



# NEWS RELEASE

Mar 8, 2010

## R&I Retains MHTB Discovery II on Monitor/Downgrades Ben.Int.E to B-

**INSTRUMENT NAME:** Loan Claim Trust  
MHTB Discovery II

**Beneficial Interest D**

**R&I RATING: (BBB-); Affirmed**

**Remains on the Rating Monitor with a view to downgrading**

**Beneficial Interest E**

**R&I RATING: (B-); Downgraded from (BB-)**

**Remains on the Rating Monitor with a view to downgrading**

### **RATIONALE:**

This issue is a Multi-borrower type CMBS arranged by Mizuho Trust & Banking Co., Ltd., which was initially backed by six non-recourse loans (original loans) with real estate collateral.

Based on the revaluation of the three underlying real estates of the two remaining original loans, R&I downgraded Beneficial Interest D and E and retained them on the Rating Monitor with a view to downgrading on June 12, 2009. Since then, two underlying real estates were sold off; one original loan was fully repaid, and the other original loan has been repaid by nearly 50%. The principal repayment of Beneficial Interest D progressed using those repayment funds.

The remaining original loan will become due in the end of April 2010; however, the sale of the underlying real estate is proceeding with difficulty. R&I has this time reconfirmed the revaluation value of the underlying real estate estimated on the due date and the level of credit enhancement and liquidity enhancement with consideration to the past sales performances and the condition of the repayment of beneficial interest, etc.

As a result, R&I has revised down the value of the underlying real estate, primarily reflecting the harsh sales performances. Nevertheless, the credit enhancement level of Beneficial Interest D has somewhat improved in accordance with the progress of the principal repayment. The performance of the underlying real estate is stable, and there are only limited concerns over cash flow during the term. Therefore, R&I has affirmed the rating of Beneficial Interest D. On the other hand, R&I has downgraded Beneficial Interest E partly because the credit enhancement level has been deteriorating further. R&I also takes into consideration that the principal impairment risk will remain limited to some extent until the final repayment date of the original loan.

In order to follow the sales movement of the underlying real estate, which is currently under harsh conditions, R&I has retained all ratings on the Rating Monitor with a view to downgrading.

**INSTRUMENT NAME:** Loan Claim Trust  
MHTB Discovery II  
Beneficial Interest D  
Beneficial Interest E

**TRUST EXECUTION DATE:** Sep 27, 2006

**TRUST EXPIRATION DATE:** Jul 12, 2013

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**R&I RATINGS:**

**Beneficial Interest D:** (BBB-); Affirmed  
Remains on the Rating Monitor with a view to downgrading

**Beneficial Interest E:** (B-); Downgraded from (BB-)  
Remains on the Rating Monitor with a view to downgrading

**NOTE:** The rating is an assessment of the probability that the principal and interest of Beneficial Interest D and E will be paid in full by the trust expiration date.

**RATING METHODOLOGY:**

The primary rating methodology applied to this rating is provided below. These reports are available at R&I's web site.

June 2004

Rating Methodology for Multi-Borrower CMBS (Japanese text only)

<http://www.r-i.co.jp/jpn/rating/st/detail/r-0406-064.pdf>

May 2004

Rating Methodology for CMBS (Japanese text only)

<http://www.r-i.co.jp/jpn/rating/st/detail/r-0405-054.pdf>

October 2003

Real-estate Appraisal for CMBS Rating (Japanese text only)

<http://www.r-i.co.jp/jpn/rating/st/detail/r-0310-061.pdf>

September 2007

Views on Securitized Product Monitoring (Japanese text only)

[http://www.r-i.co.jp/jpn/rating/st/detail/j070906\\_101.pdf](http://www.r-i.co.jp/jpn/rating/st/detail/j070906_101.pdf)

Other rating methodologies that are taken into consideration when assigning the rating are provided below.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

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