**Loan Modification Report**

ITEMS/TERMS TO BE INCLUDED ARE NOT LIMTED TO THE EXAMPLES PROVIDED]

[REVISED—*include this notation only if providing a revised report*]

|  |  |
| --- | --- |
| **Transaction** |  |
| **Loan Name / Property Name** |  |
| **Prosup # / Loan #** |  |
| **Preparation Date** |  |
| **Reporting Period** |  |
| **Pre-Modification Balance / Post-Modification Balance** |  |
| **Pre-Modification Interest Rate / Post-Modification Interest Rate** |  |
| **Pre-Modification Amortization Schedule / Post-Modification Amortization Schedule** |  |
| **Pre-Modification Maturity Date / Post-Modification Maturity Date** |  |
| **Paid to Date** |  |
| **Closing Date of Modification** |  |
| **Effective Date of Modification** |  |
| **Non-Trust Fees paid to Special Servicer or Affiliates** |  |

**Collateral Description:**

**Collateral Valuation:**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Appraisal | | Appraisal | | BOV | | BOV | |
| Firm 1 | | Firm 2 | | Firm 3 | | Firm 4 | |
| Date | | Date | | Date | | Date | |
| As-is | Per Unit | As-is | Per Unit | As-is | Per Unit | As-is | Per Unit |
|  |  |  |  |  |  |  |  |
| Stabilized | Per Unit | Stabilized | Per Unit | Stabilized | Per Unit | Stabilized | Per Unit |
|  |  |  |  |  |  |  |  |

**Collateral Condition:**

|  |  |  |
| --- | --- | --- |
| Inspection | Environmental Report | Engineering Report |
| Firm A | Firm B | Firm C |
| Date | Date | Date |
|  |  |  |

**Property Operation Information:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Line Items | Original U/W | FYE MM/DD/YYYY | FYE MM/DD/YYYY | FYE MM/DD/YYYY | FYE MM/DD/YYYY | BUDGET |
| Occupancy |  |  |  |  |  |  |
| Effective Gross Revenue |  |  |  |  |  |  |
| Total Operating Expenses |  |  |  |  |  |  |
| Net Operating Income |  |  |  |  |  |  |
| Scheduled Debt Service |  |  |  |  |  |  |
| DSCR - NOI |  |  |  |  |  |  |

**Substantiation:**

**New Loan Modification Terms:** Below are some potential changes that should be discussed as applicable to the related loan modification, with example language provided

* **Principal Paydown**

**Example #1** - On the Effective Date, the Borrower remitted $8,800,000 as an upfront additional contribution (Borrower’s Equity Contribution) that will be applied as follows:

1. $4,000,000 to repay principal on the existing loan, and
2. $4,800,000 to the Renovation Reserve.

**Example #2** - The existing hard lockbox was converted into a springing lockbox, to remain in place until the Loan is satisfied. All excess cash flow after payment of the monthly installment on Tranche A, impound account deposits and budgeted property operating expenses will be applied on a pari passu basis, 50% (Net Cash Fund 1”) to reduce the outstanding principal balance of Tranche A until the Reduced Balance Test and the DSCR Test (as defined below) have been satisfied, and 50% (Net Cash Fund 2”) to be deposited into the Rollover Escrow Fund until such time as deposits resulting from Net Cash Fund 2 total at least $13,000,000 (the “Rollover Cap Test”); Upon reduction of the unpaid principal balance of Tranche A to $78,375,000 (or reduction of the aggregate unpaid principal balances of Tranche A of the Loan and Tranche A of the 400 LP Loan to $105,000,000 and achievement of a DSCR of 1.75 for both loans in the aggregate, Net Cash Fund 1 shall (1) be applied to reduce the unpaid Return on Supplemental Equity until all accrued and unpaid Return on Supplemental Equity has been paid and thereafter (2) any remaining amounts shall be applied to reduce the outstanding principal balance of Tranche A (without any prepayment fee or penalty) and (b), upon satisfaction of the Rollover Cap Test, Net Cash Fund 2 shall be applied to reduce the outstanding principal balance of Tranche A (without any prepayment fee or penalty).

* **Principal Write-down**

**Example #1** - The principal balance of the Mortgage Loan will be written down by a total of $10,733,766, in two separate steps; initial write-down of $5,039,326 then an additional $5,694,440 written off on the A note, after the note split.

**Example #2** - Write-down the Principal Balance $9,000,000.00 from $65,000,000.00 to $56,000,000.00, with no associated yield maintenance penalty on the reduced principal amount.

* **Change in Priority of Note Payments**

**Example #1** - B Note interest rate of 0.00% and will be permanently waived. Payments on the B Note principal will be made as described below:

1. 80% of excess cash flow from the Property will be paid to Noteholder and will be applied against the B Note principal balance.
2. At any time prior to the scheduled maturity date of 07/01/2015, the Borrower may exercise an option to pay off the remaining principal balance of the B Note at an 80% discount (less any amounts paid on B note prior to maturity) subject to repayment of the A Note in full on or before 07/01/2015.
3. Prepayment penalty shall be permanently waived on the B Note.

**Example #2** -Commencing on or after the First Open Prepayment Date (10/7/2013), Borrower may enter into an Approved Sale or Refinancing of the loan. The waterfall for any “Repayment Proceeds” is distributed per the following priority:

* + 1. To Lender for A Note principal and accrued interest until repaid in full
    2. To Lender for A Note late payment charges and any other amounts due and payable (excluding any interest and principal payable under the B Note)
    3. To Borrower until Borrower's Equity Contribution Balance is repaid in full
    4. Any and all remaining sums after disbursement of the amounts set forth in (a) through (c) above (the Excess Repayment Proceeds) shall be distributed as follows: (I) fifty percent (50%) of the Excess Repayment Proceeds shall be distributed to Lender for application to the outstanding principal balance and accrued interest of the B Note and (II) the remaining fifty percent (50%) of the Excess Repayment Proceeds shall be distributed to Borrower
    5. Any remaining Excess Repayment Proceeds, after the principal balance of the B Note and other amounts payable have been paid in full, shall be distributed solely to Borrower. Upon the full distribution of Repayment Proceeds pursuant to the terms hereof, any remaining indebtedness of Borrower evidenced by the B note shall be deemed by Lender to be satisfied and paid in full.
* **Bifurcation of Notes**

**Example #1** - After the application of the pre-modification scheduled payment due 03/01/2011 (P&I $67,405.60) leaving a principal balance of $8,757,642.73, the Mortgage Loan is split into an A-Note and a B-Note structure with the following terms:

A Note: $7,257,642.73 principal balance.

1. Interest rate reduced to 6.0% from 7.13%.
2. Interest only payments due 04/01/2011 through 7/01/2011 totaling $147,572 are deferred until loan is paid in full.
3. Beginning 8/1/2011, amortizing scheduled payments of $43,625.57 will be payable monthly through 02/01/14 with a balloon payment on the new maturity date of 03/01/2014.
4. The A Note may be prepaid without payment of a prepayment premium during the Discounted Payoff Period which expires 8/30/2012. After 08/30/2012 a prepayment penalty applies.

B Note: $1,500,000.00 principal balance.

1. Interest rate accrues at 3.0%.
2. Interest only payments due 04/01/2011 through 7/01/2011 totaling $15,250 are deferred until loan is paid in full.
3. Beginning 08/01/2011, interest only payments are due monthly through 02/01/14 with a balloon payment on the new maturity date of 03/01/2014.
4. The B Note may be prepaid without payment of a prepayment premium during the Discounted Payoff Period which expires 8/30/2012. After 08/30/2012 a prepayment penalty applies.

**Example #2** - At closing, Borrower paid down Loan by $2M to $111,000,000. Loan severed into Tranche A in the principal amount of $91,000,000 and Tranche B in the principal amount of $20,000,000. Interest on Tranche A is paid monthly and interest on Tranche B accrues and will be paid at closing. The LIBOR margin for purposes of calculating the interest rate was modified for Tranche A to increase from 1.5% per annum to 2% per annum. The LIBOR margin on Tranche B is unchanged.

* **Change in Interest Rate**

**Example #1** - Modify to interest only monthly payments with a permanent rate reduction at the following levels:

1. Years 1 through 3 = 3.40% (06/01/2011 – 12/31/2013)
2. Years 4 through 5 = 4.00% (1/1/2014-12/31/2015)
3. Years 6 through maturity = 5.50% (01/01/2016 – 05/01/2020)

* **Change in Payment Timing and Amounts, including Prepayment Terms**

**Example #1** - Upon the earlier of maturity or sale of Property, Borrower will be required to repay the principal balance and all interest due. The amount of principal repayment due will be discounted by 10% if paid on or prior to 10/18/2014, and 5% if paid after 10/18/2014 up to maturity.

* **Change in Term / Maturity Date**

**Example #1** - The loan matured on August 5, 2010. The modification provides for an extension of the maturity date through May 5, 2014, with two additional one-year extensions available to Borrower. The first extension, through May 5, 2015, requires a principal paydown of $5,000,000 not later than April 5, 2014. The second extension, through May 5, 2016, requires a principal paydown of $10,000,000 not later than April 5, 2015.

* **Interest and other Trust Expense Discussion**

**Example #1** - At closing, the Borrower brought the loan current and paid all past due payments of principal and interest current to 04/29/2011 (estimated at $10,944,477) along with past due payments of impounds for replacement reserves (estimated at $222,895) for a total of approximately $11,167,372.

**Example #2** - Accrued and Unpaid Interest of $238,998.44 from 12/01/2009 (i.e., the current paid to date) to 08/01/2010 (i.e., effective date of confirmation of plan) at 6.7% is to be treated as follows:

Capitalized Interest $ 79,795.52

Forgiven/Written Off $159,202.92

Total $238,998.44

* **Multiple Changes – Summary Format**

**Example #1** –

New Loan Modification Terms:

Balance $6,484,320.00 (New principal balance)

Interest Rate 5.15% (no change from Original Loan)

Payment Timing and Amounts Payment Due on the 11th of each month (no change)

o I/O period 24 months (Original Loan was 36 months I/O)

o Amortization 360 months (no change)

o Interest Payment Calculation Actual days/360 days (no change)

o Monthly Insurance Impound $1,522.33 (Based on 2011-2012 Insurance, due 9th month after close starting 6/11/2012)

o Monthly Real Estate Tax Impound $6,010.94 (Based on 2010-2011 Taxes, due 9th month after close starting 6/11/2012)

o Monthly Replacement Reserve $4,500.00 (Original Loan was $4,497.00)

Collected at Closing

o Initial Insurance Escrow Balance $18,268.00 (Funded at Closing by borrower)

o Initial Real Estate Tax Impound $72,131.25 (Funded at Closing by borrower)

o Immediate Repairs Reserve $323,000.00 (Funded at Closing by borrower)

o Environmental Compliance Reserve $75,000.00 (Funded at Closing by borrower)

o Stub Interest $18,552.36 (Prorated to next payment date)

o First Months Insurance Impound $0 (N/A – Up front escrow equates to full year’s ins pmt)

o First Real Estate Tax Impound $0 (N/A – Up front escrow equates to full year’s tax pmt)

o Term / Maturity Date 10/11/2016 (Original Loan matured 10/11/2009)

Other terms:

o Cash Managed Loan N/A (no change)

o Performance Hurdles N/A (no change)

o Excess Reserves N/A (no change)

o Prepayment Penalty/ Yield Maintenance/Defeasance No Yield Maintenance or Defeasance. Loan may be prepaid in full on any payment date, with no less than 90 days and no more than 60 days notice, and must include all accrued interest as of the sale date. There is a 1% prepayment fee unless paid within 3 final months of term. (no change)

o Extension Option(s) None (no change)

o Property Manager MEB Management Services, Inc. (Original PM- D.M. Smith Co, LLC)

**Example #2** –

The new Borrower assumed the loan, paid down $2,477,340 in principal and assumed the loan with a $28,000,00 balance. The principal write off was $8 mm. The interest rate was reduced by 50bps from 6.026% to 5.526%, the loan is interest only for the term and the maturity was extended to 3/1/2018. The new Borrower substituted a replacement Guaranty, reserves for repairs were suspended conditionally (see loan documents).

* **Fee Discussion**

**Example #1** - The Borrower will pay a $2,016,877.55 up front extension fee, which is comprised of a 1% workout fee and a 0.25% special servicing fee to reimburse the trust for special servicing fees related to this transaction for the time it was in Special Servicing.

**Example #2** - Payment of transaction costs to include pro-rated property taxes, mortgage recording tax, legal fees and other ancillary closing costs. These costs will be first paid from proceeds currently held in the existing reserve accounts and cash flow sweep account. Note, there is no brokerage fee associated with this transaction.

**Example #3** - A-Note Special Servicing Fees - The 25 basis points of outstanding principal balance shall be paid for the period beginning upon transfer into special servicing through 90 days after closing of the settlement. B-Note Special Servicing Fees - The 5 basis points of the outstanding principal balance shall be paid for the period beginning upon transfer to special servicing through the closing of the settlement. The Special Servicer will not be collecting a future workout fee on the B- Loan.