

# MSDWCI 2001-IQ

Lincoln / Allmerica / Nationwide / MONY / TIAA / AEGON

## Another first for Morgan Stanley

- Morgan Stanley reopens U.S. CMBS new issue market after September 11th attacks with first IQ securitization.

- On October 17<sup>th</sup>, Morgan Stanley reopened the U.S. CMBS new issue market with the pricing of the first pooled securitization of commercial real estate loans since the events of September 11<sup>th</sup>. Morgan Stanley was sole book-runner and lead underwriter.
- The landmark \$713 million MSDWCI 2001-IQ transaction established the Morgan Stanley IQ (“Institutional Quality”) brand which will facilitate the securitization of commercial mortgage loans from insurance companies.
- The deal stabilized the CMBS market with strong pricing and a large universe of investors.
- This is the first time six unaffiliated sellers (Lincoln National, Allmerica, Nationwide, MONY, TIAA, and AEGON) have combined their mortgage loans in a single CMBS securitization. Five of the six sellers were first time CMBS issuers and the majority of them are expected to return to the market (through Morgan Stanley).
- This is the first time that the below investment grade bonds have been sold in a securitization of seasoned commercial mortgage loans.
- The transaction carries strategic importance for many of the sellers, as participation in the transaction demonstrates portfolio liquidity, reduces real estate exposure, reduces risk based capital requirements, creates an arbitrage gain and launches capital markets lending initiatives.
- This deal is expected to spur other financial institutions (predominately insurance companies) to seek use of the IQ platform for future Morgan Stanley-led CMBS transactions.

**MSDWCI 2001-IQ**

**Case Study**

**MSDWCI 2001-IQ**

Lincoln / Allmerica / Nationwide / MONY / TIAA / AEGON

- Unprecedented transaction in its establishment of the Morgan Stanley IQ (“Institutional Quality”) brand which will facilitate the securitization of loans from insurance companies
- Benchmarked the post September 11 CMBS market with offered side pricing and breadth of distribution (35 investors)
- Received the best capital structure of any multi-seller CMBS transaction with 14% subordination to AAA
- Five of the six sellers were first time CMBS issuers

**Summary of Terms**

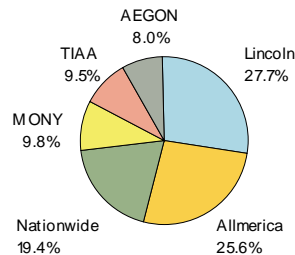
| Tranche | Fitch/Moody's Rating | Size (\$)                  | Subordination Level (%) | Average Life (yrs) | Spread Over Swaps/UST (bps) |
|---------|----------------------|----------------------------|-------------------------|--------------------|-----------------------------|
| A1      | AAA/Aaa              | 200,500,000                | 14.000                  | 3.40               | 48                          |
| A2      | AAA/ Aaa             | 151,700,000                | 14.000                  | 5.70               | 57                          |
| A3      | AAA/ Aaa             | 261,000,000                | 14.000                  | 7.89               | 64                          |
| B       | AA/Aa2               | 22,282,000                 | 10.875                  | 9.23               | 83                          |
| C       | A/A2                 | 18,717,000                 | 8.250                   | 9.33               | 100 <sup>(1)</sup>          |
| D       | A-/A3                | 5,348,000                  | 7.500                   | 9.48               | 110 <sup>(1)</sup>          |
| E       | BBB+/Baa1            | 5,348,000                  | 6.750                   | 9.55               | 140 <sup>(1)</sup>          |
| F       | BBB/Baa2             | 8,913,000                  | 5.500                   | 9.69               | 150 <sup>(1)</sup>          |
| G       | BBB-/ Baa3           | 5,347,000                  | 4.750                   | 10.20              | 190 <sup>(1)</sup>          |
| H       | BB+/Ba1              | 5,348,000                  | 4.000                   | 10.66              | <sup>(1)</sup>              |
| J       | BB/Ba2               | 10,695,000                 | 2.500                   | 11.41              | <sup>(1)</sup>              |
| K       | BB-/Ba3              | 3,565,000                  | 2.000                   | 12.16              | <sup>(1)</sup>              |
| L       | B+/B1                | 1,783,000                  | 1.750                   | 12.68              | <sup>(1)</sup>              |
| M       | B/B2                 | 5,348,000                  | 1.000                   | 13.45              | <sup>(1)</sup>              |
| N       | B-/B3                | 1,782,000                  | 0.750                   | 14.28              | <sup>(1)</sup>              |
| O       | NR/NR                | 5,348,371                  |                         | 16.28              | <sup>(1)</sup>              |
| X1      | AAA/Aaa              | 713,024,371 <sup>(2)</sup> |                         | 6.17               | <sup>(1)</sup>              |
| X2      | AAA/Aaa              | 218,599,000 <sup>(2)</sup> |                         | 6.98               | <sup>(1)</sup>              |

**Transaction Overview**

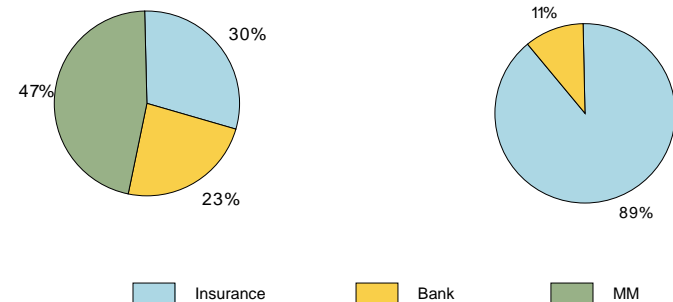
|  |                                     |
|--|-------------------------------------|
| Lead Manager:  | Morgan Stanley                      |
| Co-managers:   | Goldman Sachs, Salomon Smith Barney |
| Transaction Size:  | \$713.0MM / 91 loans                |
| Average Loan Balance:                                      | \$7.8MM                             |
| Pricing Date:  | October 17, 2001                    |
| Settlement Date:   | October 24, 2001                    |
| Weighted Avg. DSCR:  | 1.50x                               |
| Weighted Avg. Implied DSCR: <sup>(3)</sup>                 | 1.64x                               |
| Weighted Avg. LTV:   | 59.3%                               |
| Traditional Properties: (Retail, Office, Indust., MFamily) | 100%                                |
| Geographical Concentration:                                | CA (29.8%), KS (8.2%), NJ (5.9%)    |
| B-piece Buyer:   | GMAC Commercial Mortgage            |

Source Morgan Stanley

**2001-IQ Collateral Contributors**



**Distribution by Investor Type**



Notes  
 1. Privately offered  
 2. IO Notional  
 3. @ 9% constant