

HATFIELD PHILIPS INTERNATIONAL
MESDAG (CHARLIE) B.V. Investor Call

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MESDAG (CHARLIE) B.V. DEAL SUMMARY

Asset Profile

Loan	Current Balance (€ millions)			No. Properties	Location	Property Type	Maturity	Loan Status	Transfer Date	Workout Strategy
	Whole Loan (Borrower balance)	A-Note	B-Note(s)							
Derrick	2.8	2.8	-	1	Germany	Office	Sep-2013	In Special	Sep-2013	Consensual Sale
Dutch Offices I	31.8	31.8	-	4	Netherlands	Office	Dec-2011	In Special	Sep-2011	Insolvency Sale
Dutch Offices II	25.0	25.0	-	3	Netherlands	Office	Jan-2013	In Special	Apr-2012	Insolvency Sale
Sparkasse	8.3	8.3	-	20	Germany	Mixed Use	Mar-2014	In Special	Mar-2014	Consensual Sale
Tor	43.1	43.1	-	0	Germany	Mixed Use	Sep-2013	In Special	Nov-2010	Liquidation
Total	111.0	111.0	-	28						

Value

Loan	Valuation		Current Senior LTV	Current Occupancy	Current WALL
	(€ million)	Date			
Derrick	3.0	20/11/2013	94.04%	100%	6.26
Dutch Offices I	21.5	28/02/2013	148.1%	83.1%	2.30
Dutch Offices II	20.0	01/09/2013	124.8%	61.8%	1.01
Sparkasse	10.6	31/05/2014	78.4%	99.45%	5.96
Tor	-	-	-	-	-
Total	55.1				

DERRICK LOAN

Loan Status

UPB at Origination	EUR 3,800,000
Current UPB	EUR 2,821,073
Initial Whole Loan LTV	75.2%
Current Whole Loan LTV	94.04%
Special Servicing Transfer Date	17 September 2014
Estimated Final Resolution Date	Q2 IPD 2015

Asset Stats

Lettable area	5,333sqm
No. of assets	1
Asset type	Office
Valuation/Date	EUR 3,000,000/20 November 2013
Location	Germany
NRI	EUR 324,083
ERV	EUR 277,338
Vacancy	0.00%
WALL	6.26 years

Workout History

- The loan was transferred to Special Servicing due to non payment at maturity.
- Following security review, certain issues with regards to the security package were highlighted.
- It is understood that the rental income security is defective and the loan agreement didn't contemplate a pledge over the accounts of the Borrower and Guarantor.
- Despite the above, the Special Servicer has managed to engage the Borrower to redeem the loan by circa EUR0.5M using the funds accrued in those accounts, including funds accrued pre-default. Furthermore, the borrower is now willing to rectify the rental income default and also provide the lender with account pledges.
- Following various discussions with the securitization parties including originating lawyers at the time, the Special Servicer has let it be known that the assignment documents in relation to the original land charge deed were incomplete/missing and the original deed was not in the possession of the security agent. The special servicer has recently managed to locate the original deed and will be in discussion with the relevant securitization parties to rectify the above. The perfection of land charge documents will become relevant in case of non-consensual work-out.

Performance/Credit Events

- The loan is secured by a single asset located in Germany and let to the police authority (High crime unit in Lower Saxony) with a lease expiry in September 2020.
- There was a lease negotiation on the table which had started with the request of the tenant asking for a power supply unit installation into the property prior to loan transfer. The terms of the lease re-gear were accepted at local level (Polizei Gottingen) and the request has been forwarded to the Ministry of Hanover for approval. The Ministry visited the asset in March 14, however they formed a negative view on this due to the upcoming elections and informed the Borrower at the beginning of May 2014 that they are not considering a lease re-gear at this stage due to legislative issues.
- In the meantime, 3 brokers have been asked to pitch for the sale of the asset. The borrower is in agreement to put the asset on the market and it is expected that a sale mandate will be given to the preferred agent of both parties.
- The Special Servicer expects the asset to be marketed in Q4 2014 with a view to exit before Q2 2015 IPD.
- If the bids received do not result in par repayment of the loan, the Special Servicer will reconsider hold scenarios. Taking into account the future debt service payments, the Special Servicer expects the loan balance to reduce up to €2.75M prior to sale.

Strategy

- The special servicer currently favours a consensual work out on the basis that the Borrower /Guarantor cooperates to perfect the security and appoints the preferred agent of the Special Servicer.
- Based on the received pitches and the most recent valuation, the Special Servicer considers that a par recovery is within reach with potential surplus to the borrower.
- Should the borrower/guarantor stop cooperating with the Special Servicer, then non-consensual options will be considered.

DUTCH OFFICES I LOAN

Loan Status

UPB at Origination	EUR 34,200,000
Current UPB	EUR 31,805,750
Initial Whole Loan LTV	68.6%
Current Whole Loan LTV	148.1%
Special Servicing Transfer Date	27 September 2011
Estimated Final Resolution Date	Q3 IPD 2015

Asset Stats

Lettable area	28,162 sqm
No. of assets	4 (originally 5)
Asset type	Office
Valuation/Date	EUR 21,470,000/28 February 2013
Location	Netherlands
NRI	EUR 3,447,637
ERV	EUR 3,247,570
Vacancy	16.9%
WALL	2.3 years

* The Loan Status and Asset Stats includes information related to sold Tilburg property.

Workout History

- The loan matured on 30 December 2011.
- Upon servicing transfer, the Special Servicer initiated negotiation with the Borrower for a possible loan restructuring.
- January/November 2012: The Borrower proposed various exit strategies which ranged from a loan extension request without addressing the refinancing risk to discounted pay-off with a significant element of loan write-off of circa 44% of the loan balance (subject to financing). The proposals were rejected by the Special Servicer mainly due to 1) high refinancing risk, 2) degree of loan write-off and 3) lack of exposure of the property to the investment market.
- December 2012: The loan was accelerated.
- January 2013: The Special Servicer filed for bankruptcy of the Borrower and the Dutch Court declared the Borrower bankrupt on 31 January 2013. A Bankruptcy Trustee was also nominated on the same day.
- September 2013: A Realisation Agreement with the Bankruptcy Trustee was executed and a new asset management company was appointed.

Performance/Credit Events

- As per the Realisation Agreement signed with the Bankruptcy Trustee in September 2013, the Bankruptcy Trustee retains funds for the Bankruptcy Estate satisfaction being: **1)** 5 months of net rental income as lump sum; **2)** 1% of the monthly rent; **3)** 1% of the net disposal proceeds from the property sales.
- The Issuer will be entitled to have part of the above funds redistributed to them as unsecured creditor in the event that the secured claim is not satisfied in full with the property sales.
- The Bankruptcy Trustee agreed to release sufficient funds on a monthly basis to cover the loan debt service.
- The current interest rate is 4.80% fixed plus 2% default, applied since the event of default.
- The property disposal has started and one asset (Tilburg) was sold on 1 August 2014. As notified to the market, the net sales proceeds will be applied towards the repayment of the Loan at the Q3 IPD 2014.
- An updated property valuation report has been commissioned and will be finalised during October 2014.

Strategy

- As part of the Realisation Agreement signed with the Bankruptcy Trustee, the Special Servicer had the former (Borrower related) asset management company replaced with a specialist company selected by the Special Servicer.
- The current resolution strategy is a two year asset management plan with scheduled asset disposals up to Q315 IPD.
- Due to the property diversity within the portfolio, mainly in terms of occupancy and WALL, the timing for disposal varies for each property. The disposal business plan ranges from an “immediate sale” strategy to an “hold, lease-up and sale” strategy.

DUTCH OFFICES II LOAN

Loan Status

UPB at Origination	EUR 26,400,000
Current UPB	EUR 24,957,354
Initial Whole Loan LTV	65.8%
Current Whole Loan LTV	124.8%
Special Servicing Transfer Date	05 April 2012
Estimated Final Resolution Date	Q3 IPD 2015

Asset Stats

Lettable area	20,153 sqm
No. of assets	3
Asset type	Office
Valuation/Date	EUR 19,990,000/01/ September/2013
Location	Netherlands
NRI	EUR 2,066,042
ERV	EUR 2,647,568
Vacancy	38.2%
WALL	1.01 years

Workout History

- The loan matured on 02 January 2013.
- Upon servicing transfer, the Special Servicer initiated negotiation with the Borrower for a possible loan restructuring.
- April/November 2012: The Borrower proposed various exit strategies which ranged from a loan extension request without addressing the refinancing risk to discounted pay-off with a significant element of loan write-off of circa 37% of the loan balance (subject to financing). The proposals were rejected by the Special Servicer mainly due to 1) high refinancing risk, 2) degree of loan write-off and 3) lack of exposure of the property to the investment market.
- December 2012: The loan was accelerated.
- January 2013: The Special Servicer filed for bankruptcy of the Borrower and the Dutch Court declared the Borrower bankrupt on 31 January 2013. A Bankruptcy Trustee was also nominated on the same day.
- September 2013: A Realisation Agreement with the Bankruptcy Trustee was executed and a new asset management company was appointed.

Performance/Credit Events

- As per the Realisation Agreement signed with the Bankruptcy Trustee in September 2013, the Bankruptcy Trustee retains funds for the Bankruptcy Estate satisfaction being: **1)** 5 months of net rental income as lump sum; **2)** 1% of the monthly rent; **3)** 1% of the net disposal proceeds from the property sales.
- The Issuer will be entitled to have part of the above funds redistributed to them as unsecured creditor in the event that the secured claim is not satisfied in full with the property sales.
- The Bankruptcy Trustee agreed to release sufficient funds on a monthly basis to cover the loan debt service.
- The current interest rate is 4.25% fixed plus 2% default, applied since the event of default.
- The property disposal has started and two of the three properties are in the market for sale.
- An updated property valuation will be commissioned during Q4 2014.

Strategy

- As part of the Realisation Agreement signed with the Bankruptcy Trustee, the Special Servicer had the former (Borrower related) asset management company replaced with a specialist company selected by the Special Servicer.
- The current resolution strategy is a two year asset management plan with scheduled asset disposals up to Q315 IPD.
- Due to the property diversity within the portfolio, mainly in terms of occupancy and WALL, the timing for disposal varies for each property. The disposal business plan ranges from an “immediate sale” strategy to an “hold, lease-up and sale” strategy.

SPARKASSE LOAN

Loan Status

UPB at Origination	EUR 9,487,500
Current UPB	EUR 8,351,936
Initial Whole Loan LTV	83.5%
Current Whole Loan LTV	78.4%
Special Servicing Transfer Date	31 March 2014
Estimated Final Resolution Date	Q1 IPD 2015

Asset Stats

Lettable area	11,501 sqm
No. of assets	20
Asset type	Mixed Use
Valuation/Date	EUR 10,650,000/31 May 2014
Location	Germany
NRI	EUR 846,670
ERV	EUR 790,055
Vacancy	0.55%
WALL	5.96 years

Workout History

- The loan matured on 31 March 2014.
- Since the servicing transfer, the Borrower advised it was in negotiations with various potential investors interested in acquiring the portfolio.
- At beginning of July 2014, the Special Servicer agreed in principle for the Borrower to continue its sale negotiations for a potential sale subject to: 1) a restructuring fee of 1% of the net disposal proceeds for the Issuer; 2) 1 September 2014 as deadline to sell the property and repay the loan immediately thereafter; 3) execution of a non-revocable Power of Attorney (PoA) for the Special Servicer to sell, which would have entered into effect as at 1 September. This would have allowed the Special Servicer to market and sell the properties in case Borrower failed to meet the 1 September deadline.
- Despite verbally agreeing to the above conditions when they were communicated, the Borrower then wrote to reject the proposals.
- The Borrower did not meet the 1 September deadline and, through their legal counsel, disputed the proposals by rejecting the 1% restructuring fee, requesting that the deadline for a sale be extended to April 2015 (later reduced to December 2014); and refusal to sign the PoA as specified above.

Performance/Credit Events

- The debt service has been paid regularly since maturity default.
- The loan is on floating rate plus 2% default rate charged since loan maturity.
- The portfolio is not in need of asset management activity. Occupancy is close to 100% and lease length is around 6 years.
- The properties feature a strong covenant anchor tenant representing 64% of the lettable area and 69% of the total rental income.

Strategy

- Dual track strategy: 1) Consensual property sale subject to a number of conditions as stated above; 2) Simultaneous preparation to take control through enforcement actions if consensual strategy failed.
- The Borrower has failed to satisfy the Special Servicer conditions for a consensual sale. 6 months have elapsed since the servicing transfer, with little evidence of concrete investor interest provided by the Borrower.
- To avoid any further delay in recovery, the Special Servicer is now evaluating taking enforcement action to gain control over the portfolio disposal.

TOR LOAN

Loan Status

UPB at Origination	EUR 191,650,000
Current UPB *	EUR 43,112,262
Initial Whole Loan LTV	82.9%
Current Whole Loan LTV	N/A
Special Servicing Transfer Date	17 November 2010
Estimated Final Resolution Date	N/A

** All assets sold in 2012 FRD yet to be issued*

Asset Stats

Lettable area	N/A
No. of assets	82 - ALL SOLD
Asset type	93% residential / 7% mixed
Valuation/Date	N/A
Location	Germany
NRI	N/A
ERV	N/A
Vacancy	N/A
WALL	N/A

Workout History

- The loan was transferred to Special Servicing on 17 November 2010, following a payment default.
- Following failed discussions about a possible restructure of the portfolio between the Lenders and the related borrowers, the Lenders agreed to accelerate their loans.
- E&Y was appointed as a receiver over the shares in the SPVs of the Portfolio and enforced in the Isle of Man on 29 November 2010.
- The portfolio was subsequently prepared for sale with remedial works carried out to the properties where required and sold to Benson Elliott in December 2011, for EUR 174,900,000, with completion in May 2012, following CP satisfaction to the SPA.
- Out of proceeds EUR 11.3M was set aside in a Retention Trust Fund, so that the liquidator as appointed in April 2012 could manage the liquidation of the 82 SPVs.
- The Special Servicer is working with the Liquidator to determine timing of final distributions to the Lenders and timing for liquidation of the SPVs.

Performance/Credit Events

- As per the Deed of Trust Agreement signed on 27 April 2012, the Borrower was put into a creditors' voluntary winding up process, with Equiom appointed as the Administrator and retained funds in the Retention Trust Fund of EUR 11.3M, with excess funds after satisfaction of Priority Liabilities to be distributed to the Lender.
- There is currently EUR4,468,408 remaining in the Retention Trust Fund account;
- The key issue with distribution is completion of a tax audit of the SPV to accurately determine what provisions must be made.
- The Issuer will be entitled to have part of the above funds redistributed to them.

Strategy

- Key issues to be resolved before **distribution** of the Retention Trust Fund:
 - Tax audit of the German SPVs where tax advice has been sought by the liquidator. There is EUR 4,468,408 remaining in the Fund account;
- Key issues remaining for liquidation to progress:
 - The main issue holding up the **liquidation** of the SPV apart from the tax audit as noted above, is the proposal that the companies assign their legal rights of action to SDIC (sponsor). The liquidator is liaising with SDIC to finalise the claims purchase;
 - A final Isle of Man VAT return will be required at the end of the liquidation.