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CMBS Overview: RMBS Modeling vs. CMBS Modeling

RMBS

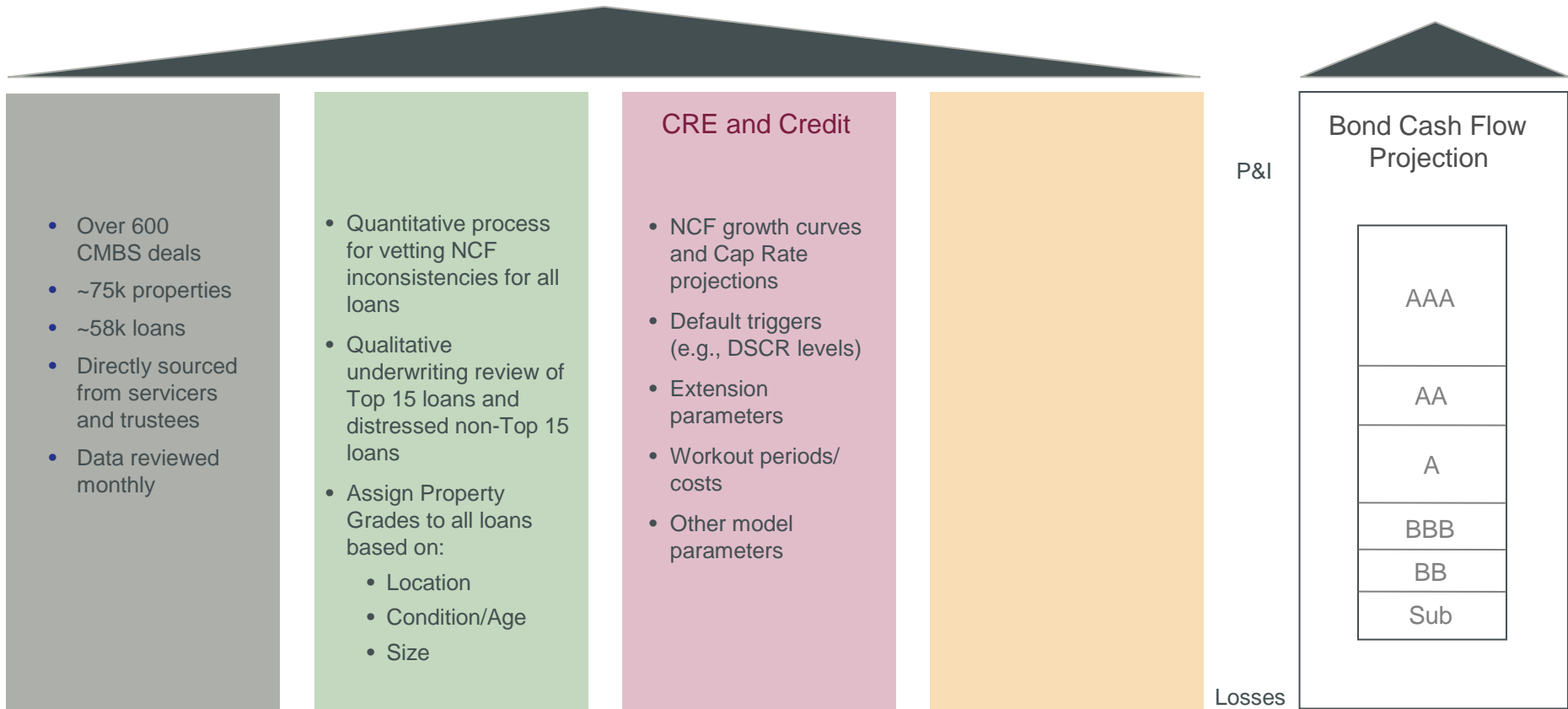
- Tends to be backed by relatively homogeneous collateral – mortgages are secured by single family residences
- Each securitization typically contains thousands of mortgages
- The default of a single mortgage does not tend to materially impact deal performance
- More consistency in loan documentation for residential mortgages
- Modeling is typically based on law of large numbers, applying a probabilistic approach to projecting performance outcomes (e.g. CDR, CPR, Severities, etc.)

CMBS

- Tends to be more heterogeneous collateral – mortgages are secured by a variety of property types including office, retail, multifamily, industrial and hospitality
- Most securitizations contain approximately 15-300 mortgages
- Generally the Top 15 loans account for approximately 50% of the balance of a CMBS trust
- The default of a single mortgage can have a significant impact to the owners of all related CMBS tranches
- Loan documentation tends to be unique for each borrower/mortgage
- Commercial real estate is less amenable to statistical modeling due to idiosyncratic aspects of each underlying commercial property and mortgage

BRS CMBS Modeling Framework

BRS uses a bottom-up approach to analyzing CMBS, built on loan-level data and a forward-looking deterministic modeling framework



BRS CMBS Modeling Framework: Loan and Property Database

BRS maintains its own database of commercial mortgage and property information backing US CMBS transactions

- All loan- and bond-level analysis and projections are

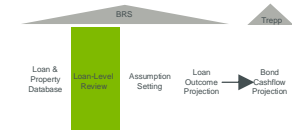
BRS CMBS Modeling Framework: Loan-Level Review

BRS performs a qualitative review of the Top 15 loans for each CMBS trust, along with any non-top 15 loans meeting certain review criteria (e.g. delinquent or specially serviced loans)

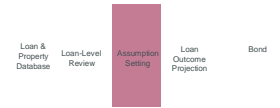
- All other loans undergo a quantitative vetting process

Loan review process assesses the reasonableness of servicer reported information to account for the following:

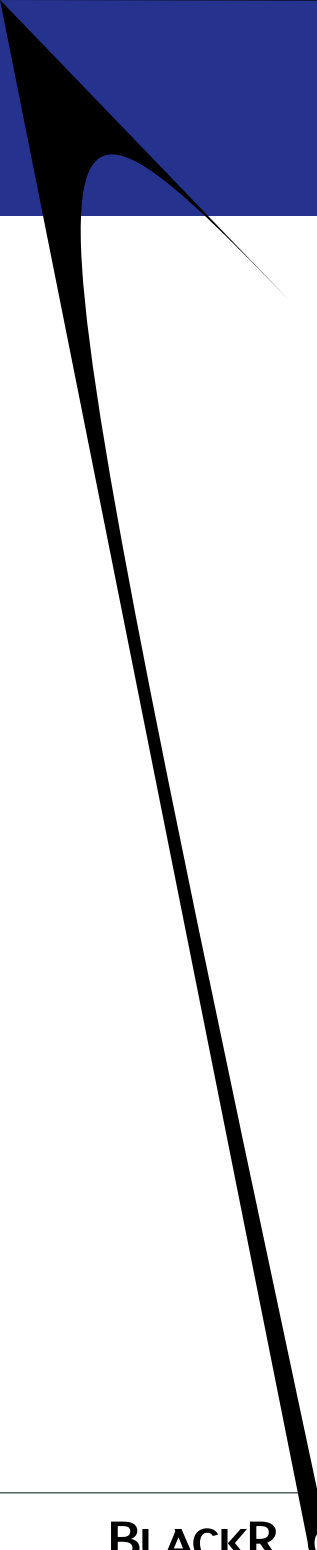
- Top 15 Loans
- Watch List Loans
- Specially Serviced loans
- Review disclosure documents
- Assess recent financials and servicer commentary
- Research tenancy and sponsor developments
- Review market specific developments



BRS CMBS Modeling Framework: Assumption Setting







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Commercial Real Estate Peak-to-Trough Assumptions

Timing of Trough

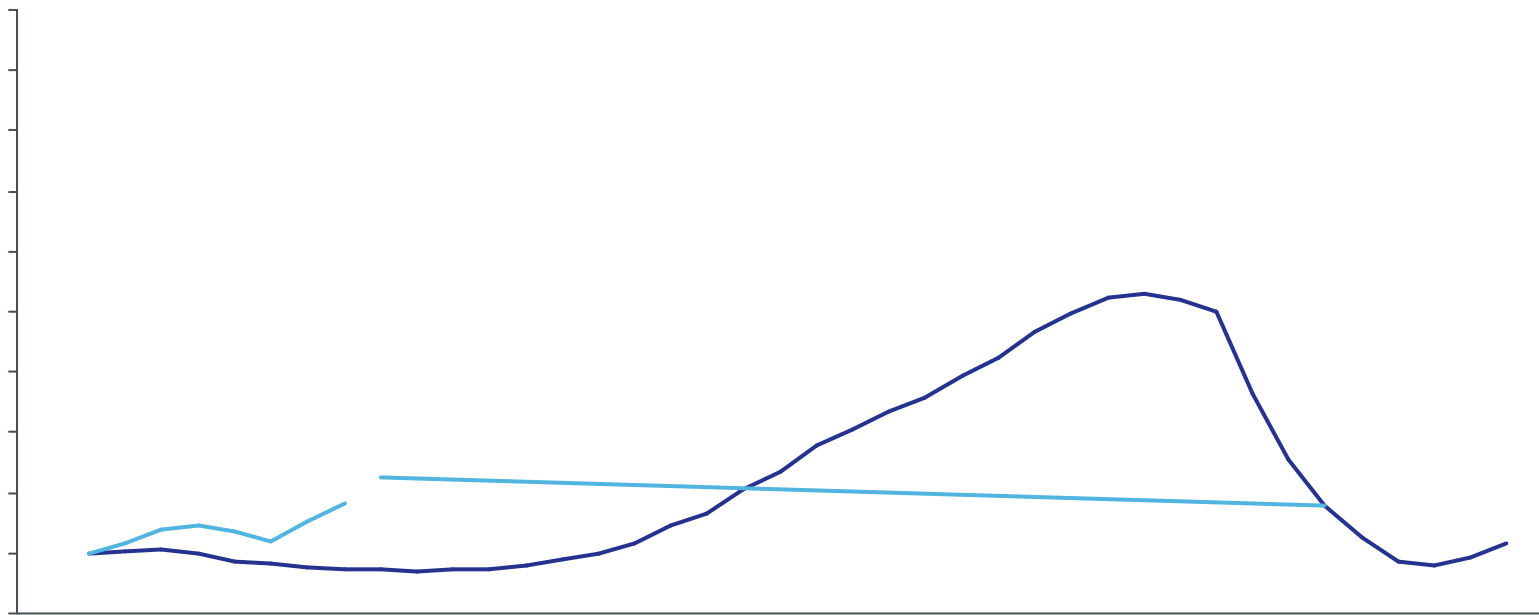
Q1 2010

Q2 2011

Q4 2012

Q1 2014

Benchmarking BRS Peak-to-Trough Projections to Market Indices



Important Notes

The information and opinions contained in this material are as of November 30, 2010 and BlackRock Solutions has no obligation to update this information as of a subsequent date. The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by BlackRock to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. The

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