicer rated 'CPS2+' and 'CMS3', respectively, by Fitch Ratings. In addition, CWCapital Asset Management LLC (CWCAM) is a CMBS special servicer rated 'CSS1–' by Fitch. The ratings reflect the company's demonstrated ability to service and work out loans securing CMBS. The ratings also reflect the company's well-tenured management, consistently low turnover, and comprehensive surveillance procedures.

The servicer ratings are based on the methodology described in Fitch Research on "U.S. Commercial Mortgage Servicer Rating Criteria," dated Feb. 8, 2011 and "Global Rating Criteria for Structured Finance Servicers," dated Aug. 16, 2010, both available on Fitch's Web site at [www.fitchratings.com](http://www.fitchratings.com).

### Strengths

- Highly experienced primary and special servicing staff, with low turnover.
- Extensive agency primary servicing experience (since 1994).
- Strong commitment to technology.

### Concerns

- Direction and support of servicing operations from private equity owner.
- Minimal CMBS master servicing experience.
- Ability to maximize recovery on specially serviced assets in conjunction with explosive growth in resolutions (\$10.7 billion in 2010 versus \$1.27 billion in 2009).

### Mitigants

- The parent is an experienced commercial real estate participant as both an owner and investor and is expected to provide the financial resources necessary to support the business.
- The company maintains comprehensive procedures for CMBS master servicing functions, such as advancing, primary servicer oversight, and reporting. It also has vast experience as a CMBS primary servicer.
- CWCAM continues to add highly experienced asset management staff to keep up with the growth of its special servicing portfolio and has experienced recoveries in line with other highly rated special servicers.

### Company Overview and Operational Highlights

CWCapital and CWCAM are members of the CW Financial Services (CWFS) family of companies, which also includes CWCapital Investments. CWCapital has been an active agency primary servicer since 1994. It originates, underwrites, closes, and services loans for property owners and mortgage brokers and services loans for institutional investors. Specifically, CWCapital focuses on Fannie Mae-delegated underwriting and servicing, Freddie Mac market rate and affordable programs, and U.S. Department of Housing and Urban Development nonrecourse mortgages.

CWCAM performs CMBS special servicing in instances where its parent and/or investment partners purchase first-loss bonds. The company also acts as special servicer for select third-party clients. As of May 31, 2011 CWCAM was the second largest CMBS special servicer in terms of both number and UPB, having 1,020 loans with an aggregate UPB of \$21.1 billion.

On Sept. 1, 2010, CWFS was sold by Otéra Capital, a wholly owned subsidiary of Québec-based institutional fund manager Caisse de dépôt et placement du Québec, and members of CWFS management to affiliates of Fortress Investment Group LLC (Fortress).

CWCapital's recent accomplishments include the following:

- Closed approximately \$2.75 billion of loans in 2010.
- Continued migration to new document management platform.

CWCAM's recent accomplishments include the following:

- The resolution in 2010 of more than \$10.7 billion of specially serviced CMBS loans and REO by CWCAM (compared with \$1.27 billion in 2009)
- Continued vigorous training program, including continuation of CWCAM's two-day intensive boot camp style analyst training module and addition of a new, quarterly mini-boot camp.
- CWCAM consolidated and relocated its metropolitan Washington offices, moving from Rockville, Maryland and Washington, DC to newly built-out office space in Bethesda, Maryland.

Additional accomplishments at the corporate level include the following:

- Sale of CWFS to a new strategic partner (Fortress).
- Purchase of Rockwood Real Estate Advisors to offer brokerage and advisory services to the real estate community.
- President and CEO was appointed chairman of the Mortgage Bankers Association (Michael Berman)

## Financial

Fitch does not publicly rate the credit and financial strength of CWFS. However, Fitch's financial institutions group reviewed CWFS's financial statements to provide an internal assessment, as a company's financial condition is an important component of Fitch's servicer rating analysis, and determined the company's short-term financial viability adequate to support the CMBS servicing platform.

## Employees

As of March 31, 2011, CWCapital was staffed with 47 full-time employees involved in primary and master commercial-mortgage loan servicing. Experience levels of loan servicing management and staff are as follows:

- Senior management averages 25 years of industry experience and 16 years with CWCapital.
- Middle management averages 17 years of industry experience and eight years with CWCapital.
- The loan servicing staff averages nine years of industry experience.

Since Fitch's last review, CWCAPITAL's primary and master servicing group experienced a 10.64% overall turnover rate, with no management turnover.

As of March 31, 2011, CWCAM (special servicing) had 160 employees directly involved in special servicing, 104 of whom were involved in asset management. The remaining employees were divided among loan administration, surveillance, and support functions. Since the last review, CWCAM experienced 13.2% overall turnover, including the loss of two managers.

Experience levels of special servicing management and staff are as follows:

- Senior management averages 27 years of industry experience and 11 years of tenure with the company.
- Middle management averages 23 years of industry experience and five years with the company.
- Asset managers average 15 years of industry experience.

Special servicing training is concentrated in two areas. One component is the analyst training program, which consists of in-house seminars and Commercial Real Estate

Finance Council (CREFC) courses. The second training area is continuing education, which emphasizes property operations, third-party services, and legal issues taught through legal seminars by outside counsel. CWCAM maintains an education committee made up of representatives from various departments that meet monthly to coordinate analyst training and continuing staff development. CWCAM employees averaged 41 hours of training over the past 12 months, which compares favorably to the average reported by Fitch-rated special servicers.

### Policies and Procedures

Policies and procedures for both groups are thorough and complete and available to all employees online via a shared network directory. All policies and procedures are formally reviewed on an annual basis.

CWCAPITAL's compliance analyst performs quarterly reviews on 7% of the company's loan portfolio, including loans serviced by all personnel. Additionally, the company's internal audit team conducted an agreed-upon-procedure audit in 2010 with no significant findings resulting from these reviews. KPMG LLP conducted both the Reg AB and Uniform Single Attestation Program (USAP) year-end 2010 examinations for CWCAPITAL and issued letters indicating full compliance with servicing standards.

### Servicer Ratings

Fitch rates primary and master servicers, which protect the interests of the certificateholders in the trust, by servicing and administering the mortgage loans. The primary servicer is responsible for day-to-day servicing functions, while the master servicer is responsible for monitoring the activities of the primary servicers, investor reporting, and timely remittance of funds to trustees.

Fitch also rates special servicers, which are key to maintaining the credit quality of a pool containing nonperforming commercial mortgages and real estate-owned assets. The special servicer is responsible for working out loans, foreclosing, and liquidating assets.

In assessing and analyzing the capabilities of primary, master, and special servicers, Fitch reviews several key factors, including the management team, organizational structure and operating history, financial condition, information systems, and, with respect to the special servicer, workout and asset disposition experience and strategies.

Fitch rates commercial mortgage primary, master, and special servicers on a scale of 1 to 5, with 1 being the highest rating. Within each of these rating levels, Fitch further differentiates ratings by plus (+) and minus (-) as well as the flat rating.

CWCAM also conducts quarterly internal reviews. These examinations are performed by a member of CWCapital's accounting department who is independent of special servicing operations. The scope of the reviews includes numerous loan and REO asset management functions, as well as all applicable servicing criteria under Reg AB. These examinations were completed with no material findings.

CWCAM engaged Deloitte & Touche LLP to perform agreed-upon procedures of four REO property management companies. This review by Deloitte was managed by the CWFS compliance department, which is independent of the special servicing operations and activities. Two reviews have been completed with no significant findings, and two are pending.

Matthews, Carter and Boyce, P.C. performed the year-end 2010 USAP examination for CWCAM and issued a letter of full compliance. KPMG LLC performed the year-end 2010 Reg AB audit and issued a letter of full compliance with applicable servicing criteria.

### **Technology**

CWCapital uses Financial Industry Computer Systems, Inc.'s Commercial Servicer (CS), Version 5.50 as its servicing system of record. CS was demonstrated to be flexible and user-friendly and contains all data necessary for CREFC reporting. Auxiliary systems include the following:

- Report manager — an internally developed reporting system.
- Microsoft Office software products.
- BUS — a pipeline management system.

CWCapital maintains a thorough loan servicing crisis management/contingency plan. The disaster recovery plan was redesigned in 2008 and is managed internally. The plan is tested at least twice a year; the most recent test took place in December 2010 with successful results.

CWCAM uses the CMBS Asset Management System (CAMS) for special servicing and asset management. The CAMS system has been customized to meet CWCAM's specific needs, such as ensuring compliance with PSAs and internal policies and procedures. CAMS features both a consent and an assumption tracking and review module and a surveillance/watchlist module to dual-track loans placed on the master servicers' watchlists and CWCAM's internal watchlist.

The system calculates servicing fees, spreads financial statements, generates operating statement analysis reports, and creates CREFC reports, in addition to providing a platform for asset managers to generate business plans for specially serviced assets. CAMS integrates with Argus and Microsoft Excel for data import, as well as with Microsoft Excel and Word and Adobe Acrobat for data export and reports.

Fitch believes CWCAM's strong technology platform is one of the company's greatest strengths.

CWCAM also performs disaster recovery tests twice a year; the most recent test took place in December 2010 with successful results.

### **Primary Servicing**

As of May 31, 2011, CWCapital's servicing portfolio consisted of 1,257 loans totaling \$13.0 billion. As of the same date, the company acted as primary servicer in 33 CMBS transactions, servicing 368 loans totaling \$3.6 billion.

Servicing functions are performed by four departments — loan administration, investor reporting, asset management, and insurance administration. Loan administration handles the following loan servicing functions:

- New loan setup.
- Tax and insurance administration.
- Reserve draw requests.
- Escrow analysis.
- General customer service.

The investor reporting group prepares the monthly CREFC files and reports and manages the servicing database. The CS system automatically generates the full CREFC investor reporting package.

The asset management group is responsible for the following:

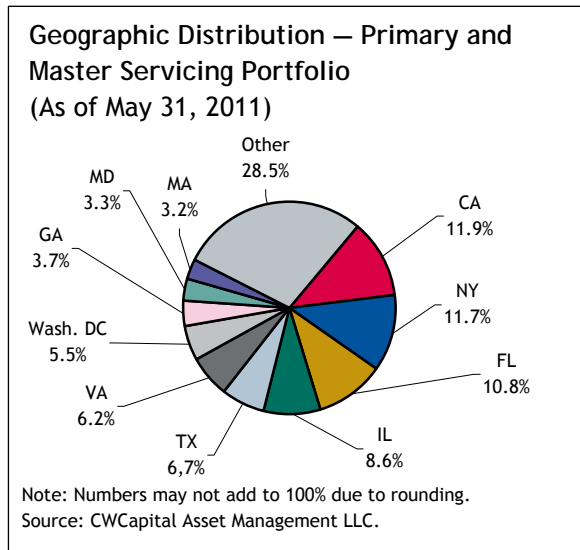
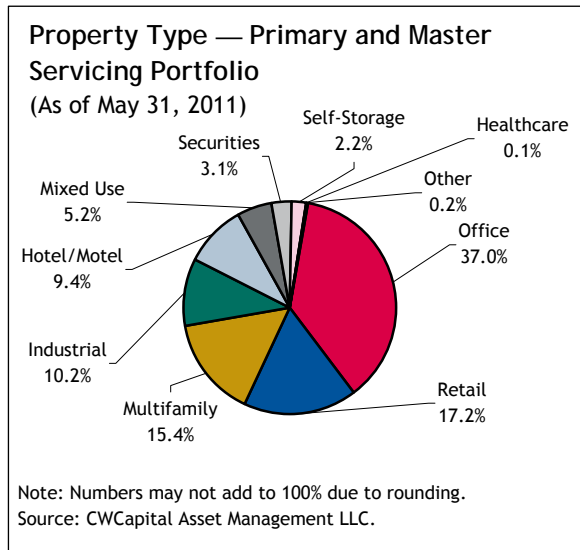
- Property inspections.
- Operating statement analyses.
- Watchlist creation and maintenance.
- Credit decisions.

The insurance administration group handles the following functions:

- Insurance expirations/renewals.
- Compliance.
- Escrow administration.
- Corporate risk management.

CWCapital continues to maintain its borrower information center (BIC) Web site, from which borrowers can obtain payment information, news items, the loan history, the escrow history, and contact information for their loan administrator. BIC offers historical information, as well as print functionality. The BIC user base currently consists of 80% of all CWCapital borrowers.

CWCapital negotiates PSA language to garner more responsibility as a primary servicer for transactions in which CWCAM is named special servicer. In these circumstances, CWCapital and CWCAM handle all analysis and approval of borrower requests, such as lease approvals and assumptions. The master servicer is notified of all decisions by CWCapital but does not separately review or approve these requests.



**Master Servicing**

As of May 31, 2011, CWCapital was named master servicer on one CMBS transaction, with 14 loans totaling \$16.8 million, for which it performs both the primary and master servicing roles. The servicing group maintains comprehensive policy and procedure manuals for master servicing that address such areas as primary servicer oversight, reporting and remitting to trustees, and advancing. CWCapital does not currently oversee third-party CMBS servicers.

Both the watchlist committee and the lender consent committee are made up of the relationship manager and representatives from CWCapital’s asset management, loan administration, and legal departments, in addition to other senior managers. The monthly watchlist committee reviews loan-level issues, market and borrower information, and potential resolution strategies.

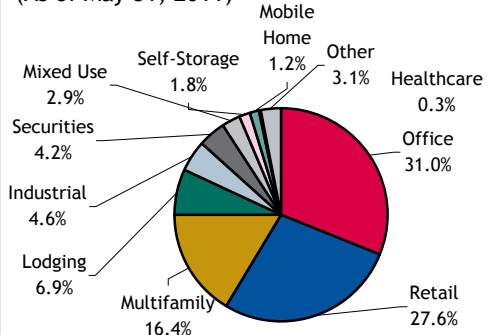
**Special Servicing**

As of May 31, 2011, CWCAM was the named special servicer on 12,839 loans in 150 CMBS transactions totaling \$156.2 billion. As of the same date, the company was special servicing 625 CMBS loans totaling \$15.7 billion and 395 REO assets totaling \$5.3 billion. From its inception in mid-2005 through May 31, 2011, the special servicing group resolved 1,436 CMBS loans and REO assets with an unpaid principal balance at resolution of \$17.3 billion.

CWCAM operates with a team structure, in which analysts and/or associates support each asset manager. This structure allows asset managers to manage higher volumes as well as more complex assets. In addition, CWCAM has established teams within its organization based on property type concentrations. The teams are headed by loan or REO senior managers and consist of various staff from each department at each level of the organization. Teams are grouped by expertise (i.e. the hotel team consists of asset managers and analysts with extensive hospitality experience) and meet on a regular basis. The teams have primarily focused on the exposure in the portfolio to their assigned property type and analyzed the related risk, utilizing appropriate measuring sticks for evaluating property and loan performance. The teams have also provided training to

**Property Type – Special Servicing Portfolio**

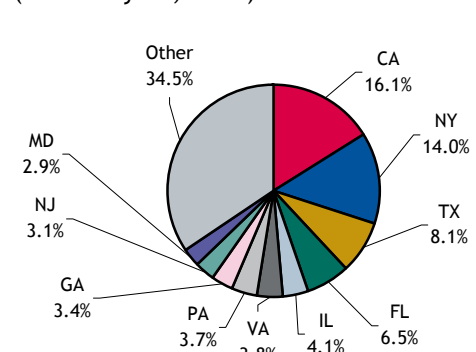
(As of May 31, 2011)



Note: Numbers may not add to 100% due to rounding.  
Source: CWCapital Asset Management LLC.

**Geographic Distribution – Special Servicing Portfolio**

(As of May 31, 2011)



Note: Numbers may not add to 100% due to rounding.  
Source: CWCapital Asset Management LLC.

other company staff utilizing employee-led training as well as third-party property type experts.

CWCAM employs a value-oriented approach to special servicing. Asset status reports are required within 30 days of the loan transferring into special servicing, and business plans are required within 90 days of the transfer of the asset. Each month, the group reviews all assets and performs a bottom-up loss analysis on any asset for which there is an indication of a change in value or disposition strategy. Asset managers are responsible for a monthly review of all relevant data points, including asset cash flows, anticipated capital needs, advances, market conditions, and appraisals. The resulting valuation analyses are presented to senior management to ensure continuous estimates of collateral and bond values.

CWCAM maintains a dedicated staff responsible for handling assumptions and other borrower consents. Tracking of the process is centralized and automated in CAMS, helping to ensure timely processing. CWCAM also has a dedicated in-house legal staff that performs a variety of tasks, including: facilitating the retention of outside legal counsel; reviewing contracts, leases, and other documents related to special servicing; abstracting and interpreting PSAs and other servicing contracts; and assisting in compliance efforts.

The surveillance department proactively identifies risk rates and values problem loans. Information is obtained from a variety of sources, including trustee reports, master servicer data files and conference calls, and online research databases. The staff reviews current property operating information and centralizes the data and analysis in CAMS.

CWCAM performs ongoing, regular surveillance on the loans and bonds in its portfolio. Objectives of this analysis include the following:

- Proactive identification of problem loans at the master servicer level.
- Prevention of unnecessary loan transfers to the special servicer.
- Encouragement of early transfer to the special servicer of loans requiring immediate intervention.

CWCAM maintains an ongoing watchlist, in addition to the master servicers' list, and further analyzes the watchlist to identify probable and possible loan transfers to special servicing. Key criteria in determining watchlist loans include the following:

- Financial conditions.
- Borrower issues.
- Property condition issues.
- Lease rollover.
- Tenant issues.
- Vacancy.
- Loan maturity.
- Loans identified by acquisitions.

CWCAM continues to provide prompt and quality service to Fitch's performance analytics team in conjunction with CMBS deal reviews.

**Servicer At A Glance — CWCcapital LLC and CWCcapital Asset Management LLC**

<b>Experience (Years)</b>		
Servicing	25	
CMBS Servicing	17	
Overseeing Primary Servicers	0	
Loan Workout	16	
CMBS Workout	16	
<b>Employees</b>		
	<b>Master/Primary</b>	<b>Special</b>
Number of Employees	47	160
<b>Senior Management:</b>		
Experience in Industry (Years)	25	27
Tenure with Company (Years)	16	11
<b>Middle Management:</b>		
Experience in Industry (Years)	17	23
Tenure with Company (Years)	8	5
Average Training Hours Per Employee Per Year	40	41
Overall Employee Turnover (%)	10.6	13.2
Management Turnover (%)	0	6.1
2010 USAP Audit/Reg AB Audits	Completed by KPMG LLP/Matthews, Carter and Boyce, P.C.	
Servicing System	FICS, Inc.'s Commercial Servicer, Version 5.50; CMBS Asset Management System	

**Master and Primary Servicing Statistics**

(As of May 31, 2011)

<b>Total Servicing Portfolio</b>	
Unpaid Principal Balance (UPB) (\$ Bil.)	13.0
Number of Loans	1,257
<b>CMBS Portfolio</b>	
<b>Primary Only with External Master</b>	
Number of Transactions	33
UPB (\$ Bil.)	3.6
Number of Loans	368
<b>Master Servicer</b>	
Number of Transactions	1
UPB (\$ Mil.)	16.8
Number of Loans	14
<b>Master/Primary (Full Servicer)</b>	
UPB (\$ Mil.)	16.8
Number of Loans	14
<b>Master Only (with External Primary)</b>	
UPB (\$ Bil.)	N.A.
Number of Loans	N.A.
N.A. – Not available.	

**CMBS Special Servicing Portfolio**

(As of May 31, 2011)

Number of Transactions	150
<b>Named Special Servicing</b>	
UPB (\$ Bil.)	156.2
Number of Loans	12,839
<b>Active Special Servicing, Not Including REO</b>	
UPB (\$ Mil.)	15.7
Number of Loans	62.5
<b>REO</b>	
UPB (\$ Bil.)	5.3
Number of Assets	395

Special Servicer Results	\$ Mil.	No. of Loans
Loans Resolved Since Inception	17,303.3	1,436
Loans Resolved Past 12 Months	10,482.1	606

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