

U.S. CMBS 1Q 2005: Another Warning Light on the Credit Dashboard

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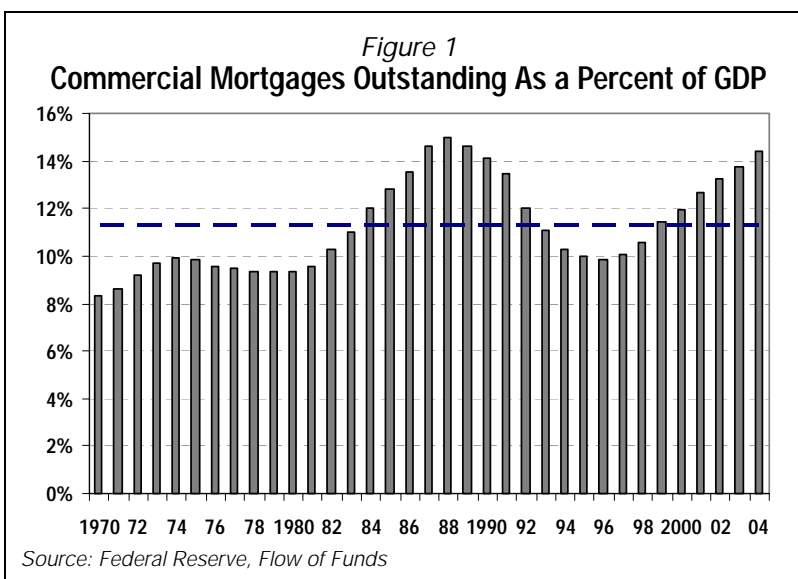
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ANOTHER WARNING LIGHT ON THE CREDIT DASHBOARD

Issuance during the first quarter of 2005 reflected a continuation of the recent trend of "frothy" loan underwriting. Conduit loan leverage remains elevated, the share of interest only loans has reached a new high, and there was increased usage of a lease structure (the master lease) that enables borrowers to get full proceeds at closing on fixed rate loans backed by properties that are not yet stabilized.

A different perspective on the state of commercial mortgage credit can be gained by looking at the amount of capital dedicated to commercial mortgages in relation to the size of the overall economy.

As shown in *Figure 1*, the total of commercial mortgages outstanding now measures approximately 14.4% of gross domestic product. This is well above the long term average of 11.2% represented by the bold line in *Figure 1*, and it suggests that we are nearing the upper end of the normal relationship between commercial mortgage finance and the overall economy.



The current level of 14.4% was last seen during the late 1980s. This period was notable both for its frothy underwriting (primarily by S&Ls) and for the credit crunch that followed.

Certainly the nature of the economy has changed since the 1980s, with different levels of demand for commercial real estate in relation to overall production (i.e. more service jobs may require more real estate). However, *Figure 1* suggests that there is now an overabundance of capital being devoted to commercial real estate, but with the capital being deployed in a different manner than in the previous cycle.

During the mid- to late -1980s excess capital was largely deployed for the construction of new properties to the point where supply far exceeded demand and it took many years to absorb the overhang. At present, construction is generally balanced with demand and excess capital appears to be deployed primarily to increase leverage on the existing inventory of assets. This seems borne out by the growth in conduit loan leverage, discussed below, supported in large part by the sharp decline in interest rates and cap rates. In addition, the increased availability of subordinate debt is likely a significant factor.

With the commercial property market being leveraged to a higher degree, more stress can be placed on the system with a less severe downturn in fundamentals. Moody's hopes that imbalances can be self correcting through successful operation of the capital markets. Greater information enables all bondholders to make more informed decisions. Rating agencies and subordinate bond buyers bring their own perspective and sources of discipline to the market as well. The key is greater differentiation of underwriting quality (i.e. leverage, reserves, interest only loans), so that riskier underwriting practices are addressed by rating agencies through higher subordination levels or by investors through wider spreads or by both.

All that being said, **NOW** would be an excellent time for the capital markets forces to begin acting.

UNLESS TRIA RENEWED, MARKET FACES TERRORISM COVERAGE PREMIUM SPIKE

The Terrorism Risk Insurance Act of 2002 (TRIA) has done its job of stabilizing the market for terrorism insurance remarkably well. Most market participants report that prices for "certified" foreign terrorism insurance back-stopped by TRIA are affordable, and that capacity is available.

In the CMBS world various servicers report coverage of up to 95% of all loans. For class A office buildings in Manhattan, considered one of the more at risk areas, certified coverage can be purchased for about 10% to 20% of the price for non-terrorism coverage. In locations considered less risky extra costs range from zero to 5% of the total property insurance premium.

Moody's is concerned about the potential effects of the expiration of TRIA on December 31, 2005. Unlike private market reinsurance treaties there is no "runoff" period, where primary insurance policies continue to be covered after expiration of the reinsurance treaty, if the primary policy was written during the treaty's effectiveness.

Insurance brokers anecdotally report that 50% to 75% of policies written since January 1, 2005, have adopted a conditional endorsement that automatically voids terrorism coverage if TRIA is not renewed, and they expect an increase in such conditional exclusions as the year progresses. These conditional endorsements appear to be an indication that unless TRIA is renewed premium spikes, or a sharp reduction in availability of coverage, may result.

Moody's is unaware of any viable private market initiative that would take the place of TRIA. We understand that while most insurers believe that risk models can provide reasonable severity of loss estimates, these models do not adequately size the potential frequency of terrorist attacks, the key to expected loss calculations. A limited number of stand alone insurers will probably always be in the market willing to write policies at high prices, but probably not enough to fill the demand for capacity.

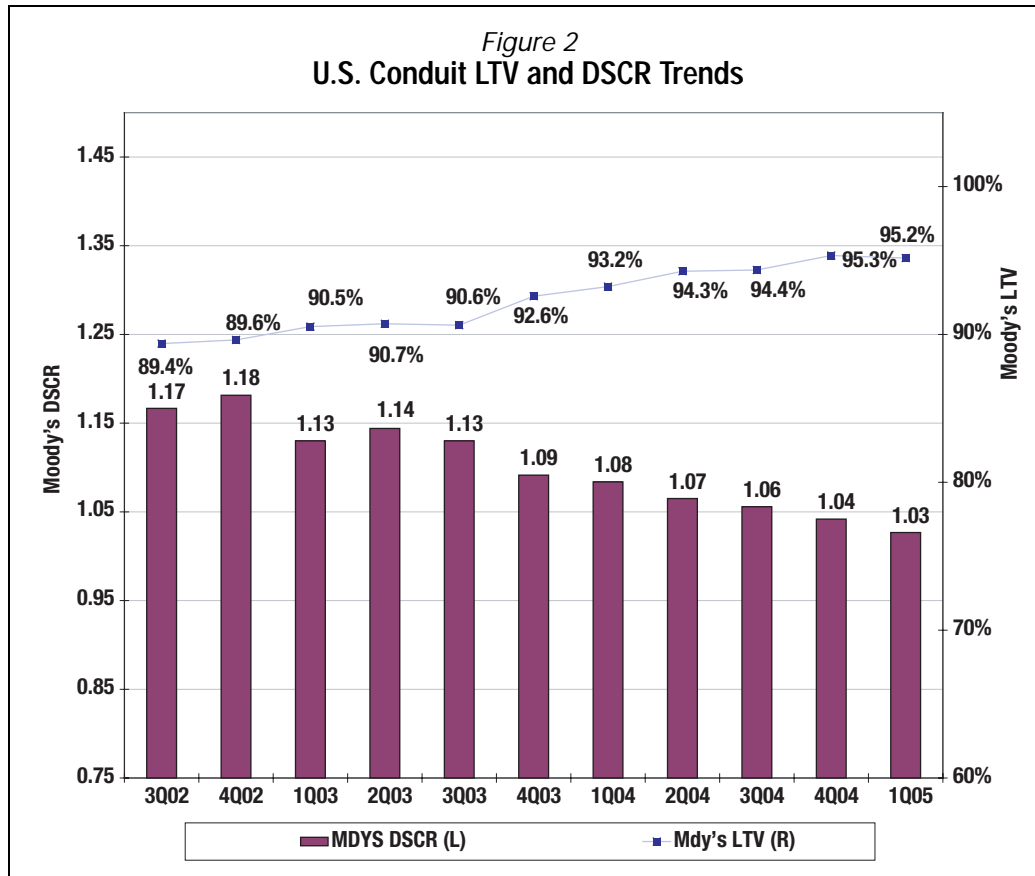
Language in recent loan documents partially addresses the potential spike in premiums if TRIA were not to be renewed. Many documents either flatly require no terrorism exclusions, or require the borrower to expend a stated percentage of the total property insurance premium for terrorism insurance (ranging from 25% to 200% depending on how "trophy like" an asset is). Other clauses require the purchase of terrorism insurance if it is available at commercially reasonable rates, and prudent borrowers are getting it.

While such formulae somewhat mitigate the effects of rising premiums they are not fully capable of answering the question of how high premiums could go without TRIA or availability issues that may arise.

CONDUIT LEVERAGE STABLE, SHARE OF IO LOANS INCREASES

Conduit leverage as calculated on a Moody's LTV basis was generally stable during the first quarter 2005. There was a slight decrease in average leverage from 95.3% to 95.2% from fourth quarter 2004 to first quarter 2005 and a small pickup in the share of loans in excess of 100% LTV from 29% to 31%.

Another metric that we use to track leverage is the Moody's stressed debt service coverage ratio (DSCR), based on Moody's cash flow, and using an assumed interest rate of 9.25%¹. While not risk adjusted by asset class (as is the case for cap rates employed in the Moody's LTV analysis) this metric does help identify which loans or vintages are more exposed to balloon refinance risk due to an increase in interest rates. *Figure 2* shows a steady decline in Moody's DSCR since the second quarter 2003, with first quarter 2005 at a level of 1.03 DSCR, the lowest yet.

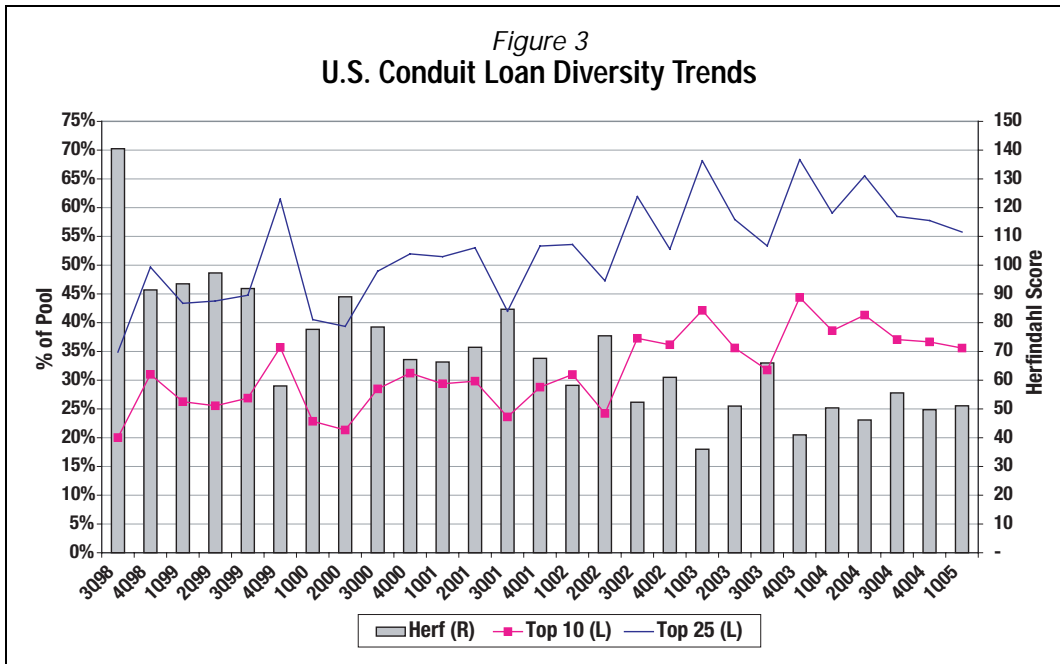


Conduit Diversity Improves Slightly

As shown in *Figure 3* conduit loan diversity improved slightly in first quarter 2005. The Herfindahl Index rose from 50 to 51, while the share of top 10 conduit loans fell from 37% to 36%. The top 25 conduit loans made up 56% of the conduit portion of transactions, down from 58% in fourth quarter 2004.

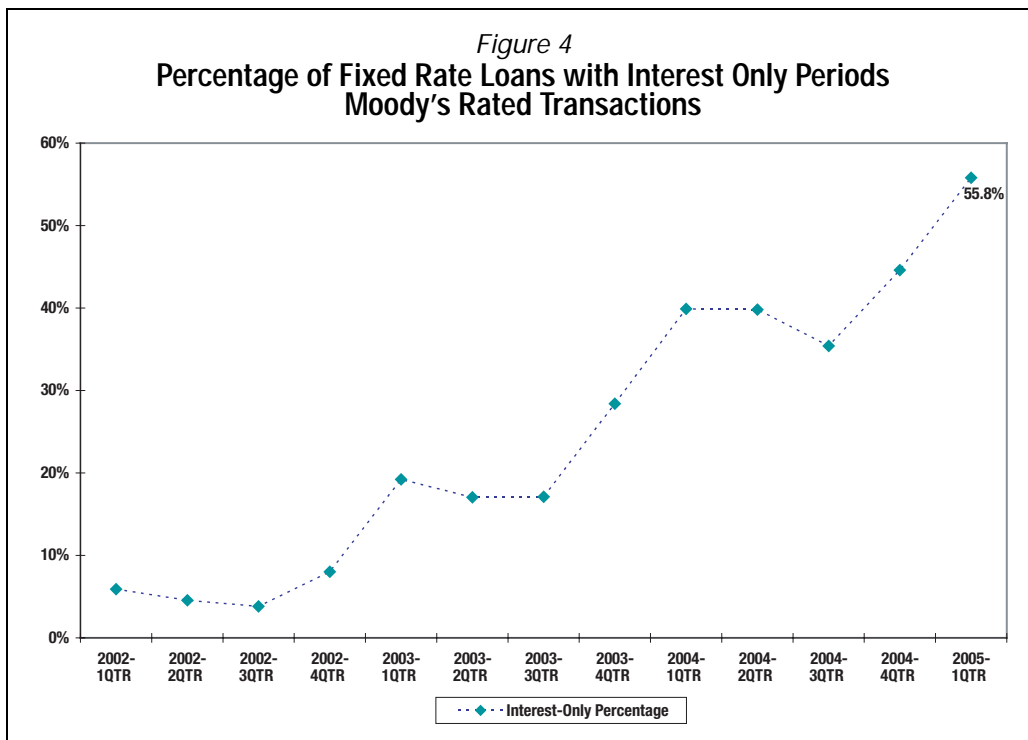
Interestingly, the largest deals were not necessarily the most diverse. Moody's rated four deals in excess of \$2 billion during the first quarter 2005 and their conduit loan diversity scores ranged between 35 (for GCCFC 2005-GG3) and 67 (for WBCMT 2005C-17). Some transactions have become large by adding more loans (more diversity), while others have become large by adding larger loans (less diversity).

¹ The 9.25% interest rate is applied on a consistent basis each year regardless of current interest rates and is the same for all asset classes.

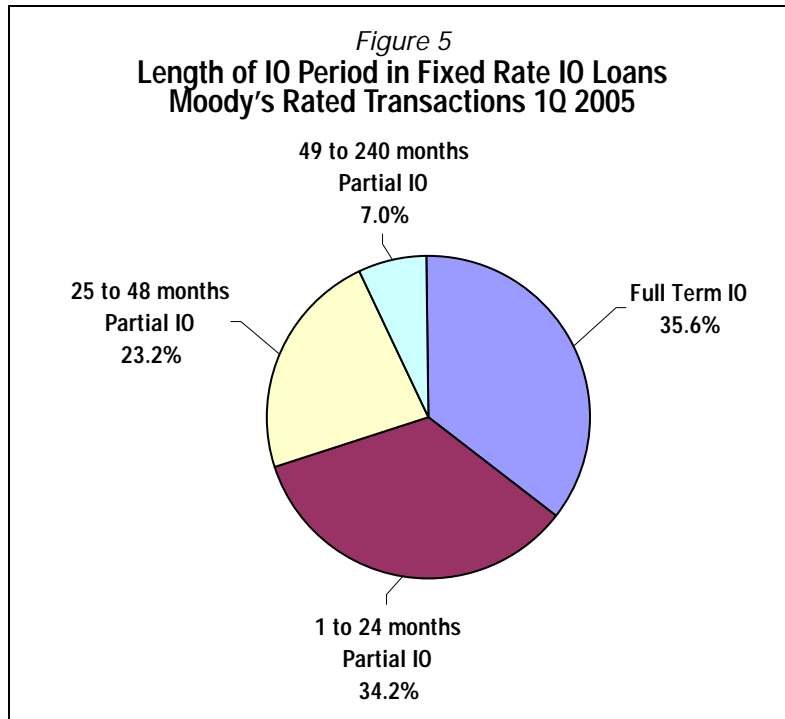


Share of Loans with IO Period Rising

The share of interest only (IO) loans in fixed rate conduits continued to rise, reaching a new high of 56% in the first quarter 2005, up from 45% in the fourth quarter 2004. For first quarter 2005 conduit loan issuance, IO periods were found disproportionately among loans backed by office (36.6% of IO loans to 30.3% of collateral) and multifamily (21.3% of IO loans to 17.4% of collateral). IO periods were proportionately less common in loans backed by hotels (1.9% of IO loans to 5.7% of collateral) and mixed use properties (1.1% of IO loans to 4.6% of collateral). The other asset classes had IO loans roughly in proportion to their share of issuance.



Of the loans with interest only periods in Moody's rated fixed rate transactions during the first quarter 2005 34.2% had payments of interest only for 24 months or less, 30.2% had interest only for a medium to long portion of their term (25+ months) while 35.6% were interest only for the full loan term.



NEW ISSUANCE CREDIT TRENDS: INCREASED USE OF MASTER LEASES

Moody's is seeing an increase in the use of master leases in transitional office properties backing fixed rate loans. A master lease is an obligation of the borrower to lease vacant space in the building securing a loan until a tenant can be found. Borrowers tend to use master leases when they are eager to lock in current interest rates on a fixed rate loan while at the same time wanting to benefit from the higher level of loan proceeds that are normally achievable only on stabilized properties.

Moody's approaches master leases cautiously as they can mask the true current performance of a property. Also, as some borrowers have weak credit their ability to perform under the master lease may be limited. Moody's prefers to see the earn-out structure employed with non-stabilized properties. With the earn-out structure a portion of loan proceeds is set aside subject to meeting leasing performance targets, with failure to meet the targets resulting in the loan being paid down.

Buffer for Unexpected Trust Expenses Helpful in Single Asset Deals

During the first quarter 2005 Moody's rated its first security backed by a single property (Mall of America) since 9/11. The loan on Mall of America was included within a floating rate transaction, but was not pooled, so it was essentially a deal within a deal. One noteworthy aspect was that the securitized loan had low leverage, with two Moody's rated classes both rated **Aaa**. There was also a subordinate class not rated by Moody's that we viewed as being helpful in the event that unexpected trust expenses were to arise. Without the presence of a buffer class any unexpected expense (say legal bills related to an insurance dispute) would otherwise cause an immediate and potentially un-curable default in a **Aaa** rated class.

UPGRADES OUTPACE DOWNGRADES FOR 1Q 2005

During the first quarter of 2005 Moody's took rating actions on 466 tranches from 53 CMBS transactions totaling 243 affirmations, 168 upgrades, and 55 downgrades. Upgrades outpaced downgrades across all categories of CMBS with the exception of credit tenant leases (CTLs). For investment grade classes upgrades substantially outpaced downgrades by 139 to 4. For below investment grade classes downgrades outpaced upgrades by 51 to 29.

Figure 6
Summary of 1Q 2005 Rating Actions

Type of Action	Fusion/Conduit	Single Borrower/ Large Loan	Floating	CTL/Surety	Totals
Affirm/Confirm	173	21	49	0	243
Upgrade-IG	88	11	40	0	139
Upgrade-BIG	14	0	13	2	29
Downgrade-IG	1	0	3	0	4
Downgrade-BIG	37	3	5	6	51
Totals	313	35	110	8	466

The current distribution of MOST™ scores indicates that the credit of the majority (66.7%) of fixed rate investment grade conduit classes should be stable for the near term. For investment grade classes upgrades are expected to continue to outpace downgrades for the near term.

Floating rate investment grade CMBS are also expected to remain broadly stable, with more than half (56.7%) having MOST™ scores in the middle band. As with the fixed rate deals, upgrades are expected to continue to outweigh down grades for floaters over the near term.

Figure 7
MOST™ Score Distribution For Investment Grade Conduit And Fusion Transactions

MOST™ Score	Fixed #	Fixed %	Floating #	Floating %	Total #
0-34	0	0.0%	0	0.00%	0
35-65	158	66.7%	17	56.7%	175
66-100	79	33.3%	13	43.3%	92
Totals	237	100.0%	30	100.0%	267

MONITORING TRENDS: ADDRESSING VACANCY AS LOANS SEASON

Moody's continues to observe that the loans in most transactions tend to perform in line with expectations during the first three years or so of a deals' life. But since the majority of collateral backing CMBS loans consists of operating properties, credit challenges such as tenants vacating are inevitable.

Moody's practice has been to assign some value to vacant space in properties supporting seasoned fixed rate loans, much as we do in rating new floating rate transactions in which the property is not yet stabilized. Our approach involves assuming a lease up of the property to near market levels and to near market rental rates. The buffers between what we assume and the present market allow for the risk of the leasing process in comparison with having a stabilized rent roll in place.

Not to recognize the normal operating nature of a property by capitalizing only income in place would result in greater (and unnecessary) rating volatility. Given that most fixed- rate loans are sized at issuance to stabilized operating performance, tracking rent roll changes is an important (and time consuming) part of the monitoring process.

Amortization Will Be Missed

In monitoring seasoned transactions we continually see cases where downgrades were averted through amortization. For example, at the loan level the fundamentals of a property backing a loan may have declined on the order of 10% because of rents going down or remaining flat but with expenses going up. Significant amortization of the loan balance has helped offset some decline in property performance, helping maintain a loan's LTV. At the deal level, we see many cases where investment grade bonds build up credit support through amortization, allowing upgrades or avoiding downgrades if a deal doesn't season as well as expected. All-in-all we believe more market participants will begin to miss amortization when the current vintage of deals has had some time to season.

Appendix 1
First Quarter 2005 New Ratings

Deal Name	Country
Aguila (Eclipse 2005-1) PLC	United Kingdom
Arbor Realty Mortgage Securities, Series 2004-1, Ltd	United States
Banc of America Large Loan, Inc., Series 2005-BOCA	United States
Bear Stearns Commercial Mortgage Securities Trust, Series 2005-PWR7	United States
Broadgate Financing Plc	United Kingdom
CapLease CDO 2005-1 Ltd.	United States
CBA Commercial Assets, Series 2004-1	United States
COMM 2005-FL10	United States
CSFB Commercial Mortgage Trust, Series 2005-C1	United States
CSFB Mortgage Securities Corp., Series 2005-TFL1	United States
DTC Five Funding Limited	Japan
F&C Commercial Property Finance Limited	United Kingdom
Greenwich Capital Commercial Funding Corp., Series 2005-GG3	United States
J.P. Morgan Chase Commercial Mortgage Securities Corp. 2005-CIBC11	United States
J.P. Morgan Chase Commercial Mortgage Securities Corp. 2005-LDP1	United States
JLOC XXIV Trust	Japan
LB-UBS Commercial Mortgage Trust, Series 2005-C1	United States
Merrill Lynch Financial Assets Inc., Series 2005-Canada 15	Canada
Merrill Lynch Mortgage Trust 2005-GGP1	United States
Merrill Lynch Mortgage Trust 2005-MKB2	United States
Opera Finance (MetroCentre) plc	United Kingdom
Pan-European Industrial Properties, Series IV S.A.	Europe
Platinum AC1 Limited	Singapore
Redevco Original Commercial Securitisation PLC	United Kingdom
TMCMB5-II Trust	Japan
Wachovia Bank Commercial Mortgage Trust, Series 2005-WHALE 5	United States
Wachovia Bank Commercial Mortgage Trust, Series 2005-C16	United States
Wachovia Bank Commercial Mortgage Trust, Series 2005-C17	United States
White City Property Finance PLC	United Kingdom

Appendix 2
First Quarter 2005 Rating Actions

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
ASC 1996-D3	Conduit	1/3/2005	A-1C	Affirm	Aaa	Aaa
			A-1D	Affirm	Aaa	Aaa
			A-CS2	Affirm	Aaa	Aaa
			A-2	Upgrade	Aa1	Aaa
			A-3	Upgrade	A1	Aaa
			A-4	Upgrade	Baa2	A1
			A-5	Upgrade	Baa3	A3
GMACC 2002-FL1A	Floating Rate	1/3/2005	A	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aaa
			D	Upgrade	Baa2	Aa3
			E	Upgrade	Baa3	Baa1
			F	Confirm	Ba2	Ba2
PSSF 1999-NRF1	Conduit	1/4/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			A-EC	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa2
			D	Upgrade	Baa2	A3
			E	Upgrade	Baa3	Baa1
			F	Upgrade	Ba1	Baa3
			G	Affirm	Ba2	Ba2
			H	Affirm	Ba3	Ba3
			J	Affirm	B1	B1
			K	Downgrade	B2	B3
			L	Downgrade	B3	Caa1
MLML 1999-CAN2	Conduit	1/13/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X-1	Affirm	Aaa	Aaa
			X-2	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa3
			D	Upgrade	Baa2	Baa1
			E	Affirm	Ba2	Ba2
F	Affirm	B2	B2			
COMM 1999-1	Conduit	1/21/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	Aa3	Aaa

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
GSMS 1997-GL	Large Loan	1/21/2005	D	Upgrade	A2	Aa2
			E	Upgrade	Baa2	A3
			F	Upgrade	Baa3	Baa2
			A-1	Affirm	Aaa	Aaa
			A-2C	Affirm	Aaa	Aaa
			A-2D	Affirm	Aaa	Aaa
			X-1A	Affirm	Aaa	Aaa
			X-1B	Affirm	Aaa	Aaa
			X-2	Affirm	Aaa	Aaa
			B	Affirm	Aaa	Aaa
			C	Affirm	Aaa	Aaa
			D	Upgrade	Aa1	Aaa
			E	Upgrade	Aa2	Aa1
F	Upgrade	A2	Aa2			
LBCMT 1996-C2	Conduit	1/21/2005	A	Affirm	Aaa	Aaa
			IO	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa1
			D	Upgrade	Baa2	A3
			E	Affirm	Baa3	Baa3
MLML 2001-LBC	Conduit	1/21/2005	X	Affirm	Aaa	Aaa
			F	Upgrade	Baa1	Aaa
			G	Upgrade	Baa3	Aa3
			H	Upgrade	B1	Baa2
			J	Upgrade	B2	Ba1
GMACN 2000-FLFA	Floating Rate	1/26/2005	D	Upgrade	Baa2	A2
			E	Upgrade	Baa3	Baa1
			F	Upgrade	Ba2	Ba1
			G	Affirm	B2	B2
GMACC 2003-FL1A	Floating Rate	1/26/2005	A	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa3
			D	Upgrade	Baa2	Baa1
			E	Affirm	Baa3	Baa3
			F	Downgrade	Ba2	B1
MSC 1997-XL1	Large Loan	1/26/2005	G	Downgrade	B3	Caa2
			H	Downgrade	Caa2	C
SBM7 2003-CDCA	Floating Rate	1/26/2005	A-2	Affirm	Aaa	Aaa

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
			X-1	Affirm	Aaa	Aaa
			X-2A	Affirm	Aaa	Aaa
			X-3CDC	Affirm	Aaa	Aaa
			H-BPH	Upgrade	Baa1	A3
			K-BPH	Upgrade	Baa3	Baa2
			H-BST	Affirm	Baa1	Baa1
			J-BST	Affirm	Baa2	Baa2
			K-BST	Affirm	Baa3	Baa3
			J-LHM	Affirm	Baa2	Baa2
			K-LHM	Affirm	Baa3	Baa3
			H-SPF	Affirm	Baa1	Baa1
			K-SPF	Affirm	Baa3	Baa3
			X-3CGM-SPF	Affirm	Aaa	Aaa
SBM7 2001-C1	Conduit	1/27/2005	A-2	Affirm	Aaa	Aaa
			A-3	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			X-2	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aa1
			C	Affirm	A2	A2
			D	Affirm	A3	A3
			E	Affirm	Baa1	Baa1
			F	Affirm	Baa2	Baa2
			G	Affirm	Baa3	Baa3
			H	Affirm	Ba1	Ba1
			J	Downgrade	Ba2	Ba3
			K	Downgrade	Ba3	B1
			L	Downgrade	B1	B3
			M	Downgrade	B2	Caa2
			N	Downgrade	B3	Caa3
CALW 2003-CALA	Single Borrower	1/28/2005	A	Affirm	Aaa	Aaa
			B	Affirm	Aa2	Aa2
			C	Affirm	A2	A2
			D	Affirm	Baa2	Baa2
			E	Affirm	Baa3	Baa3
LBCMT 1999-C2	Conduit	1/31/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa3
			D	Upgrade	A3	A1
			E	Upgrade	Baa2	A3

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
			F	Upgrade	Baa3	Baa2
			G	Affirm	Ba1	Ba1
			H	Affirm	Ba2	Ba2
			J	Affirm	Ba3	Ba3
			K	Affirm	B1	B1
			L	Affirm	B2	B2
			M	Downgrade	B3	Caa1
			N	Downgrade	Caa2	Caa3
SBM7 2000-C2	Conduit	2/1/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Affirm	Aa2	Aa2
			C	Affirm	A2	A2
			D	Affirm	A3	A3
			E	Affirm	Baa1	Baa1
			F	Affirm	Baa2	Baa2
			G	Affirm	Baa3	Baa3
			J	Downgrade	Ba2	B3
			K	Downgrade	Ba3	Caa1
			L	Downgrade	B2	Caa2
			M	Downgrade	Caa1	Caa3
			N	Downgrade	Caa2	Ca
MSC 1999-RM1	Conduit	2/2/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aaa
			D	Upgrade	A3	Aa1
			E	Upgrade	Baa2	A2
			G	Upgrade	Ba1	Baa2
			H	Upgrade	Ba2	Ba1
			L	Affirm	B2	B2
			M	Affirm	B3	B3
			N	Affirm	Caa2	Caa2
PSSF 1999-C2	Conduit	2/2/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			A-EC	Affirm	Aaa	Aaa
			A-EC2	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aaa
			D	Upgrade	A3	Aa1
			E	Upgrade	Baa2	A1
			F	Upgrade	Baa3	A3

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
			G	Upgrade	Ba1	Baa2
			N	Affirm	B3	B3
Ahold 2001-A	CTL	2/4/2005	A-1	Upgrade	Ba3	Ba2
			A-2	Upgrade	Ba3	Ba2
GMACN 2001-FLAA	Floating Rate	2/7/2005	D	Upgrade	Baa2	Aaa
			E	Upgrade	Baa3	Aa2
			F	Upgrade	Ba2	Baa2
			G	Upgrade	B2	Ba3
STARS 2002-1A	Floating Rate	2/7/2005	A2	Affirm	Aaa	Aaa
			B	Affirm	Aaa	Aaa
			C	Affirm	Aaa	Aaa
			D	Upgrade	Aa1	Aaa
			E	Upgrade	Aa2	Aaa
			F	Upgrade	A1	Aaa
			G	Upgrade	A2	Aa2
			H	Upgrade	A3	Aa3
			J	Upgrade	Baa1	A2
			K	Upgrade	Baa2	Baa1
			L	Upgrade	Baa3	Baa2
			M	Upgrade	Ba1	Baa3
			N	Upgrade	Ba3	Ba2
			O	Upgrade	B1	Ba3
			P	Affirm	B2	B2
			Q	Affirm	B3	B3
			S	Affirm	Caa2	Caa2
WMMM 2001-1RR	Conduit	2/7/2005	A-1	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			A-2	Upgrade	Aa2	Aaa
			A-3	Upgrade	A2	Aaa
			A-4	Upgrade	A3	Aa1
			A-5	Upgrade	Baa1	Aa3
			B-1	Upgrade	Baa2	A2
			B-2	Upgrade	Baa3	Baa1
			B-3	Upgrade	Ba1	Baa3
			B-4	Affirm	Ba2	Ba2
			B-5	Affirm	Ba3	Ba3
BSCMS 1999-C1	Conduit	2/9/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa2

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
			D	Upgrade	Baa2	Baa1
			E	Affirm	Baa3	Baa3
			G	Downgrade	Ba2	Ba3
			H	Downgrade	Ba3	B2
			I	Downgrade	B2	Caa2
			J	Downgrade	B3	C
LBFRC 2003-LLFA	Floating Rate	2/9/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X-1	Affirm	Aaa	Aaa
			X-2	Affirm	Aaa	Aaa
			X-FLP	Affirm	Aaa	Aaa
			B	Affirm	Aa1	Aa1
			C	Affirm	Aa2	Aa2
			D	Affirm	Aa3	Aa3
			E	Affirm	A1	A1
			F	Affirm	A2	A2
			G	Affirm	A3	A3
			H	Affirm	Baa1	Baa1
			J	Affirm	Baa2	Baa2
			K-1	Affirm	Baa3	Baa3
			K-2	Affirm	Baa3	Baa3
Winn-Dixie 1999-1	CTL	2/14/2005	A-1	Downgrade	B3	Caa3
			A-2	Downgrade	B3	Caa3
			A-3	Downgrade	B3	Caa3
CSFB 1997-C1	Conduit	2/15/2005	A-1C	Affirm	Aaa	Aaa
			A-X	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aaa
			D	Upgrade	Baa2	A2
			E	Upgrade	Baa3	Baa1
			H	Affirm	B3	B3
			I	Downgrade	Caa2	Caa3
			J	Downgrade	Ca	C
MLMI 1995-C2	Conduit	2/15/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			IO	Affirm	Aaa	Aaa
			B	Affirm	Aaa	Aaa
			C	Upgrade	Aa2	Aaa
			D	Upgrade	A3	Aa2
			E	Upgrade	Ba2	Ba1
			F	Affirm	B3	B3

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
CMAT 1999-C2	Conduit	2/17/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			A-3	Affirm	Aaa	Aaa
			CS-1	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aaa
			D	Upgrade	A3	Aa1
			E	Upgrade	Baa2	A1
			F	Upgrade	Baa3	A3
			G	Upgrade	Ba1	Baa3
			H	Upgrade	Ba2	Ba1
			J	Affirm	Ba2	Ba2
			K	Affirm	Ba3	Ba3
			L	Affirm	B1	B1
M	Downgrade	B2	B3			
N	Downgrade	B3	Caa2			
STARS 2003-1A	Floating Rate	2/17/2005	A1	Affirm	Aaa	Aaa
			A2	Affirm	Aaa	Aaa
			B	Upgrade	Aa1	Aaa
			C	Upgrade	Aa2	Aaa
			D	Upgrade	Aa3	Aa1
			E	Upgrade	A1	Aa2
			F	Upgrade	A2	Aa3
			G	Upgrade	A3	A1
			H	Upgrade	Baa1	A2
			J	Upgrade	Baa2	A3
			K	Upgrade	Baa3	Baa1
			L	Upgrade	Ba1	Baa3
			M	Upgrade	Ba2	Ba1
			N	Upgrade	Ba3	Ba2
			O	Upgrade	B1	Ba3
			P	Upgrade	B2	B1
			Q	Upgrade	B3	B2
S	Upgrade	Caa2	Caa1			
SMAFC 1998-C1	Conduit	2/17/2005	A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Affirm	Aaa	Aaa
			C	Upgrade	Aa2	Aaa
			D	Upgrade	A3	Aa3
			E	Upgrade	Baa1	A1
			F	Upgrade	Ba1	Baa3
			G	Upgrade	B2	B1

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
GGP1	Large Loan	2/25/2005	A-2	Affirm	Aaa	Aaa
			B-2	Upgrade	Aa2	Aaa
			C-2	Upgrade	A2	Aa2
			D-2	Upgrade	Baa2	A2
			E-2	Upgrade	Baa3	Baa1
ASC 1997-D4	Conduit	2/28/2005	A-1D	Affirm	Aaa	Aaa
			A-1E	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			PS-1	Affirm	Aaa	Aaa
			A-4	Upgrade	A1	Aaa
			A-6	Upgrade	Baa1	Aa2
BACM 2002-PB2	Conduit	2/28/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			A-3	Affirm	Aaa	Aaa
			A-4	Affirm	Aaa	Aaa
			XC	Affirm	Aaa	Aaa
			XP	Affirm	Aaa	Aaa
			B	Affirm	Aa2	Aa2
			C	Affirm	Aa3	Aa3
			D	Affirm	A1	A1
			E	Affirm	A2	A2
			F	Affirm	A3	A3
			G	Affirm	Baa1	Baa1
			H	Affirm	Baa2	Baa2
			J	Affirm	Baa3	Baa3
			K	Affirm	Ba1	Ba1
L	Downgrade	Ba2	Ba3			
M	Downgrade	Ba3	B1			
LBCMT 1998-C4	Conduit	2/28/2005	A-1-a	Affirm	Aaa	Aaa
			A-1-b	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa1
			D	Upgrade	Baa2	A3
			E	Upgrade	Baa3	Baa1
			F	Affirm	Ba1	Ba1
			G	Affirm	Ba2	Ba2
			H	Affirm	Ba3	Ba3
			J	Affirm	B1	B1
			K	Downgrade	B2	B3
L	Downgrade	Caa1	Caa2			

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
			M	Affirm	Caa3	Caa3
ASC 1997-MD7	Large Loan	3/3/2005	A-4	Downgrade	Caa1	C
GSMS 1998-GLII	Large Loan	3/3/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa2
			D	Upgrade	Baa2	A2
			E	Upgrade	Baa3	Baa2
			F	Affirm	Ba2	Ba2
			G	Affirm	B2	B2
JPMCC 2003-FL2A	Floating Rate	3/3/2005	A	Affirm	Aaa	Aaa
			X-1A	Affirm	Aaa	Aaa
			B	Upgrade	Aa1	Aaa
			C	Upgrade	Aa2	Aa1
			D	Affirm	Aa3	Aa3
			E	Affirm	A1	A1
			F	Affirm	A2	A2
			G	Affirm	A3	A3
			H	Affirm	Baa1	Baa1
			J	Affirm	Baa2	Baa2
			K	Affirm	Baa3	Baa3
			L	Affirm	Ba1	Ba1
LBUBS 2001-C7	Conduit	3/3/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			A-3	Affirm	Aaa	Aaa
			A-4	Affirm	Aaa	Aaa
			A-5	Affirm	Aaa	Aaa
			X-CL	Affirm	Aaa	Aaa
			X-CP	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aa1
			C	Upgrade	Aa3	Aa2
			D	Affirm	A2	A2
			E	Affirm	A3	A3
			F	Affirm	Baa1	Baa1
			G	Affirm	Baa2	Baa2
			H	Affirm	Baa3	Baa3
			J	Affirm	Ba1	Ba1
			K	Affirm	Ba2	Ba2
			L	Affirm	Ba3	Ba3
			M	Affirm	B1	B1
			N	Affirm	B2	B2

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
			P	Affirm	B3	B3
			Q	Affirm	Caa2	Caa2
CSFB 2002-TFLA	Floating Rate	3/7/2005	A-2	Affirm	Aaa	Aaa
			A-X	Affirm	Aaa	Aaa
			F-ALH	Downgrade	Ba1	B1
			F-COT	Downgrade	Baa1	Baa3
			G-COT	Downgrade	Baa2	Ba1
			F-WBC	Downgrade	Baa3	Ba3
			G-WBC	Downgrade	Ba2	B3
			H-WBC	Downgrade	Ba3	Caa2
ICH 1998-C1	Conduit	3/7/2005	A-1B	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			B	Affirm	Aaa	Aaa
			C	Upgrade	Aa1	Aaa
			D	Upgrade	A2	Aa3
			E	Upgrade	Baa1	A2
			F	Affirm	Ba2	Ba2
			G	Affirm	B2	B2
MSC 1997-ALIC	Conduit	3/7/2005	C	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			D	Upgrade	Aa2	Aaa
			E	Upgrade	A1	Aa2
			F	Upgrade	Baa2	A2
			H	Upgrade	Ba3	Ba1
SBM7 2001-C2	Conduit	3/7/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			A-3	Affirm	Aaa	Aaa
			X-1	Affirm	Aaa	Aaa
			X-2	Affirm	Aaa	Aaa
			B	Affirm	Aa2	Aa2
			C	Affirm	Aa3	Aa3
			D	Affirm	A2	A2
			E	Affirm	A3	A3
			F	Affirm	Baa1	Baa1
			G	Affirm	Baa2	Baa2
			H	Affirm	Baa3	Baa3
			J	Affirm	Ba1	Ba1
			K	Affirm	Ba2	Ba2
			L	Affirm	Ba3	Ba3
			M	Affirm	B1	B1
			N	Downgrade	B2	B3
P	Downgrade	B3	Caa1			

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
			BR	Downgrade	Baa2	Ba1
Winn-Dixie 1999-1	CTL	3/8/2005	A-1	Downgrade	Caa3	C
			A-2	Downgrade	Caa3	C
			A-3	Downgrade	Caa3	C
DUKE 2000-DW1	Single Borrower	3/10/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X-1	Affirm	Aaa	Aaa
			X-2	Affirm	Aaa	Aaa
			B-1	Affirm	Aa2	Aa2
			B-2	Affirm	Aa2	Aa2
			C-1	Affirm	A2	A2
			C-2	Affirm	A2	A2
MSC 2003-T11	Conduit	3/10/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			A-3	Affirm	Aaa	Aaa
			A-4	Affirm	Aaa	Aaa
			X-1	Affirm	Aaa	Aaa
			X-2	Affirm	Aaa	Aaa
			B	Affirm	Aa2	Aa2
			C	Confirm	A2	A2
			D	Confirm	A3	A3
			E	Confirm	Baa1	Baa1
			F	Confirm	Baa2	Baa2
			G	Confirm	Baa3	Baa3
			H	Confirm	Ba2	Ba2
			J	Downgrade	Ba3	B1
			K	Downgrade	B1	B2
L	Downgrade	B2	B3			
M	Downgrade	B3	Caa1			
MCFI 1998-MC2	Conduit	3/10/2005	A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aaa
			C	Upgrade	A2	Aa1
			D	Upgrade	Baa2	A3
FULB 1997-C1	Conduit	3/17/2005	A-3	Affirm	Aaa	Aaa
			IO	Affirm	Aaa	Aaa
			B	Affirm	Aaa	Aaa
			C	Affirm	Aaa	Aaa
			D	Upgrade	A2	Aa1
			E	Upgrade	A3	Aa2

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
FULBA 1998-C2	Conduit	3/17/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			IO	Affirm	Aaa	Aaa
			B	Affirm	Aaa	Aaa
			C	Upgrade	A1	Aaa
			D	Upgrade	Baa1	A1
			E	Upgrade	Baa2	A3
			F	Upgrade	Ba1	Baa2
			G	Affirm	Ba2	Ba2
			H	Affirm	Ba3	Ba3
			J	Affirm	B1	B1
			K	Downgrade	B3	Caa1
			L	Downgrade	Caa1	Caa2
			M	Downgrade	Ca	C
MCFI 1997-MC2	Conduit	3/17/2005	A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Affirm	Aaa	Aaa
			C	Upgrade	Aa3	Aaa
			D	Upgrade	Baa2	Aa3
			E	Upgrade	Baa3	A2
COMM 2001-FL4A	Floating Rate	3/23/2005	X-2	Affirm	Aaa	Aaa
			K-PS	Affirm	B3	B3
			L-PS	Affirm	B3	B3
			M-PS	Downgrade	B3	Caa1
LBFRC 2003-LLFA	Floating Rate	3/23/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X-1	Affirm	Aaa	Aaa
			X-2	Affirm	Aaa	Aaa
			X-FLP	Affirm	Aaa	Aaa
			B	Upgrade	Aa1	Aaa
			C	Upgrade	Aa2	Aaa
			D	Upgrade	Aa3	Aaa
			E	Upgrade	A1	Aa1
			F	Upgrade	A2	Aa2
			G	Upgrade	A3	Aa3
			H	Upgrade	Baa1	A2
			J	Upgrade	Baa2	Baa1
			K-1	Affirm	Baa3	Baa3
K-2	Affirm	Baa3	Baa3			
CSFB 2001-CKN5	Conduit	3/30/2005	A-2	Affirm	Aaa	Aaa
			A-3	Affirm	Aaa	Aaa

Appendix 2
First Quarter 2005 Rating Actions (Continued)

Issue Name	Deal Type	Date of Action	Class	Rating Action	Previous Rating	Current Rating
			A-4	Affirm	Aaa	Aaa
			A-X	Affirm	Aaa	Aaa
			A-CP	Affirm	Aaa	Aaa
			A-Y	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aa1
			C	Upgrade	Aa3	Aa2
			D	Affirm	A2	A2
			E	Affirm	A3	A3
			F	Affirm	Baa1	Baa1
			G	Affirm	Baa2	Baa2
			H	Affirm	Baa3	Baa3
			J	Affirm	Ba1	Ba1
			K	Affirm	Ba2	Ba2
			L	Affirm	Ba3	Ba3
			N	Downgrade	B2	B3
			O	Downgrade	B3	Caa2
MSDWC 2000-LIF2	Conduit	3/30/2005	A-1	Affirm	Aaa	Aaa
			A-2	Affirm	Aaa	Aaa
			X	Affirm	Aaa	Aaa
			B	Upgrade	Aa2	Aa1
			C	Upgrade	A2	A1
			D	Affirm	A3	A3
			E	Affirm	Baa2	Baa2
			F	Affirm	Baa3	Baa3
			J	Affirm	Ba2	Ba2
			K	Affirm	Ba3	Ba3
			L	Affirm	B1	B1
			M	Affirm	B2	B2
			N	Affirm	B3	B3
			O	Affirm	Caa2	Caa2

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