

# Opin CMBS Vulture Partners

**An Informed Investment in Commercial Mortgage Backed Securities**

**Opin Partners, LLC**

**3-Year Program(s)**

**AAA (A-J): 17.0% unlevered preferred IRR (11.0% current, paid monthly)**

*or*

**AAA (A-M / A-J) Blend: 12.0% unlevered preferred IRR (7.5% current, paid monthly)**

**Pension Fund Investor: 25.0% Ownership**

Total IRR (Inclusive of 25% Ownership): A-J Strategy: 18.0% (11.7% current)

A-M/A-J Blend Strategy: 12.7% (8.0% current)

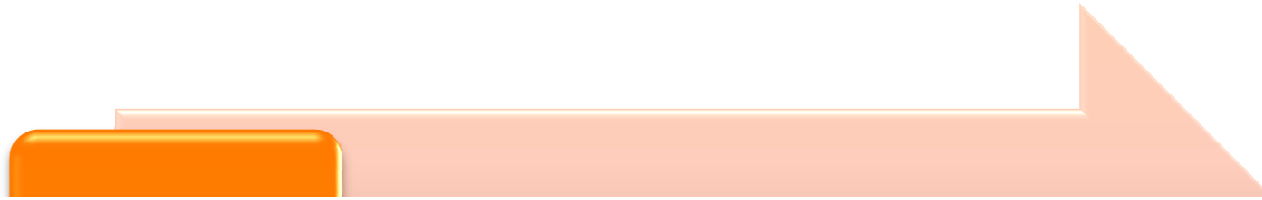
**Confidential Investor Presentation**

**June, 2009**

## Banking Information

- **Depository Bank :** HSBC
- **Custodial Bank :** Bank of New York | Mellon
- **Auditor :** Baker Tilly (BVI) Ltd
- **Fund Administrator:** SS&C Fund Services
- **BVI Legal Counsel :** Harney Westwood & Riegels
- **U.S. Legal Counsel:** Akin Gump Strauss Hauer & Feld

## Capital Flow





## CMBS: Introduction

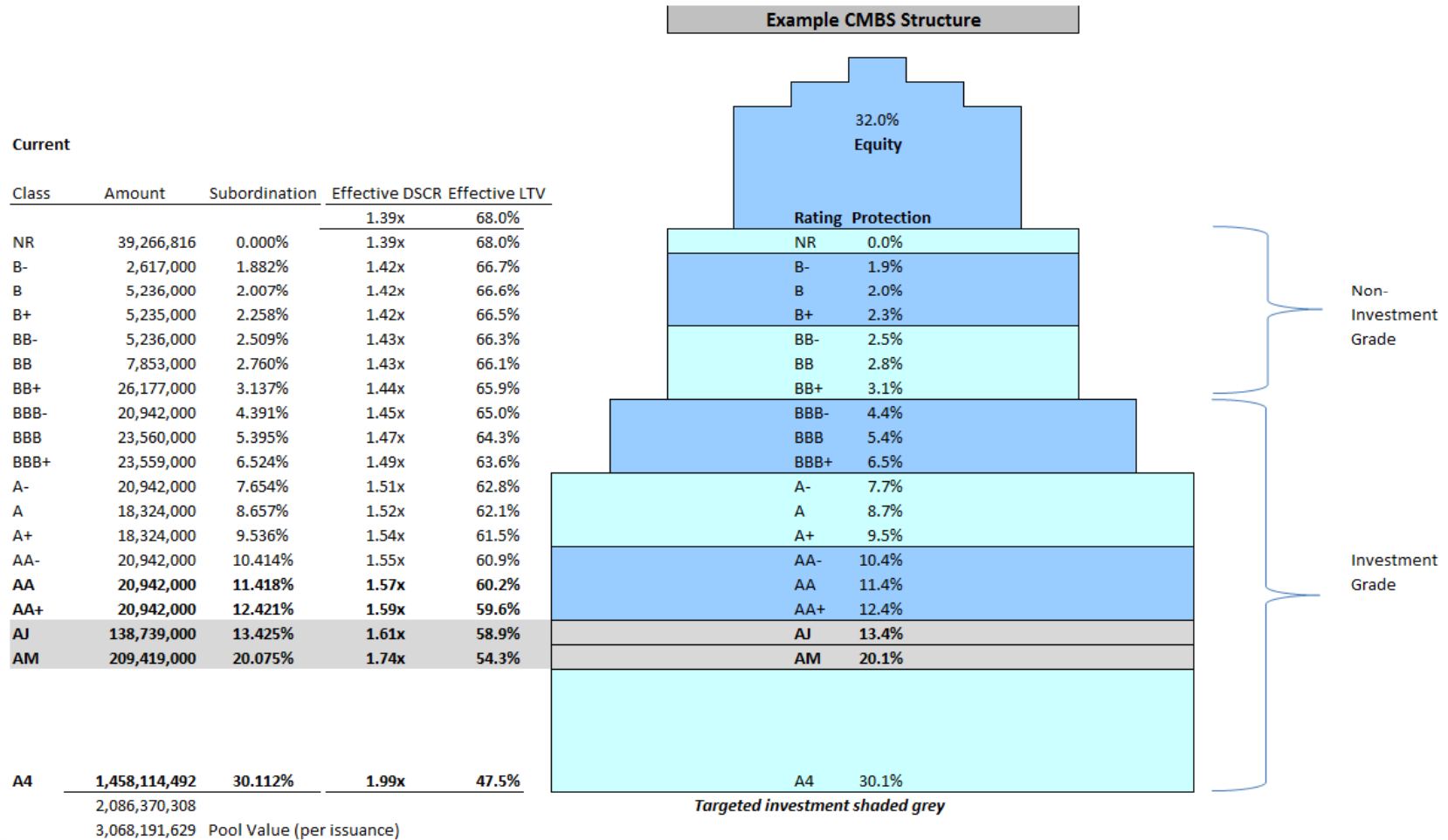
- The ongoing credit market disruption has led many bond investors to liquidate their portfolios at discounts and others to withhold buying activity. Consequently, spreads in many credit products, including CMBS, have widened substantially on thin trading or in sympathy with synthetic indices (CMBX), well beyond that necessary to reflect commercial real estate credit fundamentals.
- The CMBS market has been painted with the same brush as other structured finance products. In strong contrast to US subprime product, however, the vast majority of commercial mortgages that collateralize CMBS have performed as expected. In fact, less than 2.5% of CMBS mortgages are currently delinquent. Fear, misperception, and a lack of liquidity have created a tremendous opportunity for sophisticated investors to uncover tremendous value.
- Opin's Edge: In depth issuer specific knowledge of underwriting parameters, which allows Opin's CMBS team to take advantage of the current technical market dislocation in the safest CMBS securitizations and obtain the highest risk adjusted return all while focused on capital preservation.
- Opin's CMBS approach, as described herein, will be to use both our commercial real estate and capital markets expertise to conduct due diligence on the loans and real estate prior to purchase.

## Target CMBS Investments

- Target Investments are fixed-rate CMBS bonds underwritten internally as real estate investments.
- The underlying collateral will be evaluated using proprietary internally developed collateral underwriting/valuation tools, rather than simply relying on rating agency methodology.
- These targeted fixed-rate investments will;
  - Carry either Mezzanine AAA (A-M), or Junior AAA (A-J) ratings,
  - Have subordination (credit protection) levels generally ranging from 12.0% to 20.0%,
  - Encompass pools where Opin is extremely confident the collateral backing acquired bonds can sustain the most stressed scenario(s), and
  - Will allow for tremendous diversification across numerous fixed-rate CMBS issuances, consisting of hundreds (if not thousands) of underlying first mortgage liens, spread across all property types and geographically diverse across some of the best markets in the U.S.

## Example Super Senior CMBS Pool Structure

- The senior-subordinate structure creates senior and junior interests in the underlying asset pool. Each tranche, from AM up to NR (as illustrated below), provides protection to (i.e., is subordinate to) each other tranche listed below it and receives protection from (i.e., is senior to) each other tranche listed above it. The structure requires that all principal payments, both scheduled and from recoveries on defaulted loans, be used to retire the most senior outstanding bond (starting from bottom as illustrated below).



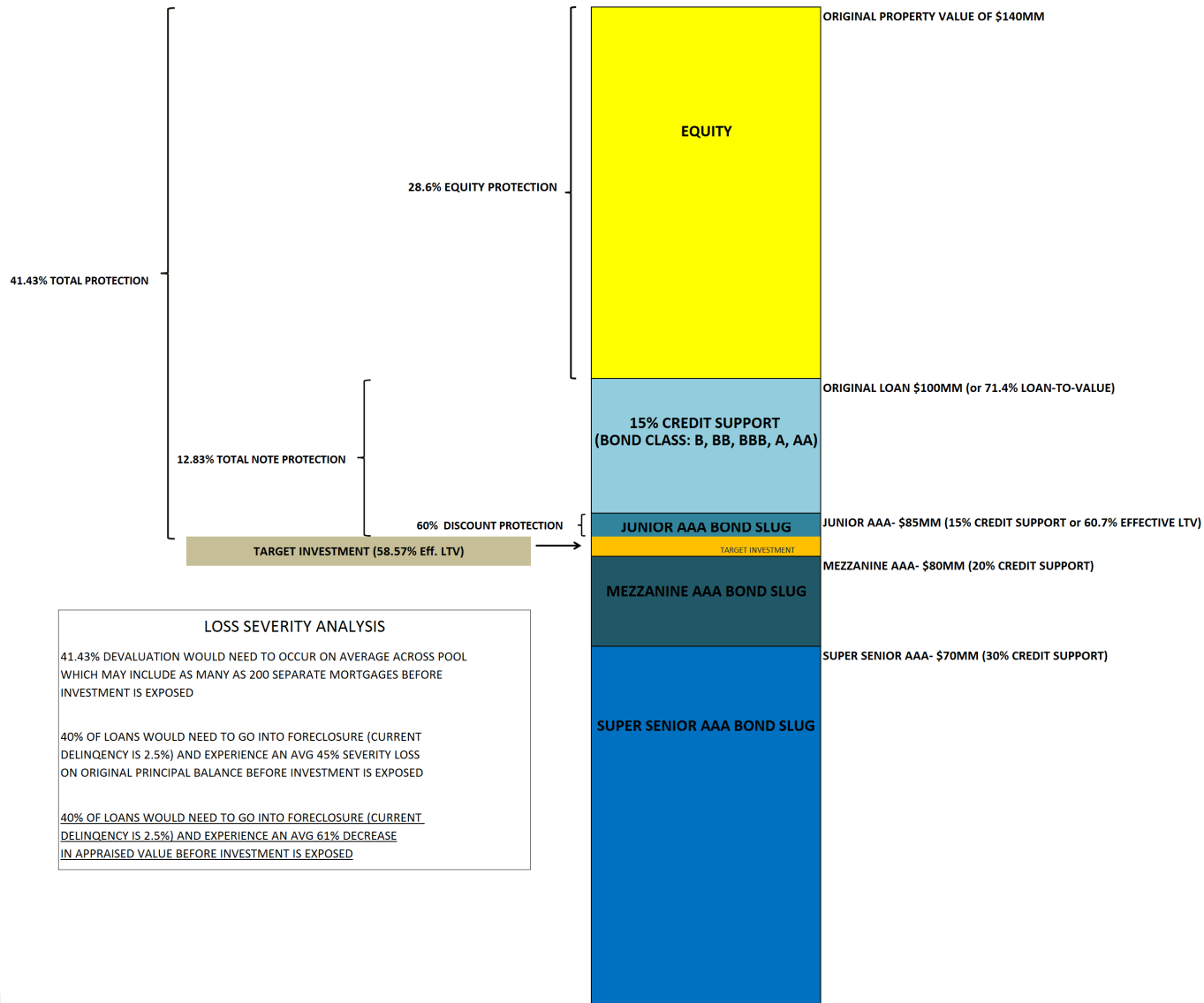
## Capital Preservation

Given the illiquidity premium in the market (or lack of capital currently in the sector), there are multiple credit events that simultaneously occur prior to potential principal erosion on Opin's CMBS capital investment(s). Below are examples of stressed scenarios that demonstrate what would need to occur at each respective investment level (N.B.: Opin's CMBS strategy calls for vast diversification across many pools & tranches):

- **AAA (A-M; ≈20% credit protection): Assumes dollar price average of approximately \$0.60**
  - 45.7% devaluation needed to occur on average across an entire pool.
  - 53.3% of an entire pool would need to be liquidated and experience an average loss severity of 45%; therefore,
  - Resulting in an average 61% decrease in original appraised value of liquidated loans before investment is exposed.
  
- **AAA (A-J; ≈15% credit protection): Assumes dollar price average of approximately \$0.40**
  - 41.4% devaluation needed to occur on average across an entire pool.
  - 40.0% of an entire pool would need to be liquidated and experience an average loss severity of 45%; therefore,
  - Resulting in an average 61% decrease in appraised value of liquidated loans before investment is exposed.

# Capital Preservation | Loss Severity Visualization (AAA A-J Class)

## EMPIRE STATE BUILDING EXAMPLE- JUNIOR AAA INVESTMENT



Example indicates an average dollar price of \$0.40 for A-J bonds

**LOSS SEVERITY ANALYSIS**

41.43% DEVALUATION WOULD NEED TO OCCUR ON AVERAGE ACROSS POOL WHICH MAY INCLUDE AS MANY AS 200 SEPARATE MORTGAGES BEFORE INVESTMENT IS EXPOSED

40% OF LOANS WOULD NEED TO GO INTO FORECLOSURE (CURRENT DELINQUENCY IS 2.5%) AND EXPERIENCE AN AVG 45% SEVERITY LOSS ON ORIGINAL PRINCIPAL BALANCE BEFORE INVESTMENT IS EXPOSED

40% OF LOANS WOULD NEED TO GO INTO FORECLOSURE (CURRENT DELINQUENCY IS 2.5%) AND EXPERIENCE AN AVG 61% DECREASE IN APPRAISED VALUE BEFORE INVESTMENT IS EXPOSED

## Capital Preservation | Delinquency & Loss Severity Demonstration

- Current Delinquencies ( $\leq 2.5\%$ ):
- Although some individual market analysts forecast a potential increase in delinquencies to approximately 4.0% (YE2009) and potentially 6.0% (YE2010) given the lack of new supply leading to a net run-off of outstanding CMBS, please note the following concept regarding the CMBS structure:
  - Even in a stressed scenario where one could assume 30+ day delinquencies increase to 10% and 60% of those would be liquidated (6.0% of the CMBS pool), at a drastic 50% loss severity (which far exceeds average levels experienced today of about 30% - 35%) the securitization pool would suffer only 3.0% principle loss, which is far below credit levels of Opin's Investment positions (AAA A-M/A-J's, which average 12% - 20% protection).
  - This also assumes average results and does not incorporate any benefit attributable to Opin's CMBS proprietary underwriting and credit selection process.

## Sourcing Investments

- Opin will pursue certain senior CMBS bonds from sellers that could include:
  - Investment banks that are reducing their inventory of bonds,
  - Small to midsize commercial banks that might be forced to liquidate their inventory of bonds for liquidity and regulatory capital purposes, and
  - REITs and private investors forced to sell into a market where spreads remain at or near historic wide levels
  - Insurance companies and Pension Funds
- In addition, Opin will bid off daily generated bid lists from a host of Broker/Dealers and/or Investment Banks.
  - Generally there is only a 24 hour period (or less) to bid on secondary market bonds; therefore, Opin has completed much of the due diligence in advance, allowing for an aggressive and timely acquisition strategy and optimum portfolio construction.
- Opin's Universe of CMBS Investments (Breakdown); (i) AAA (A-J) strategy, and (ii) AAA (A-M / A-J) blend strategy; 75.0% A-Ms, and 25.0% A-Js.

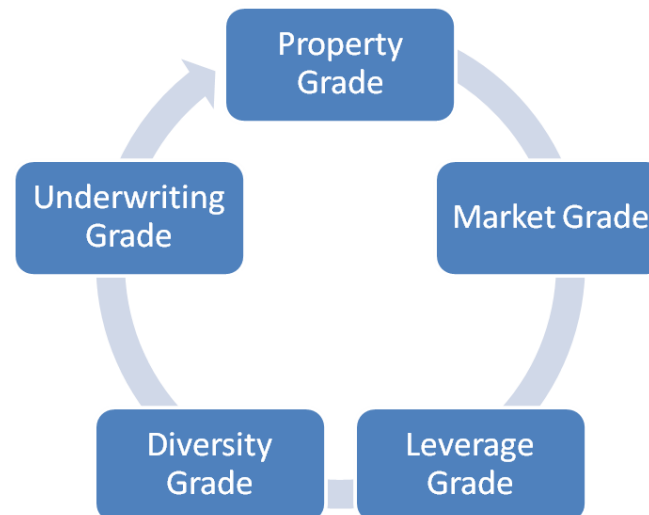
	AJ (Bil)		AM (Bil)
07-08 Universe	200.00	07-08 Universe	200.00
Top 30% Credit Quality	60.00	Top 60% Credit Quality	120.00
Tranche Size	5.40	Tranche Size	12.00
25% Hit Rate	1.35	25% Hit Rate	3.00
Dollars Invested	0.47	Dollars Invested	1.65

*\*Dollars invested (unlevered) rounded to \$500 million (A-Js), and \$1.5 billion (A-M).*

*\*Blended (unlevered) equity commitment of \$2.0 billion.*

## Internal Due Dilligence | Underwriting Process

- Due Diligence materials including securitization tapes (Annex A's), Pre-Sale reports, and term sheets have already been obtained in Opin's CMBS database.
- The services of Trepp, LLC (see surveillance section) will be utilized to get the most recent pool level data from Master & Special Servicers.
  - In addition, the CMBS team utilizes long lasting relationships with the B-Piece Buyer / Special Servicing community to obtain real time property analytics.
- Data points from the securitization tapes (among other sources) are analyzed using a proprietary CMBS Relative Value Model (see next page).
- The CMBS Relative Value Model provides the overall characteristics of the pool as it relates to leverage, property quality, market strength, diversification, and how aggressively the issuer underwrote the underlying transaction(s).
- Opin carefully scrutinizes any loan which makes up more than 5.0% of the overall pool size (generally the top 5 loans), or as we see fit given the granular nature of some transactions.



## Internal Due Dilligence | Underwriting Process

- The Team's CMBS Relative Value Model evaluates and compares collateral within various securitization pools to assist in purchasing CMBS bonds. The model includes 33 criteria points, which describe various aspects of the underlying collateral. The 33 criteria points are broken down into five subcategories: Property Grade, Market Grade, Leverage Grade, Diversity Grade, and Underwriting Grade. A score from "0" to "4" is applied to each of the 33 data points. A total score as well as subcategory average scores are provided to evaluate and compare the collateral within a securitization pool.
- Property Grade evaluates and compares the data points relating to the quality of the property or property type within a securitization pool. For example, the percentages of single tenant assets or hotel properties are considered as those assets generally experience higher volatility than other commercial real estate assets in today's marketplace. Hence, a higher percentage of those assets would reduce the relative property grade of a securitization pool. Conversely, the percentage of acquisition financing and the percentage of loans located in States with non-judicial foreclosure laws would increase a pool's property grade due to their impact on property quality from a lenders standpoint. Also, securitizations with a high percentage of retail properties will be negatively adjusted based on current economic conditions.
- Market Grade evaluates and compares the data relating to the quality of the geographical locations of the properties. The percent of assets located in tertiary markets and the percentage of assets located in a Moody's "red" markets (evaluates supply and demand characteristics) are evaluated along with other relevant market statistics.
- Leverage is one of the most critical subcategories and subsequently has the greatest number of criteria points. Pool wide and "Top 10" loan-to-values, debt service coverages, and pool wide amortization are reviewed and compared. In addition, debt yields and a refinance test assuming a 9.5% constant (10% for hotels) are also calculated and evaluated.
- Diversity Grade evaluates and compares the diversification qualities of a securitization pool. Largest asset type and percentage of the "Top 10" are the two criteria points included.
- Underwriting Grade evaluates and compares how aggressively issuers underwrote the loans within a securitization pool. Even though line by line cash flow analysis is not available for public bond purchases, one can measure how aggressively issuers underwrote transactions by evaluating the pool average discrepancy between the underwritten NOI and most recent historical full year NOI. Although ideal for multifamily and hotel analysis this analysis is also helpful in evaluating all other commercial real estate assets. Comparing an issuer's underwritten NOI (or budget) to actual historical performance highlights any gaps between realized historical performance and forward-looking estimates utilized to underwrite a given loan.

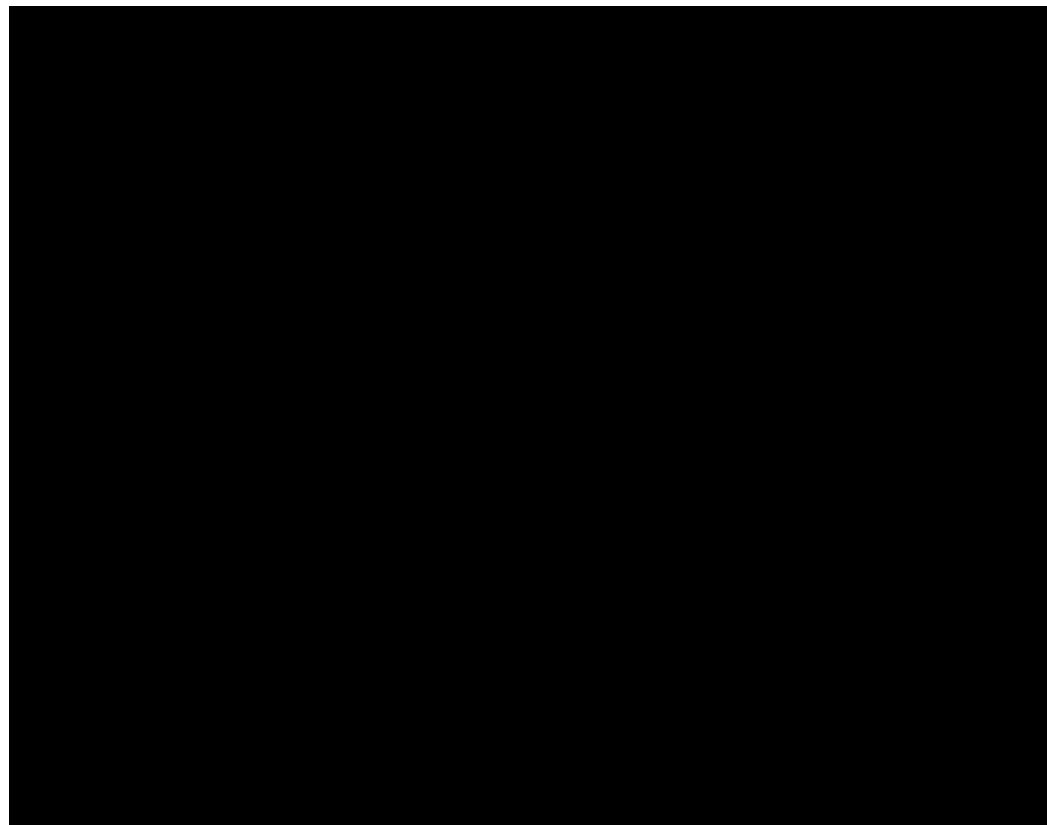
## Internal Due Dilligence | Underwriting Process

- **Leverage Grade – Cap rate analysis:**

- Due to reduction and availability of leverage, commercial real estate values are expected to decrease. Trophy properties or properties that were valued at tight capitalization rates (sub 5.0%) will decrease in value more substantially. Assuming the widening of capitalization rates is generic, there is a more significant impact to value when a capitalization rate goes from 5.0% to 7.0% versus 7.0% to 9.0%. Please see below
  - A \$1.0B securitization pool with an original average capitalization rate of 5.0% would experience an 28.6% reduction in value if the average capitalization rate rose to 7.0%. Assuming an original average of Loan-to-Value of 70%, the reduction in value would translate to a revised 97.9% Loan-to-Value
  - A \$1.0B securitization pool with an original average capitalization rate of 7.0% would experience an 22.2% reduction in value if the average capitalization rate rose to 9.0%. Assuming an original average of Loan-to-Value of 70%, the reduction in value would translate to a revised 89.9% Loan-to-Value
- Due to the above, Opin's strategy calls for investment in pools with wider capitalization rates at the time of issuance.

## Continual Monitoring & Surveillance

- Investments will be closely monitored on a weekly basis to identify any potential issues with respect to the underlying collateral.
- Given the public nature of these bonds, a wealth of information is available from various sources. Opin subscribes to products and services provided by Trepp LLC (snapshot of high-level information below), a leading provider of CMBS and commercial mortgage information, analytics, and technology to the securities and investment management community. Among other things, Trepp provides all relevant information with respect to; (i) Credit enhancement levels, (ii) Loan delinquencies, (iii) Servicer watchlists, (iv) Servicer remittance reports, and (v) Specially serviced loans.



## CMBS Hold Strategy

- The Opin CMBS strategy calls for the acquisition of securities with approximately 8-years of remaining maturity. Opin will employ an interest rate hedging strategy to enable the Investor to cash out prior to maturity and to accommodate investors with a 3 year investment period.
- Due to their liquid nature, CMBS may be readily sold on the secondary market prior to maturity; should market spreads compress, the investment would provide a higher IRR than projected.

## Spread Compression

- Industry veterans believe that at some point in the future, CMBS securitized debt lending will return in some form as it represents a transparent and efficient form of distribution and diversifier of risk; however, CMBS market yield spreads would need to compress for new CMBS origination to become viable once again.
  - Current yields on CMBS bonds would require issuers to price new mortgages at rates in excess of 11%, which are simply not viable for potential commercial borrowers (especially at much lower leverage levels)
  - One of the drivers of these high yields is illiquidity; it can be argued that this is a temporary technical dislocation unrelated to the underlying credit risk associated with commercial mortgages
- The federal government has taken steps to revitalize the securitization markets and strengthen bank balance sheets, which to-date have proven to be successful. CMBS spreads should continue to tighten quite rapidly with greater numbers of investors occupying the space. Current federal initiative include:
  - PPIP (Legacy Securities Program)
  - TALF
  - Revision to Mark-to-market accounting rules

## Anticipated unlevered Returns

- Opin Partners anticipates constructing an extremely diversified fixed-rate CMBS portfolio through a variety of separate pools and tranches. Prudent investment decisions will result in a portfolio managed towards capital preservation.
- Investor unlevered Equity Commitment:
  - AAA (A-J) Strategy: \$500.0 million
  - AAA (75.0% A-Ms / 25.0% A-Js) Blend Strategy: \$2.0 billion
- As indicated, the A-J strategy assumes a \$500 million commitment, where the GP draws \$250 million day one, and \$250 million day 121. In addition, the A-M/A-J blend strategy assumes a \$2.0 billion equity commitment, where the GP draws \$200 million each month and subsequently deploys for the first 10-months of the program.
- Investors will benefit greatly through one of the following structures;
  - AAA (A-J): 17.0% unlevered preferred IRR (11.0% current, paid monthly), or
  - AAA (75.0% A-Ms / 25.0% A-Js) Blend: 12.0% unlevered preferred IRR (7.5% current, paid monthly)
- The Pension Fund Investor will retain 25% ownership of the General Partner. All fees & profit participation will be shared 75% Opin and 25% with the Pension Fund Investor. The GP will not take any participation or fees until the Pension Fund Investor receives the current cash return in each month of each respective strategy. Furthermore, the GP will not participate in the terminal cash profit/distribution until the Pension Fund Investor has received the 3-Year IRR for each respective strategy.
- **Total return to Pension Fund Investor (inclusive of 25% GP): (i) A-J Strategy: 18.0% (11.7% current), (ii) A-M/A-J Blended Strategy: 12.7% (8.0% current).**

Profit Breakdown (Per annum/total*)	Unlevered AJ	Unlevered AM/AJ
Opin CMBS Team First Year Profit	10,012,500	20,359,091
Opin CMBS Team Second Year Profit	11,485,714	29,212,987
<b>Opin CMBS Team Total Profit</b>	<b>52,000,637</b>	<b>122,495,888</b>
Pension Fund Investor First Year Profit	3,337,500	6,786,364
Pension Fund Investor Second Year Profit	3,828,571	9,737,662
<b>Pension Fund Investor Total Profit</b>	<b>17,333,546</b>	<b>40,831,963</b>

*\*Returns & Profits are net of all operating & hedging expenses.*

## CMBS Management Team

**Charles Cecil**

**Co-founder of Opin Partners, LLC**

**Member of Board of Advisors**

Co-founder of Opin Partners LLC, Mr. Cecil has 30 years of real estate experience as a principal and intermediary of over 6 billion dollars of commercial property in major US metro markets. He has been appointed to manage and restructure a publicly listed real estate investment company in Federal Receivership and has been called upon to serve as an expert witness in New York and New Jersey courts. Mr. Cecil served as Managing Director / COO of Barrington Equities, LLC, a developer and owner of multifamily and commercial office property in Manhattan and elsewhere. The company's most recent project, Greenwich Place Condominiums (NY, NY) sold out 103 condominiums for \$70.0MM in 2008, and remains the only condominium project in Downtown Manhattan to have sold out all of its units, providing an extraordinary return to its investors. In 2001 Mr. Cecil and a partner created a new real estate financial guaranty insurance product, and after partnering with Castle Point Holdings, Ltd., founded Insurent<sup>SM</sup>. From 1994 – 1997 as Managing Director of Granville International, he was an advisor to property investors and property owners including; The China Investment Bank (PRC), completing transactions with LVMH and Casio among others. From 1991 – 1993 he was SVP at Banca Commerciale Italiana Capital Corp (NY and Milan) and was responsible for the start-up of its Global cross-border acquisition/financing advisory for real estate and hotel clients. From 1989 – 1991 he was Managing Director of Cecil, Evans Partners, where he advised, among others, the Saudi Royal Family on real estate acquisitions in the US. Mr. Cecil was President of Asian Oceanic Group Real Estate Corporation, the real estate arm of a Hong Kong merchant bank and while there, assembled a 33,000 room hotel company through acquisitions and mergers including AIRCOA (ASE) and Regal Hotels of Hong Kong. Mr. Cecil has served as an advisor on acquisitions and restructuring to the Travelers Companies and Vanguard Investors. Mr. Cecil began his career at Bankers Trust Co. in New York after completing his undergraduate studies in economics and Business graduate degree in finance at Columbia University receiving a B.S. and M.B.A.. Mr. Cecil interviews prospective candidates for admission to Columbia Business School and was a Founder of the Columbia Real Estate Association. He is also affiliated with ULI, IREM, and MFHC.

## CMBS Management Team

### **Michael F. Spiessbach** **Member of Investment Committee**

An attorney and member of the New Jersey Bar, Mr. Spiessbach has more than 30 years experience in finance and banking including fund management, cross-border investments and other business ventures. He began the finance portion of his career in 1980 when he became Associate Director, later Director, of international marketing and finance for Merrill Lynch where he accessed Merrill Lynch's worldwide network of high net worth and institutional clients. Subsequently, he and a few fellow Merrill executives left and formed an S.E.C. registered investment advisory company at Mellon Bank with \$500 million in managed pension fund assets. At Mellon Financial Services Corp. Mr. Spiessbach was Senior Vice-President and a member of the investment committee. Mr. Spiessbach served as President of Wesray International (an affiliate of William E. Simon's legendary LBO Company) where he handled the offshore business of this investment boutique. In 1989 he was the sole partner in Fulcrum Capital with a European industrialist, one of Fortune's 200 richest people in the world. Mr. Spiessbach has held senior positions in important enterprises including that of President of King World Ventures, where he was responsible for the company's nearly \$1 billion in cash. During his incumbency King World's market value increased 75%. Mr. Spiessbach served as non-executive Chairman for China at World Space Corp, President of AsiaSat (shareholders Li Ka-Shing, CITIC, Cable & Wireless/PCCW), and was founding Vice-Chairman of Sun Television, a HKSE listed broadcaster, media and distribution company chosen by Forbes as one of the 300 best small cap companies in the world and one of only 20 Stars. Mr. Spiessbach is currently non-executive Chairman of China M&A Management, China's leading Beijing based investment banking boutique with 100 professionals in 7 cities, and was a founder of the China M&A Association. Mr. Spiessbach authored a chapter in Investing in American Real Estate published in Germany, was co-author of LBOs and Junk Bonds published in Beijing, monthly serial columns in two of China's leading business magazines, Xincaijing ("New Investment") and The China Dealmaker, articles in The Financial Times and The Asian Wall Street Journal and a primer for Western businessmen to understand the esoteric principles of Shari'a investment. Mr. Spiessbach has spoken at conferences and forums as well as been interviewed on several domestic and foreign business news and investment programs. Mr. Spiessbach holds B.A. from Rutgers University, an M.A. from Seton Hall University and a J.D. from Seton Hall University and lives in New York City.

## CMBS Management Team

**Gregory J. Porter**  
**Chief Underwriter & Managing Director**  
**Member of Investment Committee**

For the last two and a half years Greg has been Chief Underwriter (Executive Director) of the CMBS Mortgage Banking business at Eurohypo AG, where he was most recently honored as one of Institutional Investor News' 20 Rising Stars of Real Estate (2008). At Eurohypo he managed the CMBS book, and structured, quoted, and priced large loans, floating rate transactions, conduit loans, and mezzanine loans for originators based in New York, Chicago, and Los Angeles. Key responsibilities included presenting transactions and deal structures to B-piece buyers and rating agencies. At Eurohypo he successfully securitized over \$4.0B in commercial mortgages through nine (9) separate pools. In 2007 alone he took over 65 transactions from the quoting stage to loan sale, totaling to approximately \$2.76B. Prior to joining Eurohypo he spent 7 years as a Director in Deutsche Bank's CMBS Group, where he structured and completed loan underwriting due diligence on over \$2.6B in commercial mortgages slated for CMBS securitization, including over \$1.0B in 2005, \$600MM in 2004, and \$400MM in 2003. Greg received a BS in Finance & International Business from New York University's Stern School of Business. He is also a member of ULI, and YREP.

**Head of Trading & Capital Markets**  
**Managing Director**

Opin's trader remains anonymous at this time as he currently holds the Head CMBS position for a Large Institution. Over the last two years at his current post he has traded \$3.7 Billion of new-issue fixed and floating rate CMBS bond business, resulting in \$44 Million in net income for the bank. He also executed and/or unwound billions of dollars in interest rate swaps to protect the profitability of new CMBS loan origination, and executed several duration-neutral CMBS Total Rate of Return basis swaps (TRRs) as an effective short-selling strategy as CMBS spreads reacted to the credit crisis; these trades resulted in gains of over \$49 Million before expiring in late 2008.

## CMBS Management Team

### **D. Coley O'Brien** **Senior Underwriter & Director**

Most recently Coley did a stint at CSV Capital, a principal investment group, which had a few separate investment vehicles, including a \$400MM JV with Prudential, where he helped initiate a platform that emphasized intense, primary due diligence, constant and close portfolio monitoring and direct participation in the portfolio holdings' strategic decisions where possible, ultimately directing the financial structuring analysis (NPV, IRR, CoC, etc) to isolate key drivers of investment returns. Prior to joining CSV, Coley spent approximately two years as Vice President of Underwriting in Eurohypo's CMBS / Structured finance business. Together with Greg Porter they increased Eurohypo's volume roughly 25% from 2006 – YTD 2007 (ending 8/07). Prior to joining Eurohypo, Coley spent approximately three years at Deutsche Bank's CMBS Group as a Senior Underwriter. In 2006 he structured, underwrote, negotiated with rating agencies, and ultimately successfully securitized approximately \$1B in commercial mortgages slated for CMBS securitization. Volume increased roughly 25% from 2005-2006. Prior to DB Coley worked at Morgan Stanley in the Structured Products | Large Loan securitization group. Coley received a BA in Finance from Michigan State University, graduating Magna Cum Laude, and a Masters in Real Estate Finance and Investment from NYU. He is also a member of NYU's Entrepreneur & Investment group, ULI, YREP, and Society of Industry Leaders.



## Appendix: CMBS Structure Defined

### Parties Involved:

**Primary Servicer** (or Sub-Servicer): In some cases the Borrower may deal with a Primary Servicer that may also be the loan originator or Mortgage Banker who sourced the loan. The Primary Servicer maintains the direct Borrower contact, and the Master Servicer may sub-contract certain loan administration duties to the Primary or Sub-Servicer.

**Master Servicer:** The Master Servicer's responsibility is to service the loans in the pool through maturity unless the Borrower defaults. The Master Servicer manages the flow of payments and information and is responsible for the ongoing interaction with the performing Borrower.

**Special Servicer:** Upon the occurrence of certain specified events, primarily a default, the administration of the loan is transferred to the Special Servicer. Besides handling defaulted loans, the Special Servicer also has approval authority over material servicing actions, such as loan assumptions.

**Directing Certificate holder / Controlling Class / B-Piece Buyer:** The most subordinate bond class outstanding at any given point is considered to be the Directing Certificate holder, also referred to as the Controlling Class. The investor in the most subordinate bond classes is commonly referred to as the "B-piece Buyer." B-piece Buyers generally purchase the BB/B-rated bond classes along with the unrated class.

**Trustee:** The Trustee's primary role is to hold all the loan documents and distribute payments received from the Master Servicer to the bondholders. Although the Trustee is typically given broad authority with respect to certain aspects of the loan under the PSA (Pooling and Servicing Agreement), the Trustee typically delegates its authority to either the Special Servicer or the Master Servicer.

**Rating Agency:** There will be as few as one and as many as four Rating Agencies involved in rating a securitization. Rating agencies establish bond ratings for each bond class at the time the securitization is closed. They also monitor the pool's performance and update ratings for investors based on performance, delinquency and potential loss events affecting the loans within the trust.

## Appendix: CMBS Structure Defined

- **Ratings:** Assessment of the likelihood that the cash flows and recoveries from the collateral will be sufficient to pay the requirement of the security defined. Rating calculates credit risk – default and loss on the investor’s principal investment.
  - A rating should indicate its ability to withstand a particular strength of an economic downturn. For example, a AAA bond (Opin’s “Target Investment”) should be able to withstand a significant macro-economic stress.
  - Subordination (credit enhancement) = Frequency (Percentage of a pool) defaulting (and foreclosed) \* Loss Severity.
  
- **Waterfall Structure:** Cash flow pay-out priority of a CMBS
  - Principal plus interest to the highest-rated tranches, while paying only interest to the lower-rated tranches.
  - After all of the certificates from the highest-rated tranches have been retired, the cash flow then is dedicated to paying P&I to the next highest rated tranche.
  - Principal is paid in sequence until each successively-rated tranche receives payment; thus, for example, the most senior AAA tranche is retired prior to the Junior AAA Mezzanine tranche, etc.