

GECO 2002 Limited

Commercial Mortgage Backed (CMBS) Germany

*PLEASE NOTE: This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of [September 30, 2002]. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **prospective** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.*

RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A-1 CDS ^(a)	(P) [PR] ^(b)	€[318,733,889]	[31.04]	[20/09/2054]	[20/12/2009]
A-1+ CLN ^(c)	(P) [Aaa]	€[250,000]	[0.02]	[20/09/2054]	[20/12/2009]
A-2 CLN	(P) [Aaa]	€[500,000,000]	[48.69]	[20/09/2054]	[20/12/2009]
B CLN	(P) [Aa2]	€[51,900,000]	[5.05]	[20/09/2054]	[20/12/2009]
C CLN	(P) [A2]	€[51,800,000]	[5.04]	[20/09/2054]	[20/12/2009]
D CLN	(P) [Baa2]	€[47,800,000]	[4.66]	[20/09/2054]	[20/12/2009]
E CLN	(P) [Ba2]	€[23,100,000]	[2.25]	[20/09/2054]	[20/12/2009]
F ISP ^(d)	(P) [PR]	€[33,376,203]	[3.25]	[20/09/2054]	[20/12/2009]
F+ CLN	(P) [PR]	€[250,000]		[20/09/2054]	[20/12/2009]
Total		[SUM]	100		
Funding Notes ^(e)	(P) [Aaa]	€[4,000,000]	n/a	[20/12/2009]	[20/12/2009]

The ratings address the timely payment of interest, and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

- (a) Credit Default Swap
- (b) Private Rating
- (c) Credit Linked Notes
- (d) Interest Subparticipation
- (e) Floating Rate Amortising Funding Notes

CLOSING DATE

[November], 2002

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OPINION

Moody's has assigned prospective ratings to the new debt issuance of GECO 2002 Limited, a partially funded synthetic CMBS transaction sponsored by Westfälische Hypothekenbank AG ("WestHyp", **A2/P-1**).¹

Strengths of the Transaction

The Reference Pool includes favourable credit characteristics as follows:

- Well diversified in terms of loan size, property types and tenants. The top five loans represent [18.5%] of the pool and retail properties secure [34%]² of the pool. [Seven] tenants each contribute more than 1% of the aggregate amount of the passing rent, four of which are large national companies.
- The weighted-average loan to original market value ("LTV") of 68.5% and debt service coverage ratio ("DSCR") of [1.7] provide some cushion against downturns in the property market and unfavourable interest rate movements.
- Low refinance risk as a result of [168] loans (85.3% of the pool) fully amortising over a weighted-average term of [26.9] years.
- Well-seasoned, with a sound performance history: The weighted-average seasoning by balance is [5.8] years, with no loans in arrears for more than [30] calendar days since 1998.
- Lease financing loans ([7.6%]) have been made to tenants who have sound credit quality under long-term leases. The tenant generally has a repurchase option at the lease maturity.
- Borrowers representing approximately [•]% of the pool have personal liability for the whole or part of the mortgage loan amount.
- Loss is defined to include only the losses on the principal amount of the Reference Claims, excluding accrued interests during the enforcement period and enforcement costs;
- The protection against losses provided by the various subordinated tranches within the structure;
- WestHyp's experience and performance as originator and servicer, and
- The sound legal and structural aspects of this transaction, including *inter alia* the use of Substitute Collateral and/or additional cash collateral based on a downgrade trigger to collateralise Class A-1+, Class A-2 **Aaa**-rated notes, Class B, Class D and Funding Notes.

Weaknesses and Mitigants

The Reference Pool's less favourable features are as follows:

- Insufficient lease information and not very up-to-date valuation information: Approximately [28%] of the pool by gross rent does not have lease expiry information. This is mitigated by the fact that residential tenants in multi-family properties contribute half of these amounts.

1. Moody's placed under review for downgrade the unsecured, secured, and financial strength ratings of HVB Group and its subsidiaries (include WestHyp) on 23 October 2002.

2. This weighted-average figure is based on Moody's calculations and analysis of the pool and may differ from the figure presented in the offering circular. It is based on the reference pool balance.

- More than 95% of the Reference Claims have a future reset date ("Review Date") when the terms of the interest rates and the amortisation rates can be changed.
- Geographical concentration: [43.8%] of the pool by loan balance are secured on properties located in Northrhine-Westfalia. This concentration risk can be alleviated to some extent by the Originator's experience and establishment in the local area.
- The exposure to Eastern Germany is about [17.1%] by loan balance secured by [47] properties. Many of the loans were originated after 1997.
- The junior-ranking Reference Claims represent approximately [4%] of the pool. These loans might suffer higher losses as the prior-ranking loans may claim accrued interests and enforcement costs from the enforcement proceeds.
- The occurrence of Credit Events can be frequent as a result of both non-SPV borrowers and the ability of subordinated creditors to cause a borrower's bankruptcy. The required reporting details are reasonably comprehensive to facilitate monitoring the transaction.
- The Issuer's source of income, particularly the amount needed for the ongoing transaction's expenses and any negative spread between the Collateral and the credit-linked notes, will be paid one quarter in advance by WestHyp and therefore relies on the credit-worthiness of WestHyp (**A2/P-1**)³. The transaction will terminate if WestHyp fails to pay such amounts.
- The ratings of all classes of notes are also linked to the ratings of the public sector Pfandbrief collateral and the medium-term notes collateral issued by WestHyp, as further detailed in the relevant section in the report.

STRUCTURE SUMMARY

Issuer:	GECO 2002 Limited
Structure Type:	Sequential credit default swaps and credit-linked notes
Originator:	Westfälische Hypothekenbank AG ("WestHyp", or "Bank") (A2) ³
Servicer:	Westfälische Hypothekenbank AG ("WestHyp") (A2) ³
Interest Payments:	Quarterly in arrears based on 3-month EURIBOR plus spread for each class, first payment on [March 20, 2003]
Principal Payments:	Sequential redemption on each Payment Date, first payment on [March 20, 2003]
Credit Enhancement/Reserves:	None
Cash Administrator:	WestHyp
Cash Deposit Account Bank:	WestHyp
Additional Cash Deposit Account Bank:	Westdeutsche Landesbank AG ("WestLB") (P-1/Aa1)
Trustee:	Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft
Collateral Trustee:	Deloitte & Touche GmbH, Austria
Arranger:	Commerzbank Aktiengesellschaft, London Branch ("Commerzbank")
Lead Managers:	Commerzbank, WestHyp, Bayerische Hypo- und Vereinsbank AG, Munchen ("HVB")
Transaction Account Bank:	Westdeutsche Landesbank AG ("WestLB") (P-1/Aa1)

³ Moody's placed under review for downgrade the unsecured, secured, and financial strength ratings of HVB Group and its subsidiaries (include WestHyp) on 23 October, 2002.

COLLATERAL SUMMARY

Reference Pool:	[189] mortgage loans and loan claims totalling € [1,026,960,092]
Number of Properties:	[229]
Type of Loans: ¹	Fixed [91.6]%, Floating [4.7]%, Combined [3.7]%
Number of Borrowers:	[189]
Property Type Distribution: ¹	Retail [33.5]%, Mixed ² & Leisure [20.5]%, Office [20.3]%, Residential [17.1]%, Industrial [8.6]%
Geographic Distribution:	Eastern Germany [17.8]%. Top 5 concentrations: Northrhine-Westfalia [43.8]%, Lower Saxony [9.3]%, Hessen [8.8]%, Bavaria [6.8]%, Berlin [6.1]%. [6.1]%
Wtd. Avg. Moody's LTV: ¹	[92.2]%
Wtd. Avg. Originator LTV:	[68.6]%
Wtd. Avg. Moody's DSCR: ¹	[1.4x] based on Moody's cash flow assuming an annuity amortisation schedule ³
Wtd. Avg. Originator DSCR:	[1.7x] based on the current net passing rent with current interest rates assuming an annuity amortisation schedule
Remaining Term: ¹	[27] years
Seasoning: ¹	[5.8] years
Remaining Term to Resets: ¹	[4.9] years
Min. / Max. / and WA Coupon: ¹	Min. [2.40]%, Max. [7.55]%, Weighted-average [5.34]%
Amortisation Profile: ¹	[11]% I/O, [3.7]% Partially Amortising, [85.3]% Fully Amortising
Property Ownership Interest: ¹	Freehold [95.3]%, Leasehold [3.6]%, Combination [0.5]%, no information [0.6]%

¹ Weighted-average figures are based on Moody's calculations and analysis of the pool and may differ from the figures presented in the offering circular. They are based on reference pool balance unless otherwise specified.

² Mixed use refers to those properties that have two or more equally split types of uses by lettable areas.

³ Please refer to "Moody's Analysis" section for the assumptions based on which these figures are derived.

CREDIT SUPPORT

Class	Subordination	Reserve Fund	Excess Spread	Total
Class A-1+	[68.94]%	N/A	N/A	[68.94]%
Class A-2	[20.25]%	N/A	N/A	[20.25]%
Class B	[15.20]%	N/A	N/A	[15.20]%
Class C	[10.15]%	N/A	N/A	[10.15]%
Class D	[5.50]%	N/A	N/A	[5.50]%
Class E	[3.25]%	N/A	N/A	[3.25]%

OVERVIEW

A synthetic transaction aiming to achieve risk transfer and regulatory capital relief

The purpose of this transaction is to transfer the credit risks linked to the Reference Pool, which consists of loan claims or a portion of loan claims ("Referenced Claims"), and to achieve capital relief associated with the Reference Claims that remain on WestHyp's balance sheet. The Reference Claims comprise [189] first-ranking or junior-ranking mortgages secured on commercial properties (including multifamily) throughout Germany.

A partially funded structure using credit default swaps and credit-linked notes

The transaction adopts a partially funded structure having credit default swaps ("CDS") and credit-linked notes ("CLNs") issuance. The equity piece, or the threshold amount, is structured as Interest Subparticipation ("ISP", or the Junior CDS). Losses incurred on the Reference Pool as a result of Credit Events and satisfying certain conditions will be allocated in reverse sequential order (beginning with the Junior CDS and Class F+).

There is no replenishment of Reference Claims for this transaction.

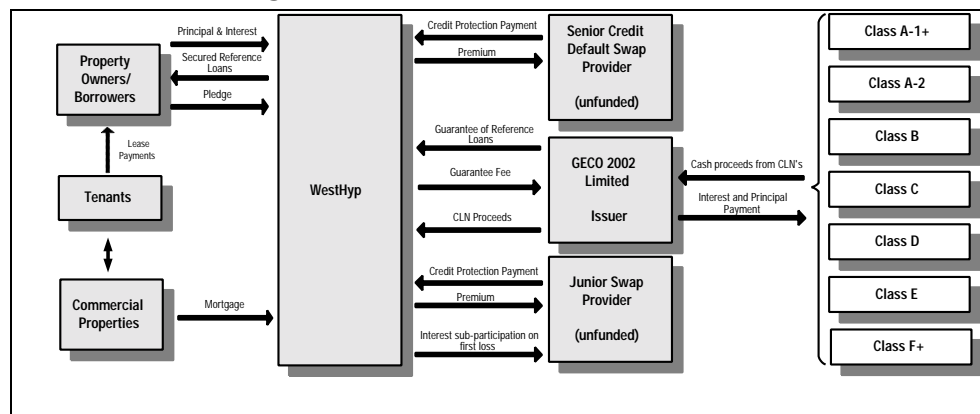
Aa1 public sector Pfandbrief enhanced to collateralise Aaa-rated CLNs

At closing, the CLNs of Class A-1+, Class A-2 and the Funding Notes will be collateralised with the public sector Pfandbriefe (**Aa1**)⁴ issued by WestHyp. The Pfandbrief collateral are enhanced to a **Aaa** rating through certain structural features (please refer to the section *Public Sector Pfandbrief Collateral: Enhanced to Collateralise Aaa-rated CLN* for details). The CLNs of Classes B, C, D, E and F+ are collateralised by either public sector Pfandbrief with no enhancement or medium-term notes (**A2**)⁴ issued by WestHyp. Therefore the ratings of these classes of CLNs have some sensitivity to the credit-worthiness of WestHyp (please refer to the section *Rating Sensitivities and Monitoring* for details).

A Funding Note Default Event does not constitute an Early Termination Event of the Transaction.

The Funding Notes, collateralised with the enhanced public sector Pfandbrief issued by WestHyp, are issued to fund the initial fees and costs associated with the transaction and will not be used for loss allocation purpose. The Guarantee Fee paid to the Issuer by WestHyp will cover the interest and principal payments under the Funding Notes. A Funding Notes Default Event does not constitute an Early Termination Event of the transaction.

Transaction Diagram



⁴ Moody's placed under review for downgrade the unsecured, secured, and financial strength ratings of HVB Group and its subsidiaries (include WestHyp) on 23 October, 2002.

Senior CDS (i.e. unfunded portion)

WestHyp directly enters into a credit default swap agreement with [one or more] swap counterparties. WestHyp pays to the swap counterparties a fee ("premium") [on an ongoing basis]. The swap counterparties will make payments to WestHyp to cover losses resulting from the performance of the Reference Pool, provided that certain conditions are satisfied.

CLNs (i.e. funded portion)

- WestHyp enters into a Loss Guarantee Agreement with the SPV Issuer incorporated in [Jersey]. The Issuer as the Guarantor will make payments to WestHyp to cover losses incurred on the Reference Pool, provided that certain conditions are satisfied. In return, the Issuer is paid a fee ("Guarantee Fee") [on an ongoing basis] by WestHyp. The Issuer issues CLN to the investors and purchases Collaterals with proceeds from the CLN issuance.
- The Guarantee Fee covers (a) the ongoing transaction senior expenses, including replacement costs associated with a change of a third party, (b) the interest and principal payments under the Funding Notes, (c) any possible negative spread between the CLN coupon and the Collateral coupon, and (d) the Interest Subparticipation Amounts payable to Class F+ holders.

ISP (i.e. Junior CDS)

The ISP structure is very similar to the Senior CDS, except that WestHyp will reimburse the junior CDS counterparties for the loss amounts allocated to them (up to the total size of the ISP), provided that the Available Interest Income is greater than the allocated loss amounts. In the event that the Available Interest Income is insufficient, the reimbursement can be deferred. For the calculation of the Available Interest Income, an Extended Reference Pool will be maintained during the [2-year] tail period. The size of the Extended Reference Pool is 10% of the principal amount of the Reference Pool as of the Cut-off Date and the minimum weighted-average interest rate of the Extended Reference Pool is [9]%. At the Legal Maturity of the transaction, the obligation of WestHyp to reimburse the junior CDS counterparties will cease.

STRUCTURAL AND LEGAL ASPECTS

Swap or similar documentation is used for this transaction. A final review of the offering circular and various primary documents and opinions will be undertaken prior to the closing date. A brief description of some key elements of the transaction structure, based on Moody's review to date, are as follows:

Collaterals

The Issuer pledges (*verpfänden*) the Collaterals and Cash Deposits to WestHyp (senior-ranked pledge) to secure the Issuer's payment obligation to WestHyp under the Loss Guarantee Agreement. The Issuer will transfer for security purpose (*Sicherungsübereignung*) the Collaterals to the Collateral Trustee to secure its payment obligations under the CLNs, and will pledge (*verpfänden*) the present and future claims and rights in respect of the Cash Deposits to the Trustee to secure the Issuer's payment obligations under the Class A-1+ and Class A-2 Notes. The pledges to the Collateral Trustee and to the Trustee rank junior to the pledge to WestHyp.

WestHyp will pledge its present and future claims/rights in respect of the Additional Cash Deposits to the Issuer to secure the Issuer's payment obligations related to the Class A-1+, Class A-2 and the Funding Notes.

Cash Deposits and Additional Cash Deposits will be released to WestHyp in proportion to the amortisation of Class A-1+ and Class A-2 notes, and a minimum amount of €[50,000] shall be maintained in the Additional Cash Deposits Account as long as any Class A-1+ or Class A-2 Note is outstanding.

[Based on the legal opinions provided by a third-party legal council, the senior-ranked pledges for the benefit of WestHyp would remain in place if WestHyp were insolvent. Such pledges would cease to exist if WestHyp had failed to satisfy its contractual obligations under the transaction documents. With respect to the pledge of Additional Cash Deposits made by WestHyp to the Issuer, there could be a remote claw-back risk upon WestHyp's insolvency if there were a fraud or one party acted in detriments to the other parties.]

Credit Events

Credit Events are restricted to Failure to Pay and Bankruptcy.

Claims are considered in default if a Credit Event has occurred on a qualifying claim and a Credit Event notice has been submitted to the Trustee. Credit Events are restricted to *Failure to Pay* and to the *Bankruptcy* of the borrower.

Failure to Pay is defined as “the due payment of € [25,000] or if lower, [50%] of the Outstanding Nominal Amount of the Reference Claim has not been made within [90] calendar days from the relevant due date”.

Higher frequency of Credit Events than in UK/Dutch synthetic transactions as a result of non-SPV borrowers

The possibility of the occurrence of a borrower’s bankruptcy depends among other things on the type of borrower, the type of the business that the borrowers conduct and the capital structure of the borrower. For example, it is very common in commercial lending in Germany that borrowers are not special purpose vehicle (SPV) entities, but are private companies or individuals who have other businesses not related to the properties.⁵ It is also usual that junior-ranking lenders can accelerate their loans to cause the borrower’s bankruptcy, as an inter-creditor agreement does not exist among the lenders with different ranking.

Detailed reporting requirements have been incorporated in the transaction to facilitate the monitoring of Credit Events. The Servicer will provide reports to the Trustee and Moody’s.

Loss Definition, Calculation and Allocation

General Summary

Realised Loss is defined to include only the losses on the principal amount of the Reference Claims.

Realised Losses will be determined after WestHyp has completed its full recovery process. Losses are calculated as follows:

Realised Loss = (Gross enforcement proceeds of the Reference Claims)

Subtract (the Bank Priority Principal Amount)

Subtract (the outstanding principal balance of the Reference Claims)

The Bank Priority Principal Amount is relevant if WestHyp holds both a senior-ranked charge and a junior-ranked charge in respect of a Reference Claim in the Reference Pool. Based on the information as of the Cut-off Date, there is no such Reference Claim in the transaction.

Interest accrual on a defaulted Reference Claim during the enforcement period and the enforcement costs are excluded from the loss calculation. Any principal amount forgiven during debt restructuring before or after the occurrence of a Credit Event in respect of a Reference Claim can be included in the loss calculation and it is not easy to quantify this portion of Realised Loss. Moody’s expects that WestHyp will service the Reference Claims in compliance with the Servicing Principles.

If a reference claim is cross-collateralised with other reference claims within the Reference Pool, the calculation and allocation will be made *pro rata*.

⁵ Non-SPV borrowers represent [67.4%] of the Reference Pool by principal balance.

Various conditions for loss calculation and allocation

A Reference Claim can only be eligible for loss calculation if (a) its default is triggered by a Credit Event, (b) the Eligibility Criteria are satisfied, and (c) it is in compliance with the Servicing Principles. The Servicing Principles can be amended or supplemented at any time if the Trustee and the Bank agree to do so. Moody's will be notified of such changes.

Realised losses can be allocated only if the Bank has notified the Trustee and the Trustee has confirmed the loss determination and calculation. Such realised losses will be allocated in reverse sequential order to the Class F+ Notes first and the Class A-1+ Notes last. Realised losses may not be allocated if the Issuer or the Bank is in breach of their respective obligations under the Trust Agreement.

Loss Calculation: Upon Termination

Deemed Realised Loss and/or Estimated Loss calculation methods are used upon Early Termination and final Redemption.

Upon the termination of the transaction, whether as a result of a Default Event or the final redemption of the CLNs, the losses will be calculated as either A) or B) below, subject to the "Condition":

- A) Losses = Realised Losses not yet allocated + deemed Realised Losses, or
- B) Losses = Realised Losses not yet allocated + Estimated Losses + deemed Realised Losses

"Condition: if the sum of (a) Realised Losses not yet allocated, (b) the deemed Realised Losses and (c) any deferred interest sub-participation amounts *does not exceed* the sum of the total interest sub-participation amounts and unused late recoveries."

If the Condition is satisfied, the calculation of A) is used; if the Condition cannot be satisfied, the calculation of B) is used. When applying the calculation of B), the Estimated Losses method will be applied to one or more Overdue or Defaulted Reference Claims to the extent that the Condition can be satisfied. The Noteholders have no rights to any late recoveries after the final redemption of the Notes.

"Deemed Realised Losses" refer to the Outstanding Nominal Amount of each Overdue (in the case of final redemption) or each Defaulted Reference Claim (in the case of early termination).

If the enforcement proceeds from selling the Collaterals are not sufficient to repay the Noteholders in full, the Collaterals will be physically delivered to the Noteholders. The Noteholders might be exposed to the risk that the Collaterals cannot be sold at par after an early termination.

Foreign Currency Exposure

Exchange Rate Resets are subject to certain conditions.

[9.8]% of the principal balance of the pool is denominated in Swiss Franc and the Cut-off Exchange Rate is [CHF/EUR: 1.47520]. The Bank as a mortgage bank has to ensure that the currency exposure hedging is in place for as long as the mortgage is outstanding, as required by German regulation. There is no formal currency hedging at the transaction level except the Re-set mechanism. The exchange rate for these Reference Claims can be re-set at the Market Exchange Rate on any Payment Date prior to the Payment Date falling in December 2009, subject to among other things the following conditions:

- (1) The Re-set will be applied to all (but not some only) Swiss-Franc-denominated reference claims (excluding those to which a Credit Event has occurred).
- (2) If the Reset Exchange Rate is higher than the Cut-off Exchange Rate, the re-set will not occur.

- (3) The Re-set may not result in an Outstanding EUR equivalent amount exceeding the Outstanding EUR equivalent amount on the previous Re-set Date. In other words, if the Reset Exchange Rate is lower than the Cut-off Exchange Rate, the resulting reduction of the EUR-equivalent amount may lead to repayments on the Notes.

Changes of the terms of the Reference Claims: Post Review Date

The terms of a loan may change at its Review Date.

Most of the reference claims have a reset date when the terms of the interest rate and the amortisation rate can be changed. No future interest rate hedging has been contemplated for the reference claims following the Review Date. At the Cut-off Date, the floating rate reference claims account for [7.3]% of the reference pool, [89]% of which has been hedged by the Bank. The weighted-average term to reset dates is [4.9] years, based on the principal balance of the Reference Pool at the Cut-off Date. Moody's analyses have considered those features of the reference claims (please refer to the section *Moody's Analysis and Modeling Approach* for details).

Public Sector Pfandbrief Collateral: Enhanced to Collateralise Aaa-rated CLN

Background

Moody's has currently assigned an **Aa1**⁶ rating to the public sector *Pfandbriefe* issued by WestHyp. Public sector *Pfandbriefe* are considered to be less risky than mortgage *Pfandbriefe* for several reasons outlined in Moody's special comments.⁷ The higher credit quality of the public sector covered bonds permits their use in this structure as collateral and they are being enhanced in order to collateralise the **Aaa**-rated credit-linked notes.

One key element for the rating of the public sector *Pfandbriefe* and for the determination of the enhancement is that in an insolvency of Westhyp the cover pool (*Deckungsstock*) for the public sector *Pfandbriefe* is not part of the insolvency estate of the bank but is considered a separate estate (*Sondervermögen*). Thus, separate insolvency proceedings would have to be opened for the cover pool, if it were deemed to be insolvent. If deemed appropriate and in the interest of the public sector *Pfandbriefe* creditors, the cover pool could be sold more easily to third parties than Moody's would expect to be the case for the cover pool of mortgage *Pfandbriefe*.

Enhancement

The concept of sizing enhancement, as described below, applies only to the public sector *Pfandbriefe* and it would be very unlikely⁸ that similar levels of enhancement could be achieved with mortgage *Pfandbriefe* even if the rating of such *Pfandbriefe* were **Aa1**.

In this transaction, the enhancement for the Pfandbrief collateral takes the forms of Cash Deposits (which will be established with WestHyp at the closing of the transaction) and Additional Cash Deposits posted at a **P-1**-rated institution. Each of these two deposits has a different function. Both

⁶ Moody's placed under review for downgrade the unsecured, secured, and financial strength ratings of HVB Group and its subsidiaries (include WestHyp) on 23 October 2002.

⁷ For more detail, please see, among others, Moody's Rating Methodology "German Pfandbriefe: Moody's Analytical and Rating Approach" 13 November 1998.

⁸ The very low likelihood is mainly due to a different assumption of asset correlation and assumed recovery rates.

⁹ For further information, please see Moody's Rating Methodology "Moody's Approach to Jointly Supported Obligations", 18 November 1997.

are sized to address a specific risk and **are not available to provide protection** for Realised Losses occurring under the Reference Pool.

Cash Deposits (A-1+, A-2) will provide liquidity in the event that (a) the Bank goes into insolvency and/or (b) insolvency proceedings are opened over the cover pool for the public sector loans. Moody's has determined that, due to the insolvency proceedings, the Issuer may not receive the interest payments under the Pfandbrief collateral and consequently there may be an interest shortfall under the Notes. To protect the holders of **Aaa**-rated Notes from such risk, Moody's has sized a cash reserve to put aside sufficient funds to permit continued timely payment of interest under the **Aaa**-rated Notes. The liquidity is believed to be sufficient to solve underlying problems that could last for several months.

The Additional Cash Deposits ("Cash OC") is established to achieve a protection for losses associated with the cover pool backing public sector *Pfandbriefe*. As a starting point for the determination of the Cash OC amount, Moody's has assumed a stressed economic environment under which losses could hit the cover pool. The expected loss of the cover pool in such a scenario takes into account high recovery rates. High recovery rates are deemed realistic because of the quality and nature of the underlying public sector loans. In a next step, under a two-party pay structure,⁹ the cover pool is enhanced so that the expected loss is in line with a **Aaa**-rating requirement. The enhancement was also sized to cover the weighted-average exposure period that the holders of **Aaa**-rated notes have to the *Pfandbrief* collateral.

The concept of "two-party pay" reflects the fact that there are, on the one side, the obligations of the Bank and, on the other, the security the cover pool provides. The legal status of the cover pool allows a certain de-linkage between the default probability of the bank and default under the *Pfandbriefe*. It should be noted, however, that the two-party pay approach cannot be applied directly to a public sector cover pool (*Deckungsstock*). The reason for that limitation is due to the benefit implicit in the external structure; otherwise, noteholders would not be immune to the effects of payment delays, operational issues and the question of allocation of enhancement.

The analysis is based on Moody's current understanding of a legal opinion addressing issues relating to the enhancement of the *Pfandbrief Collateral*.

TRIGGERS

Please refer to the section *Rating Sensitivities and Monitoring* for Collateral related triggers.

A replacement has to be found within a certain time frame if one of the following third parties in the transaction is downgraded below the required rating:

- Custodian: required rating of Prime-1; within [5] business days
- Transaction Account Bank: required rating of Prime-1; within [5] business days
- Additional Cash Deposit Account Bank: required rating of Prime-1; within [5] business days

REFERENCE POOL

The underlying collateral consists of a reasonably well-diversified portfolio of [189] commercial mortgage loans, having an aggregate outstanding principal balance of approximately €[1.027] billion, which is secured by [229] properties located throughout Germany. Key characteristics of the pool are outlined below. A graphical representation of similar information is presented in the Appendix.

- **Loan Concentration:** The average loan balance is €[5.4] million and [23] loans have a principal balance greater than €10 million. The largest loan is €[48.8] million or [4.75]% of the pool's principal balance, and the ten largest loan exposures represent [30.11]% of the portfolio. The transaction contains [3] cross-collateralised reference claims with the reference pool, totalling €[4.3] million or [0.4]% of the pool balance.
- **Junior-ranking Loans:** The total amount of junior-ranking mortgages in the transaction is approximately €[41.3] million or [4]% of the pool. Some of those loans have a small amount of senior-ranking loans, others have some specific security package agreement with the senior lender or rely on the quality of the properties.
- **Property Type Composition:** Chart 2 shows the property type distribution. The largest concentration, [retail], represents about [33]% of the transaction. The riskier asset type includes a cinema in a major German city representing [0.88]% of the pool. A minor portion of hotels is included in the mixed-use category.
- **Diversity of Loan Size:** Moody's uses the Herfindahl Index to measure diversity of loan size. A score of 100 has credit neutral diversity. This pool has a score of [88].
- **Economic Diversity:** The pool has a composite economic diversity score of [72.8]. There is no immediate comparison in respect of a CMBS pool economic diversity score in Germany as this is the first transaction with all properties located in Germany.¹⁰
- **Property Quality Grade:** The weighted-average property quality grade is [2.75] on a scale of 1 to 5 (best to worst). Moody's grades reflect our assessment of the property relative to the national market taking into account construction quality, location, competition, tenancy profile and quality of income. The effective crossing benefit of reference claims secured by multiple properties operating independently is also incorporated in the grade.
- **Bankruptcy Remote Issues:** Borrowers incorporated as single property companies that are relatively bankruptcy remote represent approximately [32.6]% of the pool's balance.
- **Additional Debt:** With respect to the first-ranking Reference Claims in the pool, Moody's has not been given any information on third-party junior-ranking rights.
- **Syndicated Loans:** [9] loans ([16.2]% of the pool) represent participations in syndicated loans for which other banks are the syndication agents.

¹⁰ The median composite economic diversity scores for recent UK/NL and US conduit transactions are 76.3 and 77.9 respectively. Moody's has published a special report describing our approach for the economic diversity study. Please refer to the *Related Research* section.

Loan Exposure: Top Five Loans

The five largest loans in the portfolio are summarised below.

Notes:

1. W/A Grade: This has taken into account a "crossing benefit" in respect of multiple properties as security for one loan.
2. Implied Yield: This equals to "current net rent divided by property value (either at loan origination or an updated value if applicable)".
3. UW DSCR: This refers to "Vanilla First Year DSCR" provided to Moody's.
4. MDY DSCR: Moody's DSCR based on Moody's net cash flow assuming a mortgage-based amortisation schedule. This number does not take into account potential changes on loan Review Date.
5. Vac.: Vacancy calculation is based on the lettable areas of the properties.
6. All properties securing the top 5 loans are freehold.

Borrower 1:		EUR 48,782,759.7		4.8%		of total pool					
Loan Maturity	Loan Review Date	W/A Grade ¹	U/W LTV	Implied Yield ²	MDY Yield	UW End LTV	U/W ICR	U/W DSCR ³	MDY DSCR ⁴	Current Int. Rate	Vac. ⁵
Mar 2044	Dec 2003	1.5	64%	4.2%	7.9%	0%	1.52	1.48	1.25	4.3%	24.6%

The loan, originated in January 2000, is secured by 13 properties built between 1704 and 1998, located in Northrhine-Westfalia (61%), Saxony (16%) and some other areas. Based on allocated loan balance, 90% of the properties are office-warehouse combined with office use taking up the majority of the space; the rest of the properties are for single use such as residential, retail and warehouse. Properties are in normal conditions and the refurbishment has been completed for some of the old buildings. One major German bank (**A2**) occupies some of the properties and contributes 40% of rent income to the portfolio. No lease agreement with that bank is available. The loan to a large extent relies on that bank's credit-worthiness. Moody's has inspected 8 properties.

The largest three assets are briefly described as follows:

- An office building (with some area for storage), 10,773 s.m., constructed in 1976, located at the southern edge of Dortmund city centre and surrounded by similar office buildings and a park. The building is fully occupied by a major German bank with a commitment until 2010. The current rental value is €141 per sq. m. per annum.
- An office building, 5,885 s.m., constructed in 1900 with a small portion of residential use, located in an accessible city centre area in Hamburg and surrounded by similar buildings. The property is currently 68.4% occupied and main tenants are doctors, lawyers and tax counsels. Weighted average lease expiry based on passing rent is 1.7 years, excluding leases without detailed information. The weighted-average rental value based on lettable area is €75 per sq. m. per annum.
- A mixed-use building, 2,285 s.m., constructed in 1953, half of which is used as office and the rest as residential, warehouse and other uses. The property is located very close to the main business and city centre in Düsseldorf and surrounded by offices and shops. It is currently 77.6% occupied by various tenants. There is no lease information for this property. The weighted-average rental value based on lettable area is approximately €64 per sq. m. per annum.

Borrower 2:		EUR 38,340,000		3.7%		of total pool					
Loan Maturity	Loan Review Date	W/A Grade ¹	U/W LTV	Implied Yield ²	MDY Yield	UW End LTV	U/W ICR	U/W DSCR ³	MDY DSCR ⁴	Current Int. Rate	Vac. ⁵
Jun 2018		3.5	86%	6.7%	9.5%	45%	1.84	1.08	1.00	4.4%	7.8%

A syndicated loan, originated in March 2002, is secured by a shopping centre (95,360 sq.m.) built in 1996 in Oberhausen. The loan has a variable interest rate and there is an interest rate cap agreement between the borrower and the lender. The property is near the motorway and has good public transport links. The leases are indexed to CPI. The weighted-average lease expiry is 5.3 years. Main tenants include cinemas with well-known international operators, international retailers, domestic department stores as well as fashion shops, which altogether contribute about 17% of the total rent. 18.3% of total rent agreements will expire in the next two years and 48.5% lease-rollover will occur between 2004 and 2007. The current weighted-average rental value based on lettable area is approximately €244 per sq. m. per annum.

The loan has various covenants, including some property-specific information covenants, such as: a) rent/lease and cooperation contracts in case of changes; b) monthly report on financial situation and on lease maturities; c) quarterly statement of surcharges; d) quarterly lease-report including information on changes in rental agreements; e) quarterly summary of P&Ls; f) information concerning tenants, rentable area, sales area, industry and aspects of rental income calculation on half-yearly basis; g) provision of financial figures such as base rent/turnover rent, and gross rent/turnover rent.

Borrower 3: EUR 35,584,187.19 3.5% of total pool

Loan Maturity	Loan Review		U/W LTV	Implied Yield ²	MDY Yield	UW End LTV	U/W ICR	U/W DSCR ³	MDY DSCR ⁴	Current Int. Rate	Vac. ⁵
	Date	W/A Grade ¹									
Dec 2023	Dec 2005	2.5	84%	6.7%	8.5%	0%	1.35	1.03	0.90	6.0%	8.1%

A syndicated loan, originated in January 1998, is secured by a mixed-use property (58% retail, 37% office and 5% residential) built in 1900 in Köln. The property is located in the city centre with very good public transport links and good motorway connection, surrounded by residential and commercial buildings. The most recent refurbishment was completed in 1995/1996. The rent adjustments are based on the local market index. The weighted-average lease expiry based on passing rent is 8.9 years. Currently there are approximately 60 leases, of which 24% will expire between September 2007 and 2012 and 51% between October 2012 and 2017. The current weighted-average rental value based on lettable areas is approximately €68 per sq. m. per annum.

Borrower 4: EUR 35,141,370.8 3.4% of total pool

Loan Maturity	Loan Review		U/W LTV	Implied Yield ²	MDY Yield	UW End LTV	U/W ICR	U/W DSCR ³	MDY DSCR ⁴	Current Int. Rate	Vac. ⁵
	Date	W/A Grade ¹									
Sep 2031	Dec 2003	2.5	76%	8.0%	9.5%	0%	1.66	1.35	1.33	6.4%	0.0%

A lease-financing loan, originated in January 1994, is secured by a warehouse (43,423 sq.m., of which 81% is warehouse and 19% is office) built in 1994. The property is located at the town border of a city in Brandenburg, a well-established industrial park, approximately 30 km from Berlin. The road and motorway access is very good for such logistics properties. The tenant is a large nation-wide food-supermarket chain. The rent can be adjusted if the RPI change (base=1985) is greater than 10%. The lease expires in 2016 and the tenant is obliged to purchase property at termination of tenancy agreement. The current rental value is approximately €43.5 per sq. m. per annum.

A lease-financing loan (*Leasingfinanzierungen*) is structured as follows: A leasing company incorporates an SPV who borrows money from the lender/s in order to build or buy a commercial property. The SPV (lessor/borrower) lets the building to a creditworthy corporate (lessee/tenant). The corporate tenant's rent includes interest and principal repayments and administration fees, which is sufficient to enable the SPV to meet its payment obligations related to the loan. The DSCR is usually 1.0x.

Borrower 5: EUR 31,633,655.9 3.1% of total pool

Loan Maturity	Loan Review		U/W LTV	Implied Yield ²	MDY Yield	UW End LTV	U/W ICR	U/W DSCR ³	MDY DSCR ⁴	Current Int. Rate	Vac. ⁵
	Date	W/A Grade ¹									
Dec 2050		3.0	73%	10.4%	9.5%	7%	4.40	3.19	3.06	3.3%	0.0%

The loan, which was originated in March 1999, is secured by 3 office buildings built between 1970 and 1986. The properties are in normal conditions and in 1998 some renovation was completed on the oldest

building. Located 10 kilometres from Frankfurt and close to city borders with very good transport links, the properties are let to 13 tenants under 15 leases. The weighted-average lease expiry based on passing rent is 3.4 years.

There are three tranches in this loan, all of which are denominated in Swiss Franc. Two tranches (90%) began to amortise in September 2002 and will be fully amortised by 2043, and one tranche (10%) has a bullet payment in 2050. Two tranches charge a variable interest rate. The loan is hedged for both currency and interest rate risks and there is an additional charge by the borrower to cover additional risks. One tranche (21%) has a reset date in December 2005.

Currently the loan enjoys high debt service coverage, partially due to the low interest rate environment. A stressed debt service coverage based on Moody's net cash flow and Moody's hurdle rate of 7.75% is 1.67x. The properties were valued in 1998 and 20% of current rent were signed up after 1998. The rent review is based on the price index.

Following is a brief description of the three assets securing the loan:

- An office building of 12,860 s.m., constructed in 1970 and renovated in 1988. The property is fully occupied by 11 tenants including a major German bank (25% of rent expiring in 2004) and a well-known hotel chain (14% of rent expiring in 2008). The weighted-average lease expiry based on passing rent is 3.1 years. The current weighted-average rental value based on lettable area is €201 per s.m. per annum.
- An office building of 7,841 s.m., constructed in 1986, is fully occupied by a subsidiary of one of German largest private banks. The lease expires in 2007. The current weighted-average rental value based on lettable area is €168 per s.m. per annum.
- An office building of 5,000 s.m., constructed in 1971, is fully occupied by an engineering company. The lease expires in 2004. The current rental value is approximately €128 per s.m. per annum.

ORIGINATOR, SERVICER AND DUE DILIGENCE

WestHyp was incorporated in 1961 as a mortgage bank focusing on financing domestic residential and commercial properties. WestHyp has established regional offices in Dortmund, Frankfurt, Hamburg, Munich and Berlin with a client base of professional real estate partners that includes property companies, funds, corporate investors and high net worth private individuals.

As part of its management and servicing review, Moody's examined Westfälische Hypothekenbank AG's underwriting criteria, lending policies, approval process, valuation methodology, servicing procedures, historical loss and arrears experience as well as general market trends. Overall, Moody's believes that WestHyp can effectively monitor and service the Reference Pool including administration, collection, and enforcement of the loan claims and foreclosure on the collateral.

Moody's has been provided with information related to historical losses suffered by WestHyp in respect of its residential and commercial mortgage lending. On average, there is a very small loss incurred each year, associated in many instances with pre-fabricated residential properties in eastern Germany. Those loss experiences show that the WestHyp servicing team has been tested in loan foreclosure situations. Since 1998, none of the loans in the Reference Pool have been in arrears for more than 30 calendar days.

Syndicated loans will be serviced by the agent banks. WestHyp will ensure that the agent banks follow the servicing requirements in the loan documentation.

Due Diligence

Given the heterogeneous nature of the pool, Moody's analysis concentrated on a fundamental assessment of the properties securing the mortgages. Moody's reviewed [two] third-party valuations as a sample and the data tape provided on [October 24, 2002]. That process was followed up by discussions with the Originator regarding specific loans. To confirm our understanding of the properties reached during the desktop review of the loan files, Moody's also inspected a cross-section of properties held as security for approximately [23.1]% of Reference Claims in the Reference Pool.

Environmental/ Structural Issues and Insurance

Moody's has not been provided with environmental and building structural condition reports, which is typical of most European transactions. WestHyp warrants that it has instructed the third-party valuers to comment on whether structural and environmental surveys should be carried out if no such reports have been produced, and that it has acted on the information contained within the reports to the standard of a prudent commercial lender. WestHyp warrants also that the security is covered by insurance covering the risks to the extent that a prudent lender would deem sufficient and no mortgaged properties securing the Reference Claims in the reference pool have been damaged by the floods in August 2002.

MOODY'S ANALYSIS AND MODELLING APPROACH

Moody's utilised the findings of the due diligence process and legal review along with various modelling techniques including the conduit approach¹¹ and Monte Carlo simulation to examine the credit characteristics of the pool and ultimately determine the appropriate levels of credit enhancement for each class of notes.

Based in part upon the supplied collateral information, Moody's has made specific adjustments to the reported net rent income figures to derive a sustainable net cash flow ("NCF"). Moody's analysis of the ability of the property to generate cash flows on a long-term basis has considered the quality of the property, its competitiveness in the market/sub-market, tenant profile, voids costs, structure of the leases, and other relevant aspects. Moody's weighted-average reduction to the originator's underwritten net cash flow was [6%].

The main variables for the various models used in the analysis of the transaction include:

Debt Service Coverage Ratio ("Moody's DSCR") is calculated as Moody's NCF divided by a normalised debt repayment on the respective loan based on either the current interest rate or a stressed hurdle rate. Moody's hurdle rate assumes 7.75% for this transaction, incorporating long-term, risk-adjusted interest rates. The normalised debt repayment is based

¹¹ Conduit Approach: The starting point of the model is Moody's opinion with respect to the minimum credit enhancement required to achieve a Moody's **Aa2** rating level for each loan given its DSCR, LTV, quality grade, property type and additional security. Moody's assesses the portfolio diversification of the pool based on a Herfindahl index. Other adjustments incorporated at the portfolio level may be made to reflect the quality of information and underwriting, loan seasoning, excess spread, amortisation, security package, legal risk and the quality of servicing.

¹² A more detailed discussion of Moody's approaches is presented in a Special Report mentioned in *Related Research* below.

on a standard mortgage-based amortisation schedule over either the loan term or what Moody's considers the useful life of the properties.

Loan to Value Ratio ("Moody's LTV") is calculated as the outstanding loan balance divided by Moody's value. Moody's value for each property is derived from the application of a stabilised yield or cap rates (adjusted to reflect the property quality and type) to the NCF generated by a property. Moody's yields take into account economic stress based on historical information and may be different from current market yields.

Modelling Approach¹²

In this transaction, Moody's used the conduit approach and Monte Carlo simulation as the primary models in developing its ratings opinion. Both models and other analytical tools supported the conclusion. The key assumptions used in the Monte Carlo simulation are described below:

Default probability: Driven by the shadow rating of each Reference Claim

Moody's assigns a shadow rating to each Reference Claim based on its Moody's DSCR as well as the property quality grades securing the reference claims. The default probability of each Reference Claim is determined by the shadow rating and certain correlation factors with other loans in the pool. The shadow rating has taken into account *inter alia*

- the cash flows from the properties securing the Reference Claims assuming certain void periods and costs,
- the leverage of the Reference Claims, taken into account, as applicable, the portion of the loan claims not included in the Reference Pool,
- interest rates or swap rates for each loan, and
- whether the Reference Claim has recourse to the borrower.

Since the terms of the interest rates for most of the loans can be changed on the Review Date, Moody's has applied a hurdle rate of [7.75]% to such loans to test their resilience to a high interest rate environment. Moody's Hurdle DSCR, which is based on the hurdle rate, is used to determine the refinance risk of the relevant Reference Claim.

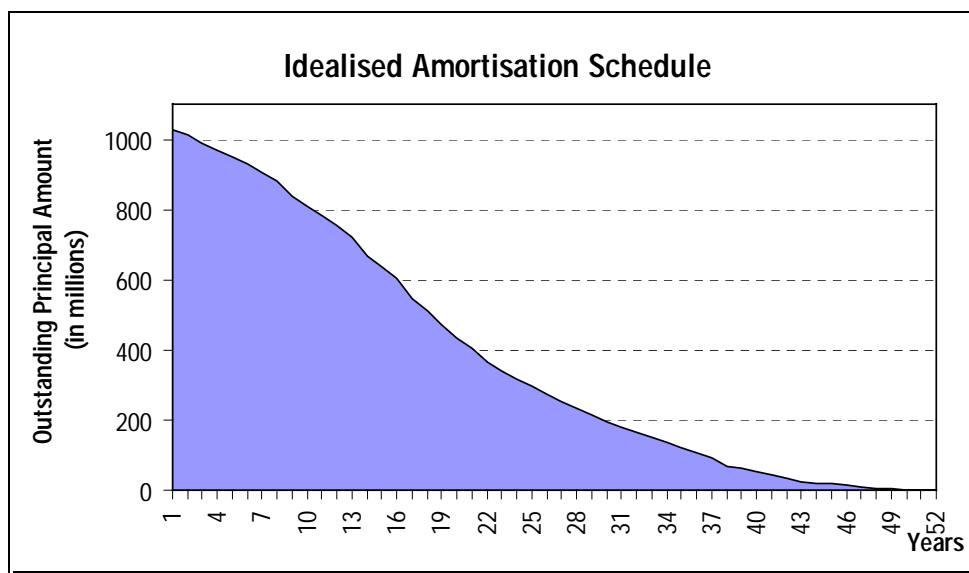
Approximately [13]% of the pool has a Review Date within a period of one year. Moody's did not apply a stressed hurdle rate to these loans, in view of the current interest rate environment in Germany.

Reference Pool Amortisation Profile

Moody's has made adjustments to take into account the senior-ranking claims not in the Reference Pool in connection with those junior-ranking Reference Claims. Those loans would have a higher default probability and a higher potential loss (i.e. higher severity) due to the lack of amortisation and possible interest accrual on the senior-ranking claims during the enforcement periods.

Adjustments have also been made to account for certain portions of the Reference Claims excluded from the Reference Pool. For example, if a loan has a 90% LTV and 60.1% to 90% of the LTV is excluded from the Reference Pool, in a non-default scenario, any principal repayment will be used first to reduce that portion of the loan. In a default scenario, any enforcement proceeds will be used to repay the portion below 60%. These loans would have a higher default probability but not a higher potential loss as the underlying economics of the loan remains the same.

The chart below illustrates Moody's idealised amortisation profile, assuming no pre-payment and no defaults.



Recovery Rate

The recovery rate is assumed to have a truncated normal distribution, reflecting the uncertainties related to the enforcement process and the economic environment when default occurs. The average recovery rate for this transaction has been adjusted to give credit to the exclusion of interest accrual and enforcement costs in loss calculations. Assuming the property value remains constant, amortising loans benefit from higher recoveries over time because of the higher likelihood of repayment in a default scenario. If large numbers of loans default at the same time, it is possible that the economic environment would suffer a downturn and therefore the recovery rate may shift to the lower end of the distribution.

RATING SENSITIVITIES AND MONITORING

Rating Sensitivity: Aaa-rated Class A-1+ and Class A-2

Based on Moody's current methodology of rating public-sector Pfandbriefe and structured financing, we believe that the combination of WestHyp 92% public-sector Pfandbriefe and 8% cash collateral enhanced by 8% additional cash collateral (cash OC) provides sufficient protection to maintain Aaa ratings on the Credit Linked Notes issued by GECO 2002 Limited, even if WestHyp's public-sector Pfandbriefe were to be downgraded by one notch to **Aa2** from the current **Aa1**¹³.

At the same time, Moody's notes that while the cash collateral is placed with WestHyp without any downgrade trigger protection, the Aaa ratings of the Credit Linked Notes are, ceteris paribus and based on Moody's current rating approach, not expected to be affected directly by a one notch downgrade of WestHyp's unsecured rating to **A3/Prime-2** from its current level of **A2/Prime-1**.

In the event that WestHyp's public sector Pfandbriefe were to be downgraded below Aa1 for the first time after the Issue Date and Moody's

¹³ Moody's placed under review for downgrade the unsecured, secured, and financial strength ratings of HVB Group and its subsidiaries (include WestHyp) on 23 October, 2002

has placed the Class A-1+, Class A-2 CLNs and the Funding Notes under review, Moody's expects that WestHyp will either sell at par and transfer to the Issuer Substitute Collateral, conditional upon the repurchase at par of the corresponding Series of Collateral from the Issuer, or increase the Additional Cash Deposit, or provide other additional collateral to an amount which is sufficient to prevent a downgrade of the rating of such Notes or such Funding Notes, as applicable. Moody's will assess the quality of the cover pool of the substitute collateral as well as additional cash collateral mechanisms if applicable.

The anticipated rating robustness is based on the 8% of cash OC to be maintained at an institution that has a **Prime-1** rating for short-term deposits (currently [WestLB]). Moody's will monitor the collateral structure of this transaction and reserves the right to develop or change its analytical approach going forward.

Rating Sensitivity: Class B

This class of notes is collateralised with WestHyp's public sector Pfandbriefe (**Aa1**¹⁴). [In the event that WestHyp's public sector Pfandbriefe were to be downgraded for the first time after the Issue Date *and* Moody's has placed the Class B CLNs under review, Moody's expects that WestHyp will either sell at par and transfer to the Issuer Substitute Collateral, conditional upon the repurchase at par of the corresponding Series of Collateral from the Issuer, or provide other additional collateral in such form and amount which is sufficient to prevent a downgrade of the rating of such Notes. Moody's will assess the quality of the substitute collateral or the additional collateral.]

Rating Sensitivity: Class D

This class of notes is collateralised with WestHyp's senior unsecured medium term notes (**A2**¹⁴). [In the event that WestHyp's senior unsecured medium term notes were to be downgraded for the first time after the Issue Date *and* Moody's has placed the Class D CLNs under review, Moody's expects that WestHyp will replace the senior unsecured medium terms notes with its public sector Pfandbriefe.]

Rating Sensitivity: Classes C and E

Class C notes are collateralised with WestHyp's public sector Pfandbriefe (**Aa1**¹⁴) and Class E notes are collateralised with WestHyp's senior unsecured medium-term notes (**A2**¹⁴). These classes of notes may be placed under review for possible downgrade if the Collaterals are downgraded to *one or less than one notch higher* than the rating on each class of CLNs. Ceteris paribus, rating downgrades of the Collaterals would lead to an equivalent downgrade of the notes.

Monitoring

Moody's will monitor the transaction to ensure that it continues to perform as expected, which will include checking all supporting ratings and reviewing periodic reports provided by the Servicer. Moody's will publish its monitoring reports on a regular basis. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

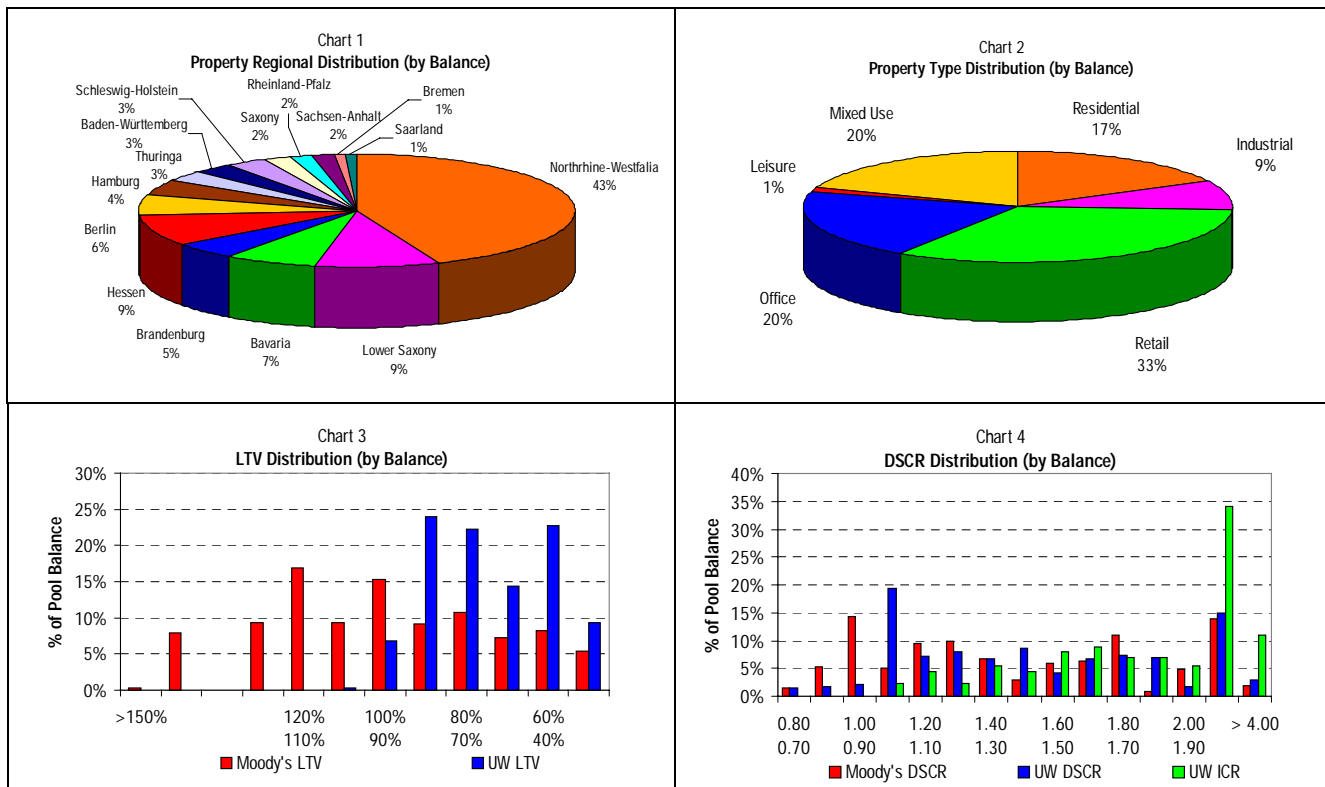
¹⁴ Moody's placed under review for downgrade the unsecured, secured, and financial strength ratings of HVB Group and its subsidiaries (include WestHyp) on 23 October, 2002

RELATED RESEARCH

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports.

- *Moody's Approach to Rating European CMBS*, Special Report, June 2001
- *Gauging the Economic Diversity in UK CMBS: How Quantification of Industry Sector Exposures in CMBS Pools Can Improve Investors Decision Making*, Special Report, June 2001
- *Duke 2002 Limited*, New Issue Report, September 2002

APPENDIX: KEY CHARACTERISTICS OF THE PORTFOLIO



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