

U.S. Commercial Mortgage Servicer Report

Helios AMC, LLC

Ratings

Special Servicer CSS2

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Related Research

Applicable Criteria

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

See page 6 for Servicer at a Glance details.

Summary

Helios AMC LLC (Helios) is a commercial mortgage-backed securities (CMBS) special servicer rated 'CSS2' by Fitch Ratings. The special servicer rating is based on strong additions to the special servicing staff and continued growth and development of product diversification in the areas of due diligence and surveillance services. This was accomplished by adding experienced CMBS special servicing asset managers and the hiring of a new CEO, D. Keith Johnson, former president and CEO of Clayton Holdings, to develop and grow the due diligence and surveillance product offerings. Helios' resolution rates, timeliness of resolutions, and staff background are comparable to those of other highly rated CMBS special servicers.

Fitch rates commercial mortgage servicers on a scale of 1–5, with 1 being the highest rating. Within each rating level, Fitch further differentiates ratings by plus (+) and minus (–), as well as the flat rating. For a description of Fitch's rating criteria, see Fitch Research on "U.S. Commercial Mortgage Servicer Rating Criteria," dated Feb. 18, 2011 and available on Fitch's Web site at www.fitchratings.com.

Strengths

- Strong management team with extensive workout experience through real estate cycles.
- Experienced asset management staff bolstered by the addition of six new asset managers and asset analysts with 18 years on average of industry experience over the past 12 months.
- Excellent use of technology, with continued enhancements as the business grows.

Concern

- Rapidly increasing special servicing portfolio.

Mitigant

- Helios has made several additions to the asset management staff, and its management team has extensive industry contacts from which to draw additional professionals when needed.

Company Overview

Helios was officially launched in December 2007 and is headquartered in San Francisco, CA. The company's senior management team has more than 20 years of industry experience and previously worked together at a CMBS special servicing shop for more than 15 years. The company was initially capitalized through a joint venture operating agreement between CMBS B-piece buyer Brookfield Investment Management and Helios Ventures, LLC. On March 10, 2010, Deutsche Bank acquired a 49% interest in Helios, and a new board was formed as a result of the transaction, made up of two Deutsche Bank members, two members from Helios Ventures, and one management member.

Helios' principals and staff are commercial real estate (CRE) workout veterans who provide workout services based on knowledge derived from more than two decades in the business and multiple CRE cycles. Core services are managing and resolving problems and issues of complex debt structure covenants common in the financing of CRE today.

Recent accomplishments for Helios include the following:

- Successfully managed growth in assets in special servicing from \$2.3 billion in April 2010 to \$3.6 billion as of March 2011.
- Resolved 89 assets with an original aggregate unpaid principal balance (UPB) of \$1.4 billion over the past 12 months with an overall recovery rate of 86.2%.
- Hired six new asset managers and asset analysts.
- Leveraged relationship with Deutsche Bank by furnishing the bank with supporting services (i.e. due diligence, surveillance, and asset management), which enhances Helios' client and product diversification objectives.

Financial

Fitch does not rate the credit of Helios. However, Fitch's Real Estate Investment Trust group performed a financial assessment of Helios and determined the company's short-term financial viability adequate to support the CMBS servicing platform.

Employees

As of March 31, 2011, Helios maintained a staff of 36 full-time employees, including 16 dedicated special servicing asset managers. Senior managers are highly experienced, averaging more than 28 years of industry experience, and middle managers average 22 years of experience. Overall, Helios employees are experienced, averaging 17 years in the industry. Additionally, many of the employees have worked together elsewhere for more than 10 years prior to joining Helios. Asset managers have extensive workout experience, predominantly in CMBS, and most have worked through a previous real estate cycle. Asset managers average more than 16 years of industry experience.

Helios' senior management team is responsible for determining training topics and arranging for industry professionals to conduct seminars for the staff. The compliance manager tracks training hours for each employee using a training log. Employee participation in training is a component of the annual performance appraisal.

Servicer Ratings

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

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

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

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

In 2010 and 2011, training at Helios consisted primarily of in-house seminars presented by industry professionals. Seminar topics include the following:

- Note auction process.
- Arizona foreclosure law.
- Mark-to-market training.
- Tax searches, liens, and title.
- Returning loans to master servicers.
- Navigating hotel unions.

Additionally, employees attend the weekly investment committee meetings and listen to asset manager presentations and recommendations on the resolution of distressed assets. Helios reported that, on average, its employees participated in more than 31 hours of formalized training during the preceding 12 months, slightly lower than the industry average of 41 hours.

Policies and Procedures

Helios maintains a complete and detailed set of policies and procedures for CRE asset management and CMBS special servicing. The manual is updated throughout the year as necessary and is reviewed annually by the director of administration and the compliance manager. Revisions to policies are reviewed and approved by the appropriate managing director. To standardize and track its policies and procedures, Helios has implemented Policy Tech, a Web-based policy and procedure documentation system.

Helios engaged KPMG LLP to perform a Regulation AB audit on its entire special servicing portfolio for year-end 2010. The Regulation AB report, dated March 1 2011, indicated that there were no reportable instances of noncompliance uncovered during the review.

Helios does not currently maintain an internal audit program. During Deutsche Bank's acquisition, Helios went through an extensive examination during the due diligence process; it leverages off of Deutsche Bank's internal audit process. Helios has strong, daily quality-control procedures in place, which is accomplished through a dual review and approval processes for special servicing functions.

Technology

Helios continues to use its proprietary, Web-based Management Information Data Analysis System (MIDAS) V.2, which was released in March 2010. MIDAS' features include the following:

- Pooling and servicing agreement (PSA)-driven compliance tracking and reporting.
- Deal/loan/property-level data capture and storage.
- Real estate owned and property manager tracking.
- Third-party report and vendor rating tracking.
- Monthly trustee reporting.
- Compliance with Commercial Real Estate Finance Council investor reporting.
- Fully integrated business plan and cash flow modeling.
- Assumptions and borrower-request tracking, reporting, and approval workflows.

In January 2011, Helios hired a full-time information technology operations manager responsible for the procurement, support, and integrity of all network, storage, and computing systems. MIDAS application development is provided by contracted, on-site staff. For reporting purposes, Helios uses SQL Server Reporting Services. Reports can be delivered in a variety of formats with a range of interactivity and printing options.

Helios continues to use PaperHost, a hosted document management system that provides its employees with access to company files via the Internet. Helios has created multiple applications on PaperHost, with each application representing a body of documents with specific predefined indexing criteria. Security is controlled down to the application level, at which a user is either excluded or granted specific access rights to that application.

Helios has developed a comprehensive disaster recovery and business continuity plan. Employees have been provided with a copy of the plan and can also access it via PaperHost. Disaster recovery and business continuity tests are scheduled and performed on an annual basis. A successful full-scale test of all systems and processes was performed in June 2010.

Special Servicing

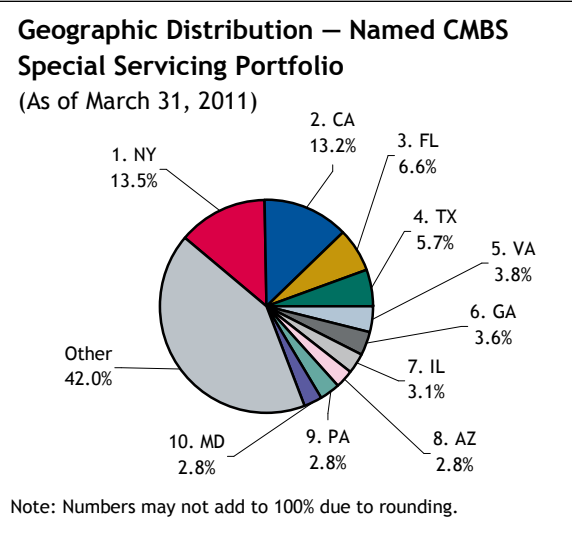
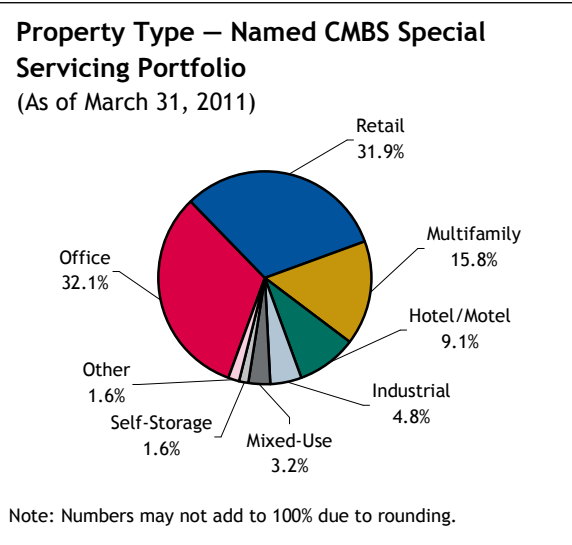
As of March 31, 2011, Helios was named special servicer for 2,047 loans in 13 CMBS transactions, with a total outstanding balance of \$27.5 billion. As of the same date, the company was actively specially servicing 194 CMBS loans totaling \$3.3 billion and was responsible for 20 CMBS REO assets totaling \$248.1 million. Since inception, Helios has resolved 115 CMBS loans with a UPB of \$1.56 billion.

Helios relies on the experience and track records of its operating principals. Most of the company’s staff has worked together for an average of 13 years while at Hanford/Healy Asset Management Company and its acquirer, GMAC Commercial Mortgage.

The company employs 16 asset managers dedicated to special servicing. Additional asset managers and analysts will be hired as needed in conjunction with the following:

- Special servicing portfolio growth.
- Projected defaults from monitoring the watchlist.

As of March 31, 2011, Helios asset managers were responsible for an average of 11 CMBS loans and/or assets per asset manager.



The director of asset management reviews watchlist reports and discusses potential loan transfers with the controlling class representative. The watchlist review emphasizes the following criteria:

- Period-over-period declines in debt service coverage, net operating income/net cash flow, and/or occupancy rates.
- Major tenant lease expirations and lease defaults.
- Credit quality and other issues of major tenants.
- Upcoming loan maturity dates.
- Loans 30 days delinquent.
- Loans in which the master servicer has advanced taxes or insurance.
- Loans with multiple watchlist items, such as a declining debt service coverage ratio, occupancy issues, and major tenant expirations.

As part of the review process, Helios combines all the watchlist files and comments for the portfolio in a single file to identify the top 10 assets of concern within the overall portfolio. Helios also conducts regular meetings and calls with master servicers to discuss problem assets.

The compliance manager serves as the point person for loan transfers. An asset analyst audits the received servicing file, reviews MIDAS' PSA abstract for key due dates, and loads the loan data onto MIDAS. The asset manager then reviews the file and begins due diligence of the property, borrower, and market and determines loan or PSA restrictions. Then, the asset manager promptly begins communication with the borrower to analyze the cause of the transfer and the history of the loan to determine possible remedies or recovery and disposition options and recommend an action plan. The asset status report documents the asset manager's assessment of the overall problem and proposes a resolution strategy, including a timeline, to dispose the loan in a manner that will provide the greatest recovery for the trust. If the PSA does not specify a requirement for submission of an asset status report, the asset manager will prepare and submit a report within 90 days of transfer.

Helios does not delegate authority for asset-related decision-making. The company maintains and requires an investment committee to provide oversight and approval for all loan resolution actions. The asset manager updates asset status comments and projected resolution dates in MIDAS that flow through to the CREFC special servicer loan file. Investor reporting then generates a report for each securitization that is reviewed by the director of asset management before it is sent to the master servicer.

Helios reviews the performance of its asset managers through an annual performance evaluation process. Senior management considers the asset manager's statistics in managing assets, the average time to resolve assets, the complexity of the assets, and the asset manager's ability to maximize recoveries to the certificateholders.

Servicer At A Glance — Helios AMC, LLC

Experience (Years)

Loan Workout	3
CMBS Workout	3

Credit Rating

Fitch Ratings does not rate the debt of Helios AMC, LLC.

Employees

Number of Employees	36
Senior Management:	
Experience in Industry (Years)	28
Tenure with Company (Years)	3

Middle Management:

Experience in Industry (Years)	22
Tenure with Company (Years)	3

Average Training Hours Per Employee Per Year	31
Overall Employee Turnover (%)	3.33
Management Turnover (%)	11.11

2010 Reg AB Audit KPMG LLP

Servicing System MIDAS V.2

CMBS Special Servicing Portfolio

(As of March 31, 2011)

Number of Transactions	13
Named Special Servicing	
UPB (\$ Bil.)	27.5
Number of Loans	2,047
Active Special Servicing, Not Including REO	
UPB (\$ Bil.)	3.3
Number of Loans	194
REO	
UPB (\$ Mil.)	248.1
Number of Assets	20

Special Servicer Results	\$ Bil.	No. of Loans
Loans Resolved Since Inception	1.56	115
Loans Resolved Past 12 Months	1.42	89

UPB – Unpaid principal balance. REO – Real estate owned.

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