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Servicer Evaluation

Hatfield Philips International Ltd.
(Primary And Special Commercial Loan Servicer, U.K.)

Hatfield Philips Deutschland GmbH
(Special Commercial Loan Servicer, Germany)

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Opinion

Standard & Poor's Ratings Services has affirmed its "AVERAGE" ranking on Hatfield Philips International Ltd. (HPI) as a commercial mortgage primary servicer in the U.K. and has also affirmed its "AVERAGE" special commercial mortgage servicer ranking in the U.K.

We have also assigned to Hatfield Philips Deutschland GmbH a ranking of "AVERAGE" as a special commercial loan servicer in Germany.

In this servicer evaluation report, we will refer to the primary and special servicing operations as "HPI Primary" and "HPI Special," respectively. "HPI Special" covers both U.K. and Germany, unless specifically stated otherwise.

The rankings are based on:

- A restructure in 2008, including the appointment of two experienced managing directors;
- A significant reduction in staff turnover, to 16.6% from 37.5% since our last report. Though this is at the high end of what we see for commercial servicers, this does not give us any cause for concern;
- The Munich office's consolidation into the Frankfurt office for operational efficiency and all five staff having transferred;
- An increase in staff training over the past two years and a heightened emphasis on training; and
- Extensive investment in technology systems and architecture enhancements, and the considerable progress that has been made on the implementation.

HPI consulted with investors to understand their requirements and subsequently developed improved investor reporting. Reports are detailed and issued more speedily than we see with any other servicer of commercial mortgage-backed securities (CMBS).

Outlook

The outlook is positive for primary and for special servicing in Germany and the U.K.

The CreditWatch negative placement of Dec. 22, 2008, is now resolved.

In December 2008, we put the ranking for primary servicing on a negative outlook as a result of our concerns regarding some errors HPI's loan servicing team had made in previous months. Following our review we believe that appropriate measures have been taken to address these issues.

We have observed many improvements since the appointment of the new managing directors and have also heard positive comments from cash managers regarding their responsiveness. We also accept that there was a lot of pressure placed on HPI due to 1,000 hours being spent by a taskforce to ensure that Lehman Brothers Inc.'s insolvency

was managed properly and effectively, reflecting the high number of Lehman Brothers loans in their portfolio.

HPI has used the opportunity provided by the downturn to place an internal emphasis on systems and website improvements, process reviews, the associate recruitment process, staff development and retention, data quality, and reporting standards. HPI will continue its efforts to expand its client base by continuing to provide a high-quality service, while offering new services in and around real estate asset management, and it has been focusing on loss and risk mitigation.

As a result of the lack of new CMBS issuance, HPI is focusing on covered bonds and balance sheet lenders, who wish to outsource their servicing business for future growth. In 2008 HPI signed two new clients, one in Germany and one in the U.K.

Company Profile

Formed in 1997, HPI was originally a wholly owned subsidiary of Hatfield Philips Inc. In 2003 it split from its parent and began to operate as an independent company. In August 2004, it was acquired by LNR Partners Europe Ltd., a wholly owned subsidiary of LNR Property Corp. LNR itself was acquired in February 2005 by Cerberus Capital Management and its real estate affiliate, Blackacre Capital Management LLC.

We rank LNR Partners Inc. as "STRONG" as a special servicer in the U.S., and we are familiar with LNR's European subsidiary.

As of December 2008, HPI serviced a £32.6 billion portfolio of U.K. and European commercial and mezzanine loans and equity positions, comprising 279 loans on 6,384 properties in 34 client portfolios, of which 27 are securitized.

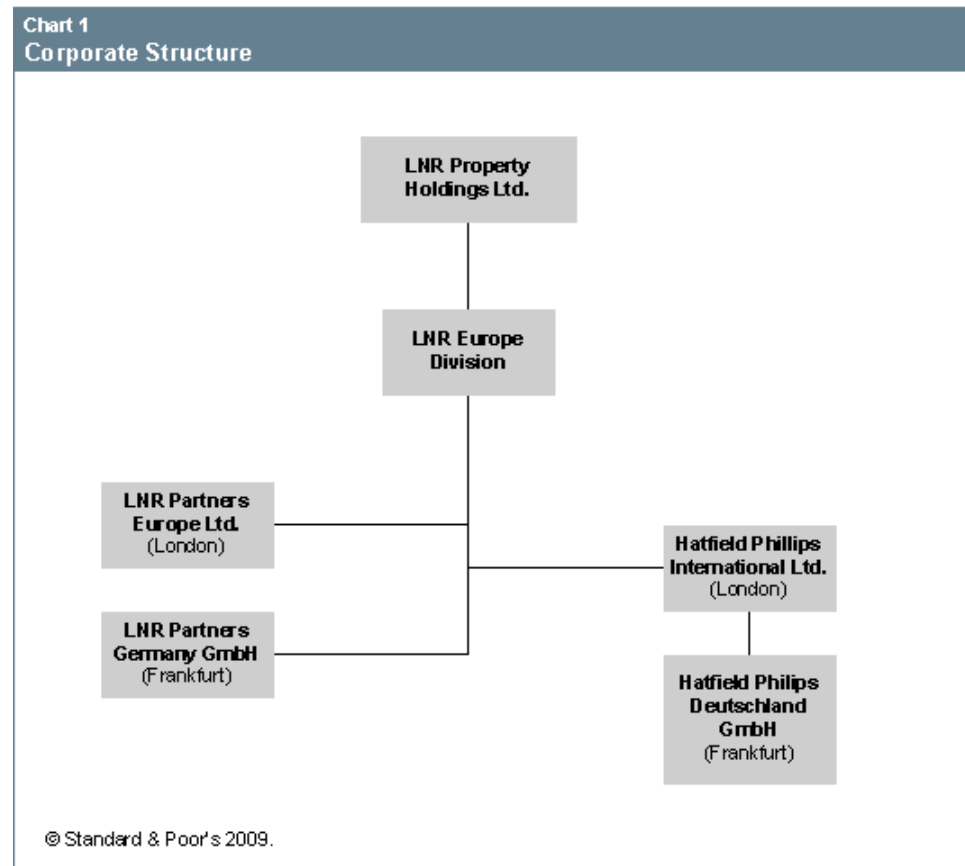
HPI is named special servicer for £30.5 billion of loans. As of December 2008, special servicing was managing 10 loans totaling £1.75 billion in the U.K. and Europe. While the data in this report is from December 2008, as an indication of the current growth of special servicing, by February 2009 16 loans worth £1.9 billion were in special servicing (see table 1).

Table 1: Primary				
Portfolio under management	2008	2007	2006	2005
Value (Mil. £)	32.607	33.564	18.554	7.882
Securitized portfolio (%)	51	51	56	45
Number of loans	279	349	110	48
Number of properties	4,738	5,469	1,415	400
Special servicing				
Portfolio under management	2008	2007	2006	2005
Value (Mil. £)	1,750.0	103.6	81.4	N/A
Securitized portfolio (%)	0.050	0.003	0.500	N/A
Number of loans	10	3	3	N/A
Number of properties	403	4	6	N/A

HPI mainly uses the London office to service primary U.K. European loans, and special servicing is split between London and Frankfurt. The Munich office has been amalgamated with the Frankfurt office, which has grown to 16 staff, reflecting the large number of German loans in the portfolio.

The largest part of the portfolio (62% of primary and 57% of special servicing) is located in Germany. This portion has increased from 46% in 2007. The company has expanded the use of Hatfield Philips Deutschland GmbH (HPD). This entity gives HPI the opportunity to more effectively manage German assets from its office in Frankfurt and is ranked as a special servicer in its own right for the first time this year.

The corporate structure for Europe is shown in chart 1.



The portfolio is geographically diversified. As of December 2008, non-U.K. loans were located in more than 10 European jurisdictions (see chart 2).

Chart 2 shows the portfolio broken down by country.

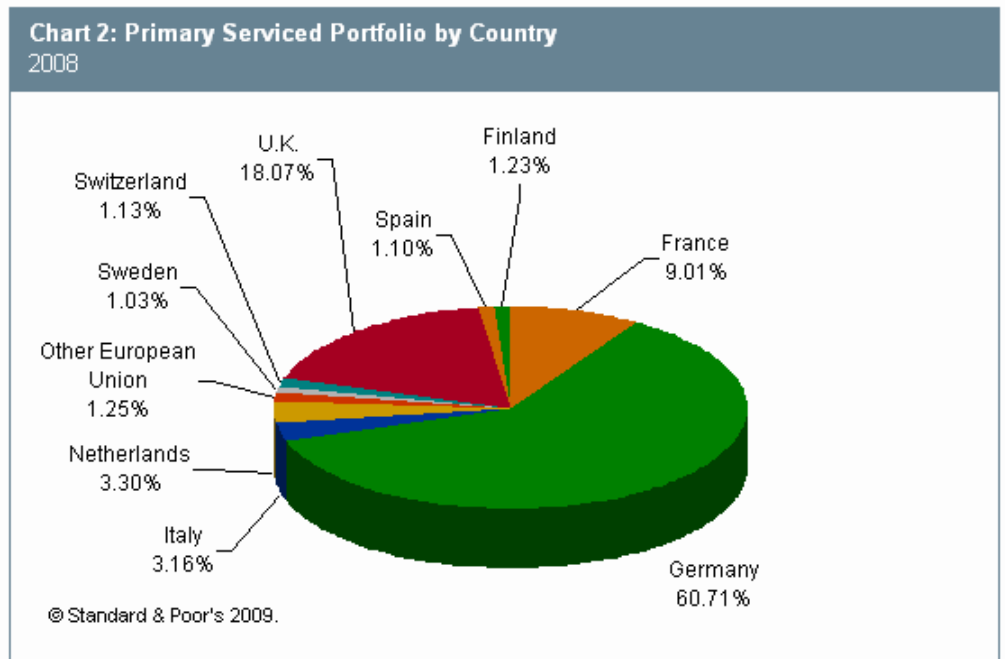
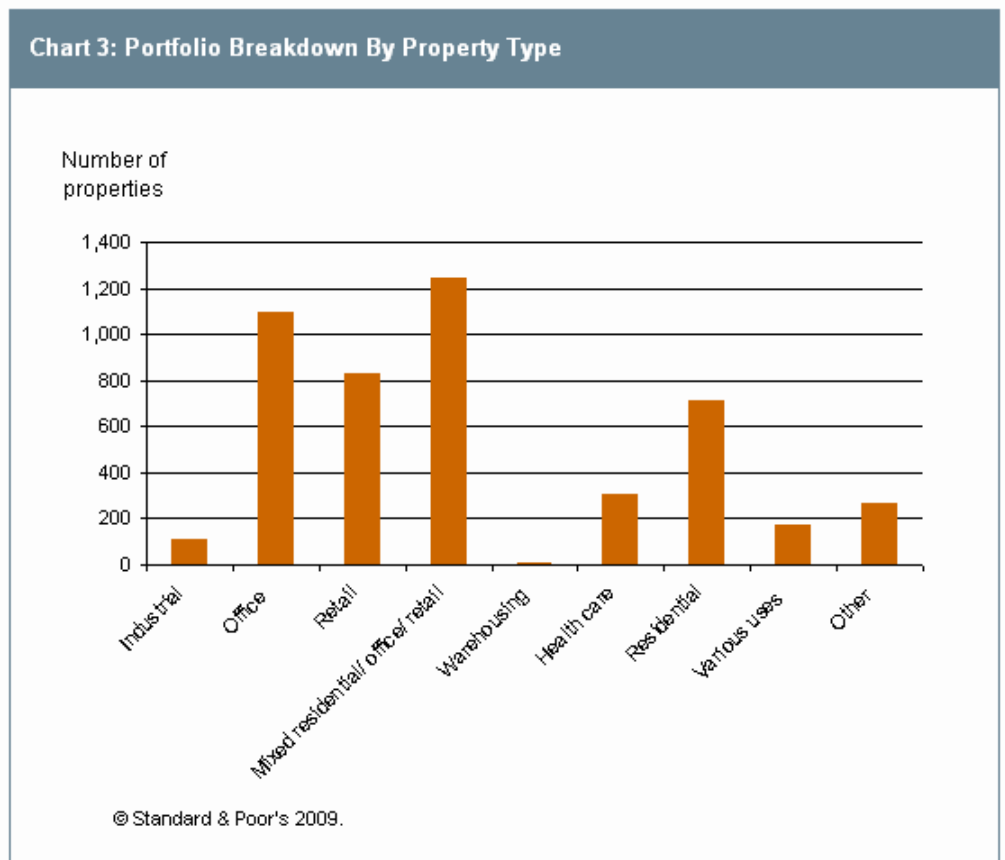


Chart 3 shows the total portfolio breakdown by property type.



Management And Organization

We have affirmed as "AVERAGE" the ranking for management and organization.

HPI operates through an effective organizational structure. The structure at a senior level has changed since our last report and there are two new managing directors with five direct reports. One of the managing directors was recruited by LNR as chief operating officer in 2007 and appointed to his current position in 2008; the other was recruited in August 2008. Both managing directors have extensive knowledge of the German market, which represents a large part of the HPI portfolio. Since appointing the new managing directors, HPI has undergone an organizational restructuring which has placed a core concentration on quality, accuracy, and accountability, while preparing the group for the launch of a new servicing platform in 2009.

The five people reporting to the managing directors are each responsible for a team: primary servicing, special servicing, asset management, finance, and compliance. The former managing director is now responsible for managing key special servicing projects, in particular the Fino portfolio. One of the benefits of having two managing directors is two different viewpoints and the ability to challenge and discuss decisions.

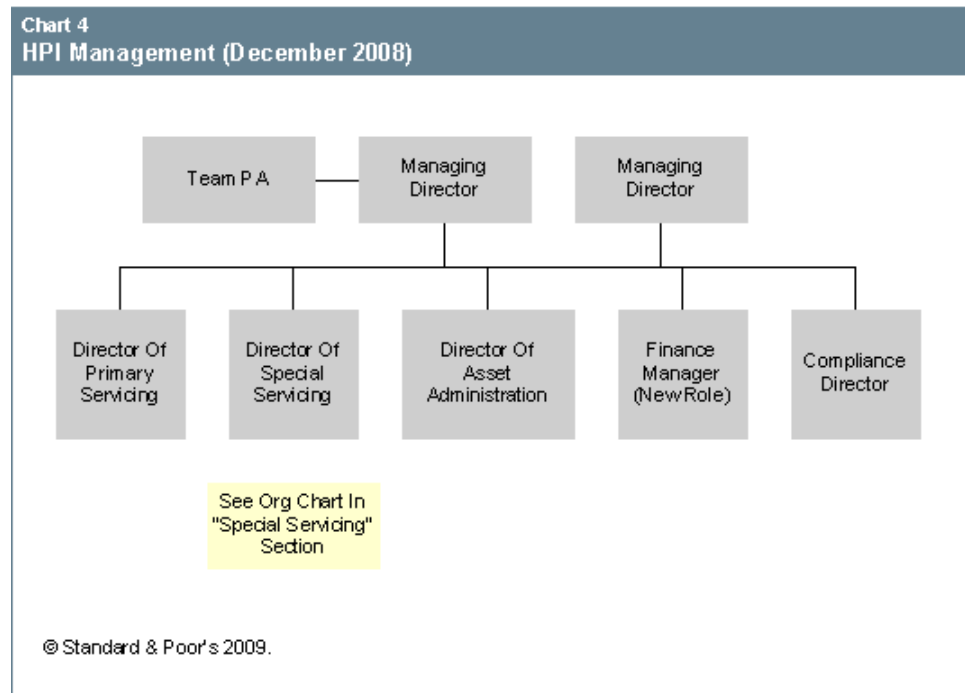
Both of HPI's managing directors report to an LNR Europe managing director with over 25 years' experience in commercial real estate investment, development, management, leasing, and finance, and who established LNR's presence in Western Europe.

There have been significant changes to the operational structure since our last review, including:

- The special servicing team has been reformed as a separate function to the primary team and a team of 25 is now dedicated to special servicing.
- An experienced director of special servicing has been appointed.
- Many of the tasks previously performed by asset managers are now dealt with by specialists, such as insurance. This gives focus and priority to important areas which may have lacked it previously and freed up time for asset managers to focus on their core role.
- A team of two now specializes in B-notes and syndicated loans.
- A new portfolio analyst role has been created to enhance data and the quality of internal reporting.

We view the changes as positive developments, especially when considered with the development of the Frankfurt team to provide specialization for the large number of German assets and the increase in specially serviced German loans.

Chart 4 shows HPI's management structure.



A new manager, with over 20 years' experience, has been appointed to head up the asset administration department. He is a former employee of HPI who left to join a rival two years ago.

Additionally, there has been an internal transfer of the former director of operations into the newly established role of compliance director. HPI is currently looking to hire a new finance and reporting manager, as it has taken more control over finances from LNR in the past year.

During the past year, a major project, "Project Next," has been in progress. The objective is to replace the existing operating system with Cassiopae and to review all processes. This is a business project, rather than IT-led, as the changes and benefits are much wider than just implementing a new system. There are no plans to change the reporting, which will continue to be through the existing software. Phase 1 is due to go live in April 2009, with 60% of the loans.

There was a parallel test for the last interest payment date (IPD), which went well. To ensure accuracy, data input is controlled as much as possible by use of dropdown boxes and help notes. The information is initially loaded to a Microsoft Excel spreadsheet and only migrated to Cassiopae after various checks have been completed.

Cassiopae will provide additional functionality, such as the ability to manage covered bonds, which is not possible on the current system. It has a data feed from Bloomberg and Calendar data service provider.

HPI has created a 120-page user guide, rather than relying on the guide provided by Cassiopae, to ensure that it is specific to the business.

Staff and training

Table 2 shows the average industry experience and company tenure in 2008.

Table 2: Average Industry Experience/Company Tenure In 2008					
Experience (years)			Tenure (years)		
Senior managers	Middle managers	Staff	Senior managers	Middle managers	Staff
21	20	6	6	2	2

There is generally a good level of experience at all levels, but tenure with the company is rather low due to expansion and previous high turnover of staff.

In an effort to reduce staff turnover, HPI has undertaken several measures:

- The new corporate structure created new roles, better reporting lines, and clearer career paths. The restructuring enabled HPI to promote from within. Although the company has previously suffered significant attrition, it has recently been able to retain and attract senior staff.
- The first batch of recruits to the graduate training scheme will finish the two-year scheme in September 2009. Six graduates, all with property-related knowledge, were recruited from Cambridge University, Cass Business School, and Reading University. Graduates were on a six-month rotation system gaining experience in acquisitions, securitizations, asset management, and loan servicing and reporting. The graduates will be able to complete their Assessment of Professional Competence (APC) and become RICS-accredited at the end of the graduate scheme. The five graduates who remain are currently working toward their APC requirements and will sit their interview in October. Each of them is completing their final rotation on the program.
- Annual performance evaluations are undertaken and include employee feedback.

HPI employed 84 full-time employees (FTEs) in December 2008, compared with 66 in December 2007. In 2008 there were 16 promotions, nine transfers of role due to the restructure, and 26 new associates hired. The turnover rate in 2007 was 37.5% and decreased to 16.6% in 2008. We acknowledge that there is generally less staff mobility in the current financial climate, but HPI has been focusing on staff retention and we believe this has also had a positive effect.

The management advises that the changes have been well received by staff and that there is a "buzz" in the office created by the change in culture. We have no information that a staff survey has been conducted to measure staff opinion since our last review.

HPI has refocused and returned to its traditional commitment to staff training in the past year. The focus has been on recruiting quality staff and developing cohesive training plans to address the market environment and challenges. The average annualized number of hours per staff member, excluding language classes, was 43 in 2007 and 52 in 2008.

HPI continues to emphasize associate training as a key to continued success. Each associate is required to take and document at least 40 hours of relevant training. Management has increased the minimum training requirement per individual to 50 hours for 2009 and this is built into management's objectives. HPI's HR director continues as the training coordinator to ensure consistency and policy compliance, although direct managers are responsible for the direction and approval of each associate's training program.

Internal controls

In addition to annual external audits by Baker Tilly, an international accountancy/audit firm, LNR's internal audit department, based in Miami and reporting to the audit committee of LNR's board of directors, undertakes periodical audits. There is a three-year audit cycle for HPI and the last audit was conducted in 2006. The last audit was satisfactory and did not identify any significant deficiency or material weakness in business processes. It also verified that all minor follow-up issues from the previous audit had been cured. The next audit is planned for May 2009.

We consider this to be a long cycle, although we understand that this is because servicing is deemed as low risk. However, as special servicing and the risks associated with any claims regarding servicers' performance increase, an enhancement of the level of internal audit may be worth considering. An interim audit of new loan boarding and a calculation of payment statement processes were completed in the first quarter of 2009. The outcome was adequate, which is the highest of the three ranking scales.

Since our last visit, primary servicing at HPI has continued to focus on the compliance function, which in our opinion is beneficial due to its portfolio size and geographical diversity.

HPI has upgraded its primary compliance function over the past three years. Previously, the compliance function was a part of the operations director's responsibility, but since our last review the operations director has been appointed as compliance director. This change will bring additional focus and discipline to the compliance function, both at the loan and contract level.

A compliance database was implemented in 2006 and upgraded in 2008, allowing asset managers to manage loan compliance more accurately and efficiently. It also enables the compliance team to offer a higher level of compliance monitoring.

The key features and benefits of the database are:

- It streamlines the business process by allowing the asset manager to set up a portfolio's own covenants and to maintain status comments.
- It provides the compliance team with functionality to manage the loan covenants, including a review and verification functionality.
- It preserves data integrity by implementing access security, providing various levels based on job roles. The front end is tailored to each user based on a logon ID.
- It has an enhanced reporting tool so that the compliance team can provide statistical data at loan and asset manager level to senior management, increasing the awareness of covenant compliance at a company-wide level.
- The increased level of monitoring of borrower noncompliance allows HPI to identify potential loans for the watchlist at an earlier stage.
- There is an automated email or diary reminder in Microsoft Outlook.

The four-member compliance team reports to the director of compliance. They monitor service agreement compliance and are responsible for managing internal audit and risk assessment. Their responsibilities also include regulatory matters such as money laundering and the Market Abuse Directive. Since the last report, the team has appointed a borrower monitoring manager, who focuses on loan level compliance. A monthly compliance report is generated out of a central "covenant compliance diary," which also tracks the updating of the watchlist and helps the audit department stay abreast of business issues.

HPI Primary operates with documented procedures covering all critical functions and processes. Each department head and the director of operations approve all changes to policies. These procedures, available in hard copy and electronically, are continually reviewed to improve the effectiveness of the operation.

Operating procedures include delegations of authority and regular meetings, reviews, and credit committees to ensure HPI sufficiently controls its decision-making and approval processes. Credit committees are convened weekly, monthly, and as required for reviews and report sign-offs, such as quarterly asset summaries, and semiannual and annual credit reviews. In addition, management meetings are held weekly, and monthly team meetings include a general review of all accounts, the watchlist, and new transactions in the pipeline.

We are advised that there is no ongoing litigation outstanding against the company.

Technology

HPI employs three IT staff. Technology has been integrated with the parent company for a more systematic leverage of resources and greater compatibility among the systems used. There is a business solutions department in London, headed by a long-standing LNR employee and with seven business solutions staff. This department coordinates business needs with available infrastructure or identifies additional requirements, both in London and in Miami.

Currently the key technology systems are:

- Target Centrac, a loan servicing system that handles securitized and nonsecuritized loans; HPI is currently conducting UAT relating to the implementation of Cassiopae, which will be deployed in 2009;
- Dyna, a financial tool to analyze real estate assets and portfolio management; and
- Red Database, a reporting package.

The Project Next project includes the replacement of Target Centrac with Cassiopae for primary and special servicing, which is currently in user testing before implementation.

A special servicing module is being developed in a new system as part of Project Next. The team has been exposed to similar activity with the LPAMS and LINKS NPL systems.

The special servicing team does not currently have a dedicated IT system. Specially serviced loans are tracked using the RED and Target systems where possible, but the nature of special servicing often necessitates the creation of a tracking tool based around Microsoft Excel for the specific loan. This tool is useful for creating ad hoc progress reports. Special servicing will use Cassiopae once it is launched.

Currently, the three main systems are not fully integrated, and still require some level of manual intervention, depending heavily on Excel. This represents a constraint on the ranking. We understand the business solutions department is implementing further systems integration improvements. We expect the reliance on Excel to be substantially reduced by the next review, following completion of Project Next.

Strict security policies ensure data protection and privacy.

The London site is one of LNR's two data processing sites. The primary data center and host for all centralized applications is the Miami corporate e-center. London is now a primary data center itself, with Miami e-center as a backup.

The HPI Primary business continuity plan (BCP) is part of the corporate BCP which is also used by LNR Partners. The BCP was enhanced in 2007 by the development of an operational plan for when employees are unable to reach the office.

Communication will be made to all associates via a Call Tree, email, and Hotline facility. The BCP supports essential functions, such as cash management, accounting, transactions, and payroll. These functions can be overseen from the European and U.S. offices if required.

The business recovery plan addresses the restoration of applications, systems, and hardware. The plan is based on automatic data replication across the wide area network, the incorporation of redundant equipment, and the rerouting of access paths around failed equipment. The plans are tested biannually. The last business continuity test was performed in December 2008 and the annual disaster recovery plan test was conducted in October 2008.

A daily full system backup is stored offsite in secure premises, on a different power grid from the office. The London site is protected against power failure and is equipped with battery-backup uninterruptible power supplies. HPI Primary can be up and running within two hours of being onsite. As business expands, we would expect HPI to secure larger alternative accommodation at a site further away than the present backup facility. However, this is mitigated by the availability of a virtual private network (VPN) for remote users, the distribution of PC cards, and company laptops.

During the heavy snow in London in January 2009, the BCP was successfully executed without any operational disruptions.

If there is a disaster in London and the local redundancy facility fails, London users can be redirected to access the computer systems in the LNR data center in London and Miami. LNR's IT personnel in Miami can restore services within four hours.

Critical functions (payroll, accounts payable, and cash management) are restored first.

Commercial Loan Servicing

We have affirmed as "AVERAGE" the ranking for commercial loan servicing.

The ranking in this section reflects the procedures employed after an asset has been acquired or a loan has closed. HPI Primary's system and procedures are satisfactory for commercial loan servicing. HPI Primary uses an effective approach of at least two people being assigned to every deal: an asset manager, and an analyst to conduct detailed modeling of all financial covenants from tenancy level upwards, and to develop enhanced understanding of expected performance. Asset managers address issues with borrowers to prevent breaches of covenants before they occur. This structure promotes accountability at the asset and portfolio level. Special requests and important decisions are handled through a credit committee process.

Staff levels are sufficient to match portfolio size and growth: each loan-servicing employee averages five loans each, while reporting analysts are each responsible for about 70 loans and 1,185 properties. Asset managers are responsible for 22 loans on average.

The make-up of the staff is multicultural, reflecting its presence in multiple jurisdictions. Thirty-six staff members have multiple language capabilities including German, French, Italian, Spanish, Polish, and Dutch. A continual emphasis is made on the provision of quality service to clients, investors, borrowers, and B-lenders, with appropriate processes and controls in place.

Special attention is paid at the asset level, ensuring that each asset is managed with care, and also at company level, to obtain efficiencies of scale (e.g., property inspections, insurance monitoring, and banking). Data definitions are agreed for client, loan, borrower, and property details. HPI Primary uses standardized templates to gather raw data and documents from external sources (originators, borrowers, property managers, banks, etc.).

HPI uses its centralized database tools and reports to identify exceptions and watchlist issues. To ensure that regular day-to-day operations are not impaired, HPI Primary manages exceptions by setting up processes and staffing for handling delinquencies, covenant defaults, litigation, and other unscheduled activities.

Loan boarding is not a fully automated process, so manual intervention is still required, due to the complexity of the transactions. The asset manager or senior manager signs off the loaded data and checks to ensure all the terms and conditions of the loan have been correctly entered and that the timetable for interest payments is correct. Loan documentation is also checked on receipt and the asset manager chases any missing information, aided by a diary reminder system.

At loan set-up, a covenant compliance diary for reports is entered into a Microsoft Outlook system and the interest/repayment schedules are entered into an Excel spreadsheet.

The asset manager is expected to meet the borrower and visit the property asset for nonsecuritized loans within three to six months of loan set-up. Following the visit, the manager completes a report that includes maps and photographs, details of local market conditions and comparisons, any relevant newspaper cuttings, and financial reports, including a prospective 10-year cash flow and asset performance summary. This report is revisited every three months for nonsecuritized assets and a two-page update is sent to the client.

Asset managers remain responsible for liaison with borrowers following loan default. But as soon as a loan is transferred to special servicing, the main contact with the borrower will be the special servicing asset manager.

Cash management

Incoming money goes directly to a controlled client account or, in the case of the securitized portfolio, to the cash manager. HPI Primary has little involvement in the actual cash transactions. It advises the client of expected payments and is informed by the primary servicer of any cash received. Almost all payments are made by electronic transfer. HPI Primary acts as signatory on any outgoing funds on the client portfolio, but requires a counter-signature from the client before any cash is actually transferred.

HPI Primary performs monthly reconciliations on its clients' accounts, as well as its own.

Insurance

The borrower compliance manager (BCM) is responsible for insurance monitoring. HPI monitors the insurance on all of the properties it oversees. The BCM verifies the insurance certificate(s) signed off by the authorized broker or insurer, and inputs the actual coverage provisions into HPI's system. The BCM analyzes the documents to determine whether more information is required to confirm compliance and chase the lender/borrower where information is outstanding. As part of this analysis the BCM reviews the country-by-country overview to determine if there are any specific requirements for different jurisdictions (i.e., the German requirement for a *Sicherungsschein*).

The BCM informs the asset manager regarding any insurance issues on their deals as soon as they become aware them.

HPI is also engaging a third-party service provider to assist in updating the monitoring of insurance. Where legally acceptable and binding on the insurer, the review constitutes a comparison of the certificate to the coverage requirements. The BCM oversees their work and assist them in obtaining relevant loan and property data as well as supporting documents for review. The BCM is the primary contact for the third parties and where documentation is missing/pending, the BCM reverts to the asset managers.

The BCM provides monthly reports to senior management in a spreadsheet format, detailing any issues. The reports are a status update which show upcoming expirations and outstanding premium payment confirmation. The reports also summarize any other outstanding issues regarding compliance.

Investor reporting

The reporting has improved over the past year. HPI's investor reports are released approximately five days after the bond payment date. This is the fastest turnaround time we have seen among servicers. In the past this caused problems, as not all indicators—such as ICR (interest coverage ratio), DSCR (debt service coverage ratio), and NOI (net operating income)—were available in a timely fashion.

Efforts have been made to receive data more speedily to enable HPI to deliver more complete investor reports at the first publication. However, HPI still needs to update reports after they are published, in line with service level agreements that require them to be published within five working days. HPI's compliance with this request inevitably means that it is often waiting for some data, but it has noted a general preference by investors for issuing the reports as early as possible, even if they may not be fully complete.

Watchlists are maintained and are updated when a change is advised by the asset manager. The revised watchlist is distributed as appropriate when approved by the director of asset management, or the director of securitization and the managing director.

The watchlist is then discussed at the monthly watchlist credit committee. Loans on the watchlist are reported in the investor report in the CMSA E-IRP format.

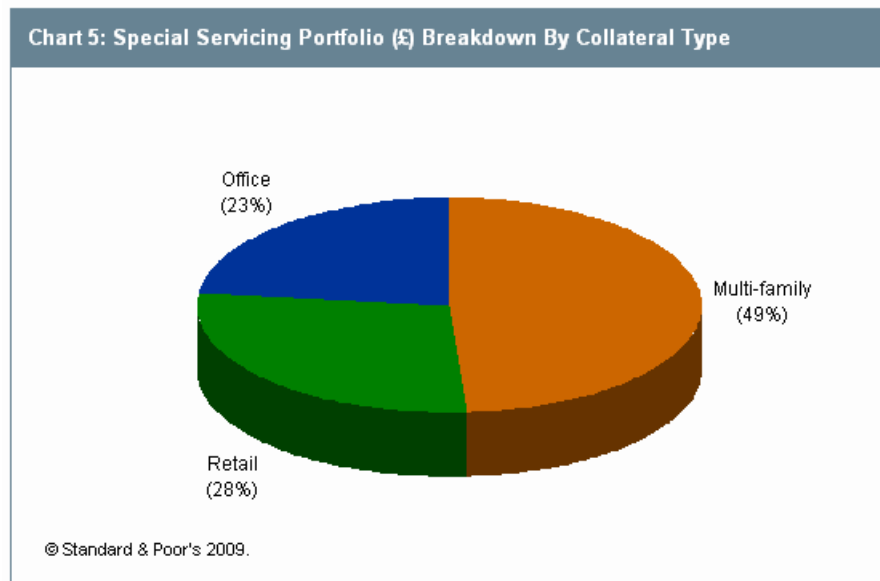
HPI responds to investor telephone calls within one business day of receipt. Access is available to investor reports via a secure Web site managed by ABN AMRO Bank. Reports are posted and communicated promptly. HPI primary has its own Web site, from which reports can be downloaded.

Special Loan Servicing

We have affirmed as "AVERAGE" the ranking for special loan servicing.

Over the past year, HPI's has expanded its special servicing team and hired a new director of special servicing. The staff of the London and Frankfurt special servicing platforms have substantially expanded with experienced people, and continue to grow into 2009.

As of December 2008, HPI was special-servicing 10 loans in the U.K. and Germany, worth £1.75 billion. These assets include a range of property types: multi-family, office, and retail (see chart 5).



HPI's dual tracking approach of pursuing workout and foreclosure scenarios simultaneously has produced positive results. Information on HPI's securitized portfolio is shown in tables 3 and 4.

Table 3: Securitized Property Type By Loan Count (%) For 2007 And 2008				
	December 2008	December 2007	December 2006	August 2005
Health care	1.50	1.44	14.84	0.00
Hotel	2.26	2.16	1.84	0.14
Industrial	0.75	0.72	2.40	7.05
Mixed-use	32.33	41.01	24.77	8.48
Multifamily	6.77	1.44	11.72	15.00
Office	30.08	30.22	34.03	55.08
Other	14.29	10.79	1.82	1.90
Retail	9.03	9.36	7.59	8.66
Warehouse	3.01	2.88	0.99	3.69

Table 4: Securitized Country By Loan Count (%) For 2007 And 2008				
	December 2008	December 2007	December 2006	August 2005
U.K.	12.78	13.67	45.58	46.53
Germany	57.14	56.12	39.11	22.16
Switzerland	2.26	2.16	0.00	7.83
Italy	6.77	8.63	6.12	13.59
Sweden	0.75	0.71	2.13	8.05
Other European countries	20.30	18.71	7.06	1.84

HPI's process for transferring loans into special servicing starts with the transfer of loan documents and historical correspondence to the special servicer module.

Loan recovery and foreclosure process

Once the transaction is transferred to special servicing, enforcement and special servicing are conducted in accordance with the servicing and/or special servicing agreement and the transaction documentation. However, for a nonsecuritized transaction, while keeping the client informed at every stage, the asset manager generally:

- Makes contact with the borrower to determine the reason for default and the borrower's intentions to cure the default;
- Discusses the continuing default with the client and the managing director;
- While a loan is being specially serviced, continues to provide to the client, with the help of the reporting manager if necessary, the reports required in the servicing/special servicing agreement;
- Undertakes a due diligence exercise to formulate a business plan and budget;
- Prepares a business plan recommendation including, where appropriate, a budget which is delivered to the client, or the appointed representative, in the time scale set out in the servicing/special servicing agreement. The plan, including any budget, is approved by the head of department and the managing director before being delivered to the client. The plan is updated in accordance with the servicing/special servicing agreement and at the request of the client; and
- On receipt of formal approval of the business plan by the client, takes the steps required to execute the business plan, including any steps covered in the servicing/special servicing agreement. Any deviation from the plan needs client approval unless the servicing/special servicing agreement states otherwise.

The resolution strategy on the securitized portfolio to date has been in line with the standards routinely expected of a European CMBS special servicer. The continued workout of a U.K.-based loan has demonstrated the skills and experience of the asset managers involved. The loan was originally secured on three pubs in Scotland. One of the assets was sold earlier this year, with the property achieving a price approximately 40% above that expected. Following on closely from the sale, the two remaining properties were successfully leased to new tenants. It must be noted that although the workout strategy in the long term has been successful, the initial stages of the process were slow-moving.

Financial Position

We deem HPI's financial position to be "SUFFICIENT".

We have reviewed HPI's audited financial statements for the fiscal years 2005 to 2008, as well as cash flow statements and management projections as provided by the company. We believe there is sufficient financial strength to sustain HPI's servicing operations as described in this report for the next 12 to 18 months. This opinion does not replace a senior debt or counterparty credit rating.

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Related Research

- Hatfield Philips International Commercial Loan Servicer Ranking Placed On CreditWatch Negative (published on Dec. 22, 2008)
- Criteria: Servicer Evaluation Ranking Criteria: U.S. (published on Sept. 21, 2004).
- Select Servicer List (published monthly).
- Structured Finance Sector Report Card: European Loan Servicers (published half-yearly).

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