



Rockport Platform – In-depth Analysis

Detailed Self Analysis

Overview

This document is meant to help a prospective client in their review of The Rockport System. This document is written in the third person to support if readers want to use elements of it in their own reviews.

Section I - Analysis:

We consider that Rockport is significantly superior to any other substitute product (in terms of design, technology, experience and reputation) or any known internal system. Rockport's significant set of internal resources to make continued enhancements, and demonstrated willingness to continue to develop full throttle throughout the downturn is likely to cause this gap to continue to widen.

We have arrived at this conclusion based upon:

- Rockport's experience and expertise in their domain.
- Cost – As determined later in this analysis, we estimate that Rockport's yearly license cost represents less than 2% of the cost to build a comparable system (or 10% the cost to maintain an internal system). When the choice is to build for 100% or rent for 2%, the math is pretty easy to figure out.
- Customer and independent third party feedback.
- From first hand use of the system- members of Rockport's team have used the system in production in past jobs and know how it performs under day to day needs. This experience has shown Rockport to be extraordinarily powerful, yet still simple and intuitive.
- Deployable overnight- Rockport knows that sometimes things need to be done yesterday which is why Rockport has made it possible to set the system up, and have a client running out of the box in less than 24 hours.
- Rockport's ability to react to unforeseeable client demands. Rockport has performed setups of highly configured systems in as little as ½ a business day when emergencies dictated rapid results. Reporting and other client requested changes are often turned around in 1-2 days. To our knowledge no other system (3rd party or internal) can offer this kind of responsiveness.
- Technical Capacity/Robustness of System - Rockport has performed system set ups which required the import of over 30,000,000 data points.
- The system is extremely configurable. Its role based access allows it to adapt to each clients individual needs. This is unusual with these kinds of systems.
- Our research has shown that the other systems (internal or external) did not have sufficiently mature, flexible, or well designed products. Rockport has established itself as the market leader its space, and with the downturn of the economy is unlikely to be caught by any of their potential competitors which we estimate are several years behind in terms of development.
- Security. Rockport offers the highest levels of data security available. Rockport uses two Tier I, SAS 70 Type II data centers (as their primary and hot backup centers) to insure 24/7 uptime in a completely secure environment. Rockport also performs routine security audits and has been audited by some of the largest firms in the industry.

- **Audit Trail.** Rockport has a full audit trail underneath the entire application.
- **Document Repository.** Rockport includes a document repository system so that deal documents can be electronically uploaded and accessible from any location.
- **Relationship with Helix and Trepp.** Rockport's strategic partners both makes its product offering stronger as well as vouch for its capacities.
 - Helix is a well known and respected professional services firm which can offer significant resources at a highly competitive rate. Helix is well trained in Rockport and has worked with it on many joint assignments in the past.
 - Trepp is the dominant market leader in providing of CMBS and commercial mortgage information to the global market. Trepp and Rockport share office space and are integrating the two systems. This combined product is expected to offer completely nonreplicable features.
- **Capacity to integrate with internal/other external systems.** Rockport can integrate with any systems (internal or external) that are necessary. Rockport can import and/or export data in any commonly accepted manner.

Other Relevant Strategic Notes:

- **Market Conditions:** the destruction across the financial landscape in the aftermath of the collapse of Lehman Brothers and the domino effect that it unleashed, showed the impact of macro forces. These macro forces are now beginning to impact Commercial Real Estate as the loan delinquency rates sky rocket. The changes caused by these macro forces (regulatory and also how the industry will look in the future) will make firms realize that high quality data is of great value and this realization will compel firms to improve their systems. With the speed of deployment that will be needed and Rockport's sophistication versus cost ratio the rational choice would be to use Rockport as opposed to attempting to build a system from scratch.
- **Efficiency in Focus:** Specialization of labor leads to superior results. Banks/Investment Funds should focus on their business and their revenue generators. These firms tend not to be great system designers (through no fault of their own, their employees have different skill sets). Therefore, a third party provider which offers specialization and knowledge can be of great value to a financial firm. This efficiency of focus will be even more important with tight budgetary constraints of the next few years. With even the most basic internally built systems (significantly substandard to Rockport's capacities) costing in the range of \$500k-\$2million to build and support (salaries and infrastructure costs), Rockport's yearly license fee looks downright cheap.

Section II - Product Overview:

- Components
 - Reporting
 - Amazingly comprehensive prebuilt reports save hundreds of hours of internal development
 - Function Specific Reporting including significant reports for:
 - Asset Management
 - Risk Management
 - Origination/Season Loan Purchases
 - Loan Pool Sales or Purchases
 - Trend Analysis
 - Exportable to All Electronic Formats (Pdf, Excel, Word, CSV)
 - Email and Schedule Reports
 - Attractive Loan Summary Reports
 - Counterparty Exposures (Borrower, Sponsors, Tenants, etc)
 - Dashboards
 - Full Ad Hoc Reporting
 - Loan Underwriting
 - Only Product Available with Fully Integrated Excel for Loan Underwriting
 - Refreshable
 - Handles Multi-property and Complex Debt Structures
 - Stresses Tenants/Rent Rolls
 - Full Operating Statements
 - Detail Entry and Normalization of Op Statements
 - Op Statement Comparison
 - DCF Modeling
 - Sensitivity Analysis
 - IRR/Levered Yield Returns
 - Extensible Platform – you can build on top of its architecture
 - Portfolio Underwriting
 - Only Product Available with Fully Integrated Excel for Portfolio Underwriting
 - Refreshable
 - Allows for full Portfolio analysis in Excel
 - Calculate Probability and Severity of Loss
 - Flexible Design for multiple uses
 - Extensible Platform – you can build on top of its architecture.
 - Asset Management/Special Servicing
 - Extensive Reporting (see detail later)
 - Geocoding of Properties
 - Chronology Records (historical records of actions taken with regard to the loan, borrower, property)
 - Trend Analysis based on Time Series Data
 - Use of Excel Underwriting Model for Re-underwriting
 - Trepp Integration (w/ Trepp subscription)
 - Trepp is the unquestioned industry leading provider of information on securitized loans and properties. With more than 100,000 loans and their underlying properties in its database, it is the best source for information on loans and properties supporting the securitized world.
 - Centralization of Information

- Complete Informational Screens on all information levels
- Document Repository
- Loan, Property and Counterparty History Records
- Full Audit Trail
 - Tracks all changes made to every field stored within the system
- Client Specific Configurations
 - Can add any fields a client requires
 - Can configure every dropdown to a client's business
 - Can add or modify any screen to a client needs
 - Can build any report a client needs
- Secure System that lets you sleep at night
 - Tier I Datacenters
 - SAS 70 Type II Facilities
 - Geographically Dispersed Hot Backup Location (also SAS 70 Type II)
 - Routine Penetration Tests
 - Full Audit Trail on all system fields
 - 24/7 Uptime
- Integrations with Other Systems
 - Rockport can, will and has integrated with outside systems.
- Cost Savings
 - Costs less than the infrastructure needed to run it
 - –OR– another way to think about it-
 - Costs less than 2 people and leads to significant productivity increases

Product Feature Comparison:

Feature	Rockport	Typical Internal System	Excel and Word Files (No System)
Reporting			
Portfolio Level Reporting	•	•	
Export Reports to Word, PDF, Excel	•		•
Email and Schedule Reports	•		
User Creatable Ad Hoc Reporting	•		
Dashboards	•		
Trend Analysis of Historic Records	•		
Counterparty Exposure Reporting	•		
System			
Internet Accessible	•	•	
Email Notifications of Changes	•		
Role Based Access Rights	•	•	
Custom Views for Greater Productivity	•	•	
Geocoding of All Properties	•		
Supports complex deal structures	•		•
Full System Audit Trail	•		
Integrateable with outside systems (e.g. Trepp, etc)	•		
UW Model			
Full Excel UW Model	•		•
Fully Integrated with System	•		
Refreshable	•		
Handles Multi-property and Complex Debt Structures	•		
Stresses Tenants/Rent Rolls	•		
Full Chart of Accounts based Cashflow Statements	•		•
Detail Entry and Normalization of Op Statements	•		
Op Statement Comparisons	•		
DCF Modeling	•		
Sensitivity Analysis	•		
IRR/Levered Yield Returns	•		
Extensible (You can build on top of its architecture)	•		•
Portfolio Underwriting Model			
Full Excel UW Model	•		•
Fully Integrated with System	•		
Refreshable	•		
Full Portfolio Analysis Capacity	•		•
Flexible Design for multiple uses	•		•
Calculate Probability and Severity of Loss	•	•	•
Extensible (You can build on top of its architecture)	•		•
Trepp Integration (w/ Trepp subscription)			
Underwrite any loan/property in Trepp's property database.	•		
Find Loan Comparables in Trepp for internal loans.	•		•
Infrastructure			
24/7 Uptime with Hot Backup	•	•	

SAS 70 Type II Data Center	•		
Extensive Disaster Recovery Plans	•		
Routine Security Audits and Penetration Tests	•		
General On-Going Development and Support			
Dedicated 10+ person Development Staff	•		
Dedicated Customer Support and Trainers	•	•	
Cost Effective to Maintain and Support	•		•

Section III - Product Details:

Reporting:

At this point, Rockport has probably put in over 20,000 hours into the design, structuring, creation and testing of its extensive report library. These reports cover all the wide varieties of jobs which are performed in the system ranging from risk management and exposure analysis to pipeline reporting to qualitatively heavy asset summary reporting.

In order to always provide cutting edge technology in reporting, Rockport is constantly both developing internal products to augment standard reporting packages as well as evaluating third party products for possible inclusion in its product. From feedback received Rockport believes this intensive dedication to continue to innovation, and willingness to work with multiple reporting packages has given it functionality which other systems cannot match.

In addition to Rockport’s internally defined and developed reporting, Rockport’s offers ‘white labeling’ where Rockport will build reporting for clients (typically reports which are very customer centric) so that they can use them internally or provide to their clients. Rockport also allows for passing data to other systems in system-system friendly formats (either for downstream systems or for pre-existing reporting which they did not want to house in Rockport).

Between Rockport’s extensive pre-built reporting, its constant striving to implement cutting edge reporting tools, and its willingness to build custom reports, Rockport has become admired for its reporting.

In terms of specific reporting of note, it is important to focus on a few specific types/features:

- Trend analysis is of increased importance in a declining market as two properties which have the same absolute value (e.g. 1.08x dscr and 85% LTV based upon new cap rates) may not be equal. It is essential to also analyze the trend of the loan performance (how are escrow balances trending, do the quarterly operating statements show that the borrower is no longer putting money into the property, is the occupancy increasing or decreasing) in order to get a better sense of the deal. Rockport’s trend analysis tools are perfect for this both on individual loan levels as well as with portfolio reporting.
- Built-in reporting parameters have significantly increased the value of each reporting template. For instance, on the Asset Summary Report it has been made so flexible in the last year or so clients can use it for a wide variety of work functions ranging from on-going asset management reviews, to committee presentations, to investor relations disclosures.

Excel Underwriting Model:

Rockport's realized at the end of 2007 that it's UW model, with its fully integrated excel design, was absolutely unique in our industry. Rockport's conclusion was that it would take a potential competitor or internal build out approximately 10 person years to be able to match its design.

In order to press this advantage, Rockport redoubled its dedication of additional resources make this gap unclosable without Herculean efforts.

Client and sales interviews have concluded that the functionality and ease of use of the current model is at a point where the vast majority of potential users have no significant remaining feature needs. At this point Rockport is in a good position to move on to the perfection of its cutting edge computational sections of the model (scenario analysis, stressed returns sections, etc) which Rockport has currently in late stage development.

This should be a differentiating and strong sales point for the foreseeable future given that integrated Excel is critical to the underwriting process (see Rockport's Whitepaper "***Integrated Excel versus Native Excel***") and that Rockport holds a commanding and likely insurmountable lead in this kind of technology.

Special Servicing:

Rockport is experienced as a special servicing platform. Some features of interest include:

- Reports that are heavily asset management focused, including:
 - **Operating Statement Trend Analysis** - Either by loan or by portfolio shows the change in Cashflows/DSCRs across time periods.
 - **Exposure Reports** - By Borrower, Sponsor, Tenant, Counterparty, etc
 - **Loan Performance Reports** - By taking in ongoing feeds, this allows for striation and reporting on portfolios during post closing statuses and workout status (if applicable)
 - **Loan Escrow Reports** – By taking in ongoing feeds, this allows for tracking of loans' reserve balances over time and watching for risk situations before they occur.
 - **Client Driven Stratification Reports** - Allows clients to dynamically build strat reports based on any field (e.g. Rate Reset Frequencies, Index Types, Due on Sale, etc)
 - **Geocoded Loans** - Allows geomapping, and proximity analysis across a portfolio for use as comparables or market intelligence during the workout process
 - **Integrated Excel Model**- To allow for ongoing reunderwriting/loan reviews based upon up to date information.
 - **Ad Hoc Reporting** – Given that asset management tends to be a changing beast it is important to allow users to build their own reports on the fly
- **Extensive Special Servicing/Asset Management Fields** that are stored on a time series basis. This section can be easily expanded as needed on a client by client basis and can be reported as time-series analysis either on a loan by loan level or across a portfolio.
- **Chronologies**- Rockport has a section on each level (Portfolio, Loan, Property, and Legal Entity) which allows for ongoing logging of information (such as conversations with the borrower, agreed

upon changes, internal reviews). This section is then locked down from unauthorized modification afterwards, so that a client can feel comfortable that the information entered was the information available at the time.

- **Audit Trail** – all fields in Rockport have a full and viewable audit trail so that changes can be noted and if questions arise the person who changed the record can be found to explain the rationale behind the change.
- **Experience as an Asset Management System-**
 - Rockport was originally used as an asset management system before it also moved into the origination space.
 - Clients who used it for origination have been using it for asset management since they were left holding loans for securitization on book in 2007.
 - A good example of its Asset Management use is a special servicer which imported a large portfolio so they could use it for their special servicing/asset management
 - 3500 loans
 - 8300 unique pieces of collateral
 - 8500 unique legal entities
 - 240,000 chronology records
 - Another example is a top 10 U.S Bank which is using Rockport to manage 3,000+ REO Properties.
 - The only securitization issuance to date in 2009 (the Freddie deal) is currently being asset managed in Rockport.

Section V - Conclusions:

The conclusion drawn from both this document as well as the other white papers available on Rockport's website is that:

Rockport is:

1. **Very fairly priced (underpriced probably, but understandable given Rockport's stated desire to provide a widely used product as opposed to a niche product)**
2. **Essential for any modern, top of the line commercial real estate company.**