Summary Minutes Portfolio Investors Committee
February 4, 2001
11:00 AM - 12:00 PM
San Diego Ballroom, Salon C
San Diego Marriott Hotel and Marina
San Diego, California

Chair:
Mark B. Fisher,
Vice President
StanCorp Mortgage Investors, LLC

Vice Chairs:
Mike Prior
Vice President-Investments
Protective Life Corporation

James J. Stolze, CMB
Manager
Woodmen of the World Investments

Jeffrey J. Williams
Managing Director
David L. Babson & Co., Inc.

Chair Mark Fisher called the meeting to order at 11:00 am. He welcomed all in attendance and thanked them for their participation in the CREF convention. Mr. Fisher introduced each of the committee vice-chairs. (Note: All chairs were in attendance.)

Mr. Fisher then asked Jeff Williams, chair of the Co-Lending Working Group (CLWG), to speak about the Co-Lending Template, which was distributed at the meeting, in draft form.

Mr. Williams comments were as follows:

The necessity for such a template arose out of concerns raised during the 2000 CREF Convention for a uniform document that could be utilized by institutional lenders involved in Co-Lending arrangements. As a result the CLWG was formed during the spring of 2000. At that time Mr. Williams was selected to chair the CLWG.

Mr. Williams then named the members of the CLWG and asked those in attendance to stand and be recognized for their contributions and continued efforts to the CLWG. The group consisted of professionals from the business and legal disciplines of the real estate finance community. He explained that at the outset the group divided into two sub-groups and a central drafting team, led by Joe Forte, of Thacher Proffitt & Wood. The first group was to focus on issues related to the life of a loan prior to any defaults and was led by Adam Zweifler, of Pepe & Hazard LLP. The second group was to focus on issues relating to defaulted loans and the related equity or ownership concerns and was originally led by Peggy O'Leary, of New York Life. Cindy Dillion, of Pacific Life subsequently led this group. He explained that about 23 institutions were solicited to contribute a copy of their lending agreements and approximately 10 submitted their agreements for consideration of the CLWG. Each sub-group selected an existing format to serve as the basis for drafting the agreement.

Mr. Williams stated that weekly conference calls began in earnest for the two subgroups in April 2000. Significant progress was made during the spring and early summer, however progress slowed during the latter part of the year due to summer vacations and the increase in loan production during the 4th quarter. Despite the decrease in progress the group forged ahead and is now ready to present a Preliminary Draft of the Co-Lending and Servicing Agreement at the CREF Convention to the Committee, the Dutch Treat and at the Tuesday, February 6th panel presentation with a request for commentary.

Mr. Williams then spoke breifly regarding the roles of the two subgroups.

The first subgroup, which worked on loans prior to default status, first synthesized many of the documents submitted into a draft. The group found that many of the concerns of institutions involved in such transactions varied widely on some issues and coincided on many others. Issues related to ownership interests, lead lender obligations and loan administration dominated his working group.

Discussion took place amongst the participants relating to specific articles of the document and he stressed to the meeting participants that this was a work in progress that will be ultimately utilized as a starting point for co-lenders.

Mr. Williams then spoke breifly about the work

The second subgroup, which worked on loans in default. Various issues including the buy/sell default and acceleration issues, enforcement on other items relating to the REO phase were raised in this group. Hhe also mentioned that the group had prepared the managing and operating agreement for use in this phase. During drafting many issues were intensely discussed among the participants.

He stated that it was prepared for use by two lenders of comparable size and capacity. The working group recognized that the document in its present state was subject to even further discussion amongst the interested parties, even upon its completion. He asked for commentary from the audience in writing for further consideration by the CLWG.

Mr. Williams then introduced Joe Forte who made the following comments:

Joe Forte told the audience that his group worked on the two groups drafts, as they were completed and then discussed them on the weekly conference calls. His group's responsibility was to take the two documents and synthesize them into a consistent document that flowed correctly from all legal aspects once completed. Mr. Forte then had the preliminary disseminated to the groups for their comments and provided the "Preliminary Draft" which is being distributed today. He too asked the commentary from interested parties so that the draft could be finalized sometime during the spring. Joe thanked the group for all of their efforts.

Mr. Fisher the introduced Jonathan McKetney, MBA Staff Representative, and informed the audience that Mr. McKetney would speak to them regarding MBA Regional Forums.

Mr. McKetney informed the audience that he had distributed information regarding Regional Life Insurance Company Forums. He informed participants that the MBA is proposing two regional life forums, one for the northeast region on April 5th in Hartford, CT and the other to include the southeast, southwest and west regions in Dallas, TX. He informed the audience that the date for the Dallas forum had yet to be decided. He informed the audience that the MBA was considering March 22 or 29 and that a decision would be made upon his receiving feedback from the membership as to their preference. (Note: Subsequent to the committee meeting, March 29th was selected as the date for the forum in Dallas, TX.) He informed the audience that feedback from the Midwest forum in September 2000 indicates that the participants found the forum found the experience to be useful and the content to be very interesting. He also said that polling was done to get a feel for members interest in such an event in the spring. He informed the group that during the polling calls a check was also done to insure the accuracy of the MBA's contact information regarding insurance company members. He informed the audience that many institutions did not have all the correct information in the MBA's database and urged the participants to review database information, which was distributed at the meeting, for accuracy and call or e-mail him at the MBA with updates.

Mr. Fisher commented that he had been informed by participants that the midwest forum was well received and encouraged participation in the upcoming forums. Mr. Fisher then introduced Mr. Jack Nowakowski, of the ACLI, and informed the membership that he would speak about life insurance trends.

Mr. Nowakowski distributed the article he wrote for the ACLI's January 16, 2001, Investment Bulletin entitled "Mortgage Outlook 2001 - Life Companies Expect to Increase Commercial Mortgage Commitments In 2001." Mr. Nowakowski discussed the report and gave a review of 2000 and his forecasts for 2001. Highlights of his comments are as follows:

- Commercial property holdings increased during 2000 over 1999 and are expected to increase in 2001 over present levels.
- During 2000 office buildings comprised about 42% of the lending activity and that this amount should decrease as a percentage based on responses from the surveys participants.
- Delinquency rates during 2000 held relatively steady at .25 percent as compared to 1999. It is anticipated that rates will increase slightly during 2001. He noted that this level of delinquency is historically low and is an indication that many companies are still utilizing tight underwriting standards. He further noted that even a doubling of the rate would not be reason to cause extreme concern, however it should be an indication that a review of a company's portfolio is warranted.
- Mr. Nowakiwski informed the members that the ACLI database will now be updated monthly in order to facilitate more timely information dissemination.
- He noted that there is a proposal being considered by the ACLI and S&P to utilize ACLI data in order to provide industry reporting standards and further liquidity in the markets. He noted that discussions amongst the two continue.
- He mentioned the Forecast on Refianancings over the next 5 years (another study being prepared by the ACLI) and the refinancing database that the ACLI would

publish in the upcoming weeks. In addition, he spoke about a joint project to be undertaken by the ACLI in conjunction with S&P regarding ratings.
- He said that on the ACLI had just issued their survey for 4th quarter and noted that commitments increased by 16% over last year's 4th quarter production.

Mr. Fisher thanked Mr. Nowakowski for his report.

Mr. Fisher informed the audience that Joe Forte would give some comments on current issues.

- Mr. Forte informed the audience about the preliminary reports issued by the CMBS Loan Integrity Task Force. He informed them that the task force was formed as a result of concerns of participants in CMBS transactions and problems that have arisen due to lack of documentation. He informed the group that significant work has yet to be done in this area and that when the group completes it work it would be considered best practices.
- Mr. Fisher informed the audience that Jonathan McKetney would present information on the NAIC Exposure Draft.
- Mr. McKetney informed the group about the NAIC Exposure Draft 113 that he researched. He explained that the summary he prepared is a factual synopsis of the salient points in the draft and that it has been distributed to the audience along with a summary of concerns about the draft prepared by a subgroup led by MONY. He requested that those in attendance review the draft and forward comments to Arnold Brousell of MONY or to him. He requested that comments from interested parties be sent in by February 28th, so that a response to the draft can be prepared by the NAIC hearing date of March 5, 2001. He then informed the group that Mr. Mazzarelli, of MONY, was in attendance to address the audience about the issues MONY had raised regarding the draft.
- Mr. Mazzarelli thanks the MBA for their assistance with this issue and explains to the audience that the draft, if approved as is, would have the effect of changing the way these types of transactions are presently conducted. He stated that MONY was involved in these types of transactions and believed that the stated objectives of the NAIC could be met with some modifications to the draft. He invited interested parties to participate in the subgroup. He requested that all interested parties respond in writing by February 28th, so that a response can be prepared for the NAIC's Spring Convention on March 5th.

Mark Fisher thanked Jim Mazzarelli for his attendance and comments on the issue paper. Mr. Fisher then opened the floor for comments.

Peter Lynch of Nationwide spoke briefly about the Watchlist Criteria Task Force, which is under the direction of the Asset Administration Committee, that covers issues related to the formulation of consistent watchlist criteria. He asks for interested party's participation on this committee so that a consensus for this standard can be formulated. Mr. Fisher thanked him for the information and his comments.

Mr. Fisher informed the committee that the next meeting is on October 14, 2001, in Toronto, CA and thanked them for their participation.

Mr. Fisher adjourned the meeting at 12:00 PM.