
WRP MANAGEMENT, LLC

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This Brochure provides information about the qualifications and business practices of WRP Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 617-570-4600. The information in this brochure has not been approved by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

WRP Management, LLC is a registered investment adviser. Registration does not imply a certain level of skill or training.

Additional information about WRP Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

This brochure contains the following material changes from the amended brochure filed by WRP Management, LLC dated December 9, 2013:

Item 4. As of December 31, 2013, WRP Management, LLC had assets of approximately \$237,000,000 under management pursuant to the Management Agreement.

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ITEM 4. ADVISORY BUSINESS

WRP Management, LLC (“**WRP**”), a Delaware limited liability company is an investment management firm that was formed in December 2006 to be the collateral manager (“**Advisor**”) to Concord Real Estate CDO 2006-1 Ltd., (“**Client**”). WRP provides advisory, administrative, and monitoring functions for the Client.

WRP is directly owned by CDH CDO LLC, a Delaware limited liability company. CDH CDO LLC is directly owned by Inland American (CDH II) Sub LLC, a Delaware limited liability company and WRT CDH II LLC, a Delaware limited liability company (collectively, the “**Members**”). Inland American (CDH II) Sub, LLC is wholly owned by Inland American Real Estate Trust, Inc., a Maryland Corporation and a public company. WRT CDH II LLC is wholly owned by WRT Realty LP, a Delaware limited Partnership. WRT Realty LP, is wholly owned by Winthrop Realty Trust, an Ohio Trust and a public company.

WRP does not have any direct employees. However pursuant to its operating agreement, it reimburses its administrative manager, WRP Submanagement LLC, for providing day-to-day functions for the Client. WRP Submanagement in turn has an agreement with First Winthrop Corporation (“**FWC**”) pursuant to which it utilizes five employees of, and shares facilities with, FWC. WRP, WRP Submanagement LLC, and FWC are related persons.

The Client is a collateralized debt obligation special purpose vehicle and an exempted company with limited liability incorporated under the laws of the Cayman Islands. The original capital structure of the Client included \$413,850,000 of notes (“**Notes**”) and \$51,150,000 of Preferred Equity (“**Preferred**”). The Notes were issued in reliance on Rule 144A of the Securities Act of 1933 issued to Qualified Institutional Buyers. The Preferred is owned by CDH-CDO LLC, an affiliate of the Advisor. The Client is governed by a board of directors appointed by Maples Finance Limited.

The Client is subject to strict guidelines on the types of securities it may own. The Client holds a portfolio of real estate loans and securities which include, commercial mortgage loans, participations in commercial mortgage loans, commercial mortgage backed securities, mezzanine loans, CDO bonds, and rake bonds (the “**Assets**”). The Assets are managed pursuant to the terms of the Collateral Management Agreement (the “**Management Agreement**”) between the Client and WRP, and in accordance with the Indenture (the “**Indenture**”), dated as of December 21, 2006, among the Client, Concord Real Estate CDO 2006-1 Ltd. (the “**Co-Issuer**” and, together with the Client, the “**Co-Issuers**”), U.S. Bank National Association, successor to Lasalle Bank National Association, as Trustee, Paying Agent, Calculation Agent, Transfer Agent, Custodial Services Intermediary, Backup Advancing Agent, and Notes Registrar and Concord Debt Holdings LLC, as Advancing Agent (collectively, the “**Operative Documents**”). In accordance with the Operative Documents, prior to December 2011, WRP had the right to purchase, sell or replace assets on behalf of the Client. Subsequent to December 2011, the Client’s reinvestment period expired. As a result, the Advisor’s ability to purchase new Assets on behalf of the Client is very limited, and therefore, the Advisor’s primary activities currently consist of maintaining and disposing of the Client’s Assets. The Client’s fund is closed to direct investment.

The advisory services offered by WRP are tailored to the requirements of the Client's Operative Documents. These services include selecting Assets to be purchased or sold, providing the Trustee with information on a monthly basis with respect to the composition and characteristics of the Assets, monitoring the performance of the Assets, providing valuation of non-performing assets characterized as a Defaulted Security (as defined in the Indenture), consenting or refusing to consent to any modification of an Asset and advising the Client with respect to any hedge agreements, which set forth permitted investments and other restrictions based upon criteria such as type of asset, property type, interest rate, location of property, etc.

Investment advice offered by WRP is with respect to the Assets and interest rate derivatives. The officers of WRP, as Advisor, provide a recommendation to the Members of WRP that requires unanimous consent to execute. Upon obtaining requisite consent, WRP executes a trade on behalf of the Client, and notifies the Trustee. If the trade is in accordance with the Indenture, the Trustee settles the trade, if not, the Trustee would reject the trade and the trade would not be settled.

As of December 31, 2013, WRP had assets of approximately \$237,000,000 under management pursuant to the Management Agreement.

WRP has full discretionary authority over the Assets to operate within the parameters of the Operative Documents with respect to its Assets subject to the consent of the Members.

ITEM 5. FEES AND COMPENSATION

Management fees are paid to WRP from the Client based on a percentage of AUM in the amount of 0.15% per annum and an additional 0.10% per annum for AUM which may be paid on a deferred basis. AUM is calculated in accordance with a contractual formula that values performing assets at their par value and defaulted interests are valued at the lower of market value, S&P Recovery Rate, Moody's Recovery Rate or Fitch Recovery rate. The fee is calculated by the Trustee and confirmed by the Advisor. The fee is paid by the Trustee to WRP in the monthly remittance.

The Advisor's fees can be altered only with the mutual consent of the Advisor and the Client. Other expenses the Client may pay besides management fees include, but are not limited to, (i) any reasonable expenses incurred by it to employ outside lawyers or consultants in accordance with the Management Agreement and (ii) any reasonable expenses incurred by it (including any reasonable expenses incurred by it to employ outside lawyers or consultants) in connection with the performance of due diligence and (iii) brokerage commissions, transfer fees, registration costs, taxes and other similar costs and transaction-related expenses and fees arising out of transactions effected for the Client's account and the fees and expenses of the other service providers providing services to the Client.

The Client will incur brokerage and transaction costs. The Client should also see Item 12 in this brochure regarding brokerage expenses.

WRP does not deduct fees directly from the Client's account. Fees are paid by the Trustee from the accounts of the Client quarterly in arrears in accordance with the Operative Documents.

Neither WRP nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Advisor does not receive performance-based fees.

ITEM 7. TYPES OF CLIENTS

WRP does not have a minimum client fund size requirement. The Client is the only client to whom WRP provides investment advice, and WRP currently does not anticipate engaging any other clients.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Since the end of the reinvestment periods under the Indenture, the Advisor has not purchased new Assets on behalf of the Client. The Advisor's activities in maintaining and selling the Assets are controlled by the provisions of the Operative Documents with the intent to maximize proceeds to the fund. Thus, the Advisor's primary strategy does not involve frequent trading of securities. The Client's portfolio consists, as required by the Operative Documents, of the Assets.

The investment strategies of WRP pose the following material risks to the Client:

- **Limited Flexibility:** Due to the restrictions imposed on the Advisor by the Operative Documents, the Advisor may not be able to manage the assets in the manner that the Advisor believes would be most beneficial to the Client.
- **Limited Liquidity:** There is limited ability to sell the Assets as secondary markets often do not exist and the ability to transfer ownership to another entity is restricted. This risk may be heightened in times of economic downturn or in response to a specific economic event. In addition, loans to middle market companies or special purpose vehicles may trade less frequently than loans to larger companies and, in some instances, have no, or only a limited, trading market.
- **High Leverage:** The Client is highly leveraged and this may result in situations where the interest expense due is greater than interest income collected.
- **Concentration:** The Assets are concentrated in the real estate sector and therefore a downturn in the real estate sector could have a disproportionate negative impact on the Assets.
- **Credit:** A borrower with respect to an Asset may not make required principal or interest payment under its borrowing terms.
- **Nonrecourse:** Commercial mortgage loans generally are nonrecourse loans and in the event of a default generally there will be recourse only against the specific properties and other assets that have been pledged to secure such mortgage loans.

Even if a commercial mortgage loan provides for recourse to a borrower or its affiliates, the Client is not likely to ultimately recover any amounts not covered by the commercial property. Therefore, the ability of a borrower to repay a loan secured by an income producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower.

- **Interest Rate and Prepayment:** Companies are likely to prepay their outstanding loans during periods of declining interest rates, and since the termination of the reinvestment period, the Advisor's ability to reinvest prepayment proceeds in additional Assets is very limited.
- **Non-Investment Grade Investments:** Non-investment grade loans will have greater credit and liquidity risk than investment grade obligations and are more likely to be impaired during periods of economic downturn.

The Client (and investors who purchased its securities) should be prepared to bear the risk of loss of principal as a result of investment in the Assets.

Non-Recourse Obligations

The Notes are non-recourse obligations of the Co-Issuers. The Notes are payable solely from the Collateral Interests and other Assets pledged by the Issuer to secure the Notes. None of the holders of the Securities, members, officers, directors, managers or incorporators of the Issuer, the Co-Issuer, the Trustee, the Company Administrator, the Collateral Manager, the Sellers, the Depositor, the Placement Agents, the Co-Managers, any of their respective affiliates or any other person or entity will be obligated to make payments on or in respect of the Notes. Consequently, the holders of the Notes (each, a "Noteholder") must rely solely on amounts received in respect of the Collateral Interests and the other Assets pledged to secure the Notes for the payment of principal thereof and interest thereon. There can be no assurance that the distributions on the Collateral Interests and the other Assets pledged by the Issuer to secure the Notes are sufficient to make payments on any Class of Notes, in particular after making payments on more senior Classes of Notes and certain other required amounts ranking senior to such Class. The ability of the Issuer to make payments in respect of any Class of Notes will be constrained by the terms of the Notes of Classes more senior to such Class and the Indenture. If distributions on the Collateral Interests and the other Assets are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all of the Assets, the obligations of the Co-Issuers to pay such deficiencies will be extinguished, which may result in a loss of some or all of a Noteholder's investment.

Limited Liquidity and Restrictions on Transfer

Notes are subject to certain transfer restrictions, including with respect to ERISA, and can only be transferred to certain transferees.

Events of Default; Determination of Remedies

If an Event of Default has occurred and is continuing, the holders of the Controlling Class will be entitled to determine the remedies to be exercised under the Indenture. The Controlling Class will be the most senior Class of Notes outstanding. Any remedies pursued by the holders of the Controlling Class upon an Event of Default could be adverse to the interests of the holders of more subordinated Classes of Notes. Failure to pay principal of a Class of Notes (other than the Class A-1 Notes) or failure to pay interest on a Class of Notes (other than the Class A Notes, the Class B Notes and the Class C Notes) will not constitute an Event of Default under the Indenture while a more senior Class of Notes is outstanding.

Subordination of the Notes

Generally, all payments on the Notes will be junior to certain reimbursements required to be made in respect of any Interest Advances and Cure Advances and to any Hedge Counterparty and certain other fees and expenses. Payments of interest on any Class of Notes (including any Defaulted Interest Amount related to such Class of Notes) will be senior to all payments of interest on any Class of Notes with a later alphabetical and if applicable, numerical, designation (including any Defaulted Interest Amount related to such Class of Notes).

In addition, the Interest Proceeds received by the Issuer will be net of the servicing Fee and other amounts (including reimbursements of property protection advances) payable in accordance with the CDO servicing Agreement.

Payments of principal of any Class of Notes (including any Deferred Interest on any Class of Notes, if applicable) will be senior to all payments of principal of any Class of Notes with a later alphabetical and if applicable, numerical, designation.

Notwithstanding the foregoing, upon the occurrence of a Special Amortization, all Classes of Notes will be entitled to receive the applicable portion of the Special Amortization Amount in accordance with the Priority of Payments, which provides for pro rata payments of principal if certain conditions are satisfied.

To the extent that any losses are suffered by any of the holders of any Security, such losses (other than with respect to principal previously repaid on any prior Payment Date to the holders of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes, and the Class H Notes from Interest Proceeds as described in the preceding paragraph or to the holders of all outstanding Classes of Notes as Special Amortization Amounts) will be borne in the first instance by the holder of the Preferred Shares, then by the holders of the Class H Notes, then by the holders of the Class G Notes, then by the holders of the Class F Notes, then by the holders of the Class E Notes, then by the holders of the Class D Notes, then by the holders of the Class C Notes, then by the holders of the Class B Notes, then by the holders of the Class A-2 Notes, then by the holders of the Class A-1 Notes.

Compliance with Advisers Act

The Collateral Manager has covenanted in the Collateral Management Agreement that neither it nor any of its affiliates will cause the Issuer or the Co-Issuer to enter into any transaction to acquire a Collateral Interest unless such transaction complies with the requirements of Section 206(3) of the Advisers Act. None of the Issuer, the Co-Issuer, the Placement Agents, the Trustee nor any of their respective affiliates makes any warranty or representation as to such compliance, and each purchaser of the Notes, as a condition of such purchase, will be deemed to agree that none of the foregoing persons will have any liability whatsoever for any failure so to comply.

The Collateral Manager is an affiliate of the Co-Issuers and of the Sellers. Under the Collateral Management Agreement, the Collateral Manager is permitted to effect direct trades between the Issuer and the Collateral Manager or any of its affiliates, acting as principal or agent within the meaning of the Advisers Act, but, any such trade (other than with respect to a Credit Risk/Defaulted/Reduced Spread/Buy-Credit Improved/Taxed Interest Cash Purchase and sales of assets pursuant to an auction in connection with an Auction Call Redemption or in connection with a redemption of the Notes pursuant to the Indenture, none of which will require the approval of the Advisory Committee) (each such trade, a "Restricted Transaction") may be effected only (i) upon disclosure to and with the prior consent of an Advisory Committee containing at least one member independent from the Collateral Manager (whose affirmative vote will be required to grant such consent) that will be appointed from time to time as needed by the Issuer for such purpose and (ii) subject to a requirement that the purchase price in respect of a Collateral Interest acquired by the Issuer directly from a Seller pursuant to such a direct trade may not exceed the Principal Balance thereof plus accrued and unpaid interest thereon. In addition, affiliates of the Collateral Manager will be authorized to engage in "agency cross" transactions in which one or more affiliates of the Collateral Manager will act as a broker for compensation for both the Issuer and another person on the other side of the same transaction. Such other person may be an account or client for which the Collateral Manager or any affiliate serves as investment adviser. The Issuer expects to authorize such agency cross transactions prospectively; provided that to the extent that the Issuer's consent with respect to any particular agency cross transaction is required by law, such transaction will be reviewed by and subject to the consent of the Advisory Committee.

Investment Company Act

The Co-Issuers have not registered with the United States Securities and Exchange Commission (the "SEC") as an "investment company" pursuant to the Investment Company Act. The Issuer has not so registered in reliance on the exception provided under Section 3(c)(7) of the Investment Company Act for investment companies organized under the laws of a jurisdiction other than the United States of America or any state thereof (a) whose investors resident in the United States of America are solely "qualified purchasers" (within the meaning given to such term in the Investment Company Act and the regulations of the SEC thereunder) and (b) which do not make a public offering of their securities in the United States of America. While U.S. counsel for the Co-Issuers will opine, in connection with the placement of the Notes by the Placement Agents, that neither the Issuer nor the Co-Issuer is on the Closing Date

an "investment company" required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, that the Notes are placed by the Placement Agents in accordance with the terms of the placement agreement), no opinion or no action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but in violation of the Investment Company Act had failed, to register as an "investment company," possible consequences include, but are not limited to, the following: (a) the SEC could apply to a district court to enjoin the violation and to rescind the offering of the Notes and (b) investors in the Issuer could sue the Issuer and recover any damages caused by the violation. In addition, if the Co-Issuer is found to have not registered as an "investment company" under the Investment Company Act when required to do so, any contract to which the Co-Issuer is a party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer or the Co-Issuer be subjected to any or all of the foregoing, the Issuer or the Co-Issuer, as the case may be, would be materially and adversely affected.

The Issuer

The Issuer will have no material assets other than the Collateral Interests and the other Assets pledged to secure the Notes. The Issuer will not engage in any business activity other than the issuance of the Notes, the Preferred Shares and the ordinary shares of the Issuer as described herein, the acquisition and disposition of the Collateral Interests and other assets pledged to secure the Notes as described herein, certain activities conducted in connection with the payment of amounts in respect of the Notes and the management of the Collateral Interests and other activities incidental or related to the foregoing. Income derived from the Collateral Interests will be the Issuer's principal source of cash.

The Co-Issuer

The Co-Issuer will not engage in any business activity other than the co-Preferred Shares will not be equity in, or obligations of, the Co-Issuer.

Risks Related to Collateral Interests

Nature of Collateral

As described more fully below, the Collateral Interests will be subject to credit, liquidity and interest rate risks and some of the Collateral Interests will be subject to timing risk with respect to payment of interest and principal. The Issuer will be permitted to acquire Collateral Interests that are Loans, REBLs, CMBS Securities, CRE CDO Securities or REIT Debt Securities and Other Real Estate Related Interests that, as a practical matter, these investment opportunities or investments in obligations of issuers located in certain countries are not available to it for a variety of reasons such as the limitations imposed by the Reinvestment Criteria and the Ramp-Up Criteria. For the foregoing reasons, and otherwise, at any time there

may be a limited universe of investments that would satisfy the Reinvestment Criteria or the Ramp-Up Criteria, as applicable, given the other investments in the Issuer's portfolio. As a result, the Collateral Manager may at times find it difficult to identify suitable investments for purchase by the Issuer.

The ability of the Issuer to sell Collateral Interests prior to maturity is subject to certain restrictions of the Indenture. None of the Issuer, the Co-Issuer, the Trustee, the Placement Agents or the Co-Managers has made any investigation into the issuers of the Collateral Interests. The value of the Collateral Interests may fluctuate from time to time and none of the Issuer, the Co-Issuer, the Trustee, the Placement Agents, the Co-Managers or the Collateral Manager is under any obligation to maintain the value of the Collateral Interests at any particular level. None of the Issuer, the Co-Issuer, the Trustee, the Placement Agents, the Co-Managers or the Collateral Manager has any liability to the holders of Notes as to the value of, or any decrease in the value of, the Collateral Interests from time to time.

Certain Risks Related to Loans

Up to 100% of the Collateral Interests may consist of Loans. The risks relating to Loans include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that cash flow of the borrower of the Loan may be insufficient to meet its debt service, (iii) declining creditworthiness and potential for insolvency of the borrower of such Loan, (iv) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, and (v) if subordinated, subordination to the prior claims of senior lenders. An economic downturn could severely disrupt the market for Loans and adversely affect the value of outstanding Loans and the ability of the borrowers thereof to repay principal and interest. Loans are subject to credit risk and may become non-performing for a variety of reasons. Non-performing Loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write down of the principal of the Loan. There can be no guarantee that the Collateral Manager or CDO Special Servicer will be able to conclude a workout or restructuring and, therefore, foreclosure may result. In addition, because of the unique and customized nature of a Loan, certain Loans may not be purchased or sold as easily as publicly traded securities. Trading in Loans is subject to delays due to their unique and customized nature, and transfers may require extensive documentation or consents of underlying borrowers or third parties. In addition, the Issuer may incur additional expenses to the extent it is required to seek recovery upon a default or to participate in the restructuring of a Loan.

Commercial mortgage loans (and accordingly CMBS Securities, CRE CDO Securities and Loans) generally are secured location and condition, competition from comparable types of properties, changes in laws that increase operating directly or indirectly by multi-family or commercial property and may entail risks of delinquency and foreclosure, and risks of loss in the event thereof, that are greater than similar risks associated with loans made on the security of single family residential property. In addition, commercial mortgage loans generally are non-recourse loans and in the event of a default generally there will be recourse only against the specific properties and other assets that have been pledged to secure such mortgage loans. Also, even if a commercial mortgage loan provides for recourse to a borrower or its affiliates, the Issuer is unlikely to ultimately recover any amounts not covered by the commercial property.

Therefore, the ability of a borrower to repay a loan secured by an income producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced (for example, if rental or occupancy rates decline or real estate tax rates or other operating expenses increase), the borrower's ability to repay the loan may be impaired. The value of an income producing property is directly related to the net operating income derived from such property. Net operating income of an income producing property can be affected by, among other things, tenant mix, success of tenant businesses, property management decisions (including responding to changing market conditions, planning and implementing rental or pricing structures and causing maintenance and capital improvements to be carried out in a timely fashion), property expense or limit rents that may be charged, any need to address environmental contamination at the property and the occurrence of any uninsured casualty at the property. Furthermore, the value of any commercial property and the net operating income may be adversely affected by risks generally incident to interests in real property, including various events which the related borrower and/or manager of the commercial property, the underlying servicer or special servicer, the Issuer, the Collateral Manager or the Trustee may be unable to predict or control, such as changes in general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, environmental hazards, and social unrest and civil disturbances.

Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements.

Furthermore, most commercial properties may not be converted readily to an alternative use in the event that the operation of such commercial property for its original purpose becomes unprofitable for any reason. In such cases, the conversion of the commercial property to an alternative use generally would require substantial capital expenditures or, as a result of restrictions, may not be converted at all. Thus, if the borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of any such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses.

Certain Additional Risks Related to B Notes, Participations and Rake Bonds

B Notes, Participations and Rake Bonds typically rank junior in priority to one or more Senior Tranches in the related commercial mortgage loan. A Participation may be a direct junior participation in a commercial mortgage loan or a sub-participation interest in a junior participation created at the level of the commercial mortgage loan, or a participation interest

in a B Note. In such cases, although the Participation that the Issuer holds may be the senior interest of the sub-participation or participation in a B Note, such Participation will be junior to the rights of the holders of the Senior Tranche at the level of the commercial mortgage loan, or any other holder of a Senior Tranche. A Rake Bond is any loan specific commercial mortgage pass-through certificate or similar security backed by only one of the mortgage loans included in a pooled securitization transaction, typically representing a non-pooled component of the related mortgage loan that is subordinate to the pooled component with respect to the right to receive distributions of collections on such mortgage loan.

The Trustee will not serve as backup advancing agent with respect to Cure Advances.

Mezzanine Loans

Mezzanine Loans share many of the characteristics of the subordinate Participations, B Notes and Rake Bonds described above. Typically, the ownership interests pledged by a mezzanine borrower as security for a Mezzanine Loan represents all or a portion of the equity in an entity that itself is a borrower under a commercial mortgage loan pursuant to which such mortgage borrower has pledged commercial property as security for such mortgage loan and perhaps other indebtedness, all of which will be senior in priority to the Mezzanine Loan. Also, typically, distributions in respect of its equity interest in the mortgage borrower constitute the sole source of income of the mezzanine borrower (and, therefore, the sole source of debt service payments on the related Mezzanine Loan). Accordingly, although a mezzanine borrower does not own or operate any commercial property, its ability to meet its obligations under its Mezzanine Loan depends upon the performance of the related commercial property. As with commercial mortgage loans, repayment of a Mezzanine Loan is thus dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks.

CMBS Securities

The structure of a CMBS Security and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all CMBS Securities are similar, individual transactions can differ in both structure and execution. Important determinants of the risk associated with issuing or holding the securities include the process by which principal and interest payments are allocated to investors, how credit losses and trust fund expenses affect the trust and the return to investors, how prepayments affect yield and how losses and expenses are allocated among various classes of securities.

Holders of CMBS Securities bear various risks, including credit risks, market risks, structural risks, interest rate risks, liquidity risks, operations risks and legal risks. Credit risk arises from (i) losses due to defaults by the borrowers in the underlying collateral and (ii) the related servicer's failure to perform. Market risk and structural risk arise from the cash flow characteristics of CMBS Securities and the market for similar CMBS Securities. The cash flow for CMBS Securities is determined by credit performance, the allocation of the resulting cash flow and the allocation of losses and expenses. For the holder of a CMBS Security, interest rate risk depends on the expected life or repricing of such CMBS Security. Liquidity

risk can arise from increased perceived credit risk of delinquencies and losses on securitized pools of similar assets. Operations risk arises from the potential for misrepresentation of loan quality or terms, misrepresentation of the nature and current value of the assets and inadequate controls over disbursements and receipts. Legal risk can arise as a result of the procedures followed in connection with the origination or servicing of the mortgage loans. Structural risks and related legal risks can arise from issues related to the characterization of the transfer of such mortgage loans to the issuer of CMBS Securities, the issuance of CMBS Securities and the tax status of such

Subordination of CMBS Securities.

The CMBS Securities owned by the Issuer may be subordinated to one or more other classes of securities of the same series ("Senior CMBS Securities") for purposes of, among other things, payment priorities and offsetting losses and other shortfalls with respect to the related underlying mortgage loans. Realized losses and trust expenses generally will be allocated first to the most subordinated class of securities of the related series and then to the next most subordinated class. Accordingly, to the extent any CMBS Security is or becomes the most subordinated class of securities of the related series, any delinquency or default on any underlying commercial mortgage loan may result in shortfalls, realized loss allocations or extensions of its weighted average life and will have a more immediate and disproportionate effect on the related CMBS Security than on the related Senior CMBS Securities. Further, even if a class is not the most subordinate class of securities, there can be no assurance that the subordination offered to such class will be sufficient on any date to ensure that such class will not suffer any losses or expenses.

Consequently, the right to receive payments of interest on any date on the classes of CMBS Securities owned by the Issuer will be subordinate to other more senior class of CMBS Securities and payments will be made only to the extent funds held by the underlying trust are sufficient to make the required payments on such date.

The CMBS Securities include classes that are close to the most subordinated class in the related underlying CMBS series. Accordingly, any delinquency or default on any of the underlying commercial mortgage loans will have a more immediate effect on the related CMBS Security and may result in a shortfall, realized loss or extension of its weighted average life. In addition, since each of the CMBS Securities represents a small percentage of the pool of underlying commercial mortgage loans, any delinquencies, defaults and losses will have a disproportionate impact on the CMBS Securities.

CRE CDO Securities

"CRE CDO Securities" are collateralized debt obligations, collateralized bond obligations or collateralized loan obligations (including, without limitation, any synthetic collateralized debt obligations or synthetic collateralized loan obligations) that entitle the holders thereof to receive payments that depend (except for rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such CRE CDO Securities) on the cash flow from (and not the market value of) a portfolio of assets that are predominantly related to commercial mortgage properties. Each CRE CDO Security may be subordinate in the right of

repayment and rank junior to the other securities in the same issuance and/or is senior to other more subordinate classes of securities in the same issuance. CRE CDO Securities are dependent on cash flow from a portfolio of primarily CMBS Securities or loans related to commercial mortgage properties.

CRE CDO Securities generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets of the issuer or proceeds thereof (the "CDO Collateral"). Consequently, holders of CRE CDO Securities must rely solely on distributions on the underlying CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the underlying CDO Collateral are insufficient to make payments on the CRE CDO Securities, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency will be extinguished. Many subordinate classes of CRE CDO Securities provide that a deferral of interest thereon does not constitute an event of default and the holders of such securities will not have available to them any associated default remedies. During such periods of non-payment, such non-paid interest will generally be capitalized and added to the outstanding principal balance of the related security. Any such deferral will reduce the amount of current payments made on such CRE CDO Securities.

Servicing

In general, the loans underlying the B Notes and Participations that are Collateral Interests will be primary serviced pursuant to the terms of the related intercreditor agreement or participation agreement. If the related Senior Tranche is included in a securitization, the Collateral Interest will be primary serviced under the pooling and servicing agreement for that securitization transaction. Although such servicing arrangements are generally similar to each other, each agreement is different and there can be no assurance that each of the agreements will contain any or all of the provisions set forth in the CDO servicing Agreement or that might be applicable generally to securitization servicing. The primary servicing or administration of REELs will be performed by the applicable "lead lender" or "agent bank" pursuant to the applicable Underlying Instruments. In the case of such B Notes, Participations and REELs, the CDO Servicer will not directly participate in the servicing of such Collateral Interests and the CDO servicing agreement will provide that the CDO Special Servicer will act as agent of the Issuer in exercising any of the rights that the Issuer may have with respect to the servicing of that Collateral Interest.

The servicer with respect to the commercial mortgage loan underlying any Collateral Interest will service and administer the commercial mortgage loan taking into account the interests of both the Issuer and the other holders of interests in the related mortgage loan as a whole to the extent consistent with the related Underlying Instruments. As an investor in Collateral Interests, the Issuer may have indemnification obligations with respect to the servicer of an asset that could reduce the amounts available for distribution to the Noteholders.

In connection with the servicing of the Collateral Interests, the CDO Servicer or CDO Special Servicer may, at the direction of the Issuer (which for this purpose will direct the CDO Servicer in accordance with the instructions of the holders of a Majority of the Preferred Shares), take actions with respect to the Collateral Interests that could affect adversely the

holders of some or all of the Classes of the Notes. The holder(s) of the Preferred Shares, which initially will be the Depositor, may have interests that conflict with those of the holders of the Notes. However, the CDO Servicer or CDO Special Servicer, as the case may be, will not be obligated to take, or refrain from taking, any action that the CDO Servicer or CDO Special Servicer determines in its reasonable discretion to be in violation of the servicing Standard. For a description of the CDO servicing Agreement and a general discussion of servicing of the Collateral Interests, see "Security for the Notes-Collateral Interests-Servicing."

Illiquidity of Collateral Interests; Certain Restrictions on Transfer

There will be a limited trading market for the Collateral Interests, and in certain instances there may be effectively no trading market therefor. The illiquidity of certain Collateral Interests may restrict the Issuer's ability to dispose of investments in a timely fashion and for an attractive price. The foregoing practical limitations are in addition to the limitations on selling Collateral Interests described under "Security for the Notes-Substitute Collateral Interests, Reinvestment Criteria and Ramp-Up Criteria." Illiquid Collateral Interests may trade at a discount from comparable, more liquid investments. In addition, the Issuer initially will invest in privately placed Collateral Interests that may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale, and even if such privately placed Collateral Interests are transferable, the prices realized from their sale could be less than those originally paid by the Issuer or less than what may be considered the fair value of such securities.

Risks Related to Commercial Real Estate Loans

The Issuer was permitted to purchase assets that constitute Loans (including, without limitation, Whole Loans, B Notes, Participations, Rake Bonds and Mezzanine Loans, CMBS Securities, CRE CDO Securities, REBLs, REIT Debt Securities and Other Real Estate Related Interests. Each of the foregoing Specified Types is either itself a commercial real estate loan or relies on payments related to commercial real estate loans. As a result, such Collateral Interests are dependent on the performance of commercial real estate loans.

The inability of a borrower to meet its obligations under a commercial real estate loan and losses suffered on a commercial real estate loan in the circumstances described below or otherwise may be allocated to the Collateral Interests, particularly with respect to Whole Loans, B Notes, Participations, Rake Bonds and Mezzanine Loans. Investors should consider the risks related to an investment in the Notes, which depend on the performance of commercial mortgage loans for payments, including the risk of loss related to commercial mortgage loans described below.

Adjustable Rate Mortgage Loans

Certain of the commercial real estate loans underlying or comprising the Loans acquired on or after the Closing Date may bear interest at adjustable rates based on LIBOR for one-month deposits or other established interest indices. Accordingly, debt service for any such commercial real estate loan will increase as interest rates rise. In contrast, rental and other income on the related mortgaged properties is not expected to rise significantly as interest rates rise. Accordingly, debt service coverage ratios of the underlying floating rate commercial

mortgage loans generally will be affected adversely by rising interest rates, and a borrower's ability to make all payments due on such floating rate commercial mortgage loans may be adversely affected.

Environmental Considerations

Under the laws of certain states, contamination of real property may give rise to a lien on the property to assure the costs of cleanup. In several states, such a lien has priority over an existing mortgage lien on such property. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), a lender may be liable, as an "owner" or "operator," for costs of addressing releases or threatened releases of hazardous substances at a property, if agents or employees of the lender have become sufficiently involved in the operations of the borrower, regardless of whether the environmental damage or threat was caused by the borrower or a prior owner. A lender also risks such liability on foreclosure of the mortgage, and the value of a mortgaged property can be reduced in part or in whole by releases or threatened releases of hazardous substances. In addition, the related borrower may be liable, as an "owner" or "operator," for costs of addressing releases or threatened releases of hazardous substances at a mortgaged property or elsewhere, which may affect the borrower's ability to make scheduled payments under the loans.

Under the pooling and servicing agreements or other similar agreements relating to securitization transactions, the applicable Special Servicer generally is required to obtain an environmental site assessment of a mortgaged property securing a defaulted commercial mortgage loan prior to acquiring title thereto or assuming its operation. Such requirement effectively precludes enforcement of the security for the related mortgage note until a satisfactory environmental site assessment is obtained (or until any required remedial action is thereafter taken), but will decrease the likelihood that the lender will become liable for a material adverse environmental condition at the mortgaged property. However, there can be no assurance that this requirement will effectively insulate the lender from potential liability for a materially adverse environmental condition at any mortgaged property.

Availability of Insurance

Although the mortgaged properties generally are required to be insured against certain risks, there is a possibility of casualty loss with respect to each mortgaged property for which insurance proceeds may not be adequate (such as floods) or which may result from risks not covered by insurance (such as terrorism risks or hurricanes). In addition, certain of the mortgaged properties are located in states that have been historically at greater risk to acts of nature (such as hurricanes, floods and earthquakes) than properties located in other states. There can be no assurance borrowers have complied or will in the future be able to comply with requirements to maintain adequate insurance with respect to the mortgaged properties in the affected areas. As with all real estate, if reconstruction (for example, following fire or other casualty) or any major repair or improvement is required to the property, applicable laws and governmental regulations may materially affect the cost to, or ability of, the borrower to effect such reconstruction, major repair or improvement. As a result of the occurrence of any

of these events, the amount realized with respect to the commercial mortgage loans could be reduced.

Non Recourse Mortgage Loans

Generally, all of the commercial mortgage loans are expected to be non-recourse loans as to which recourse, in the event of a default, will be limited to the related mortgaged property. Consequently, payment on each such commercial mortgage loan prior to maturity is dependent primarily on the sufficiency of the cash flow of the related mortgaged property, and at maturity (whether at scheduled maturity or, in the event of a default, upon the acceleration of such maturity) upon the then market value of the related mortgaged property or the ability of the related borrower to refinance the mortgaged property.

Balloon Payments

The commercial mortgage loans related to certain of the Initial Collateral Interests generally provide for balloon payments to be due at their respective stated maturity dates unless prepaid prior thereto. Commercial mortgage loans with balloon payments involve a greater likelihood of default than self amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to refinance the loan or to sell the related mortgaged property. The ability of a borrower to accomplish either of these goals will be affected by a number of factors, including the value of the related mortgaged property, the level of available mortgage rates at the time of sale or refinancing, the borrower's equity in the related mortgaged property, the financial condition and operating history of the borrower and the related mortgaged property, tax laws, rent control laws (with respect to certain residential properties), prevailing general economic conditions and the availability of credit for loans secured by multi-family or commercial real estate properties generally. None of the Sellers or any of its affiliates (including the Collateral Manager) will be required to refinance any commercial mortgage loan.

In order to maximize recoveries on defaulted commercial mortgage loans, the applicable servicer or special servicer may extend and modify such commercial mortgage loans that are in material default or as to which a payment default (including the failure to make a balloon payment) is reasonably foreseeable. There can be no assurance, however, that any such extension or modification will increase the present value of recoveries in a given case.

Leases and Rents

Each commercial mortgage loan secured by a mortgaged property that is subject to leases typically is secured by an assignment of leases and rents pursuant to which the borrower assigns to the lender its right, title and interest as landlord under the leases of the related mortgaged property, and the income derived therefrom, as further security for the related commercial mortgage loan, while retaining a license to collect rents for so long as there is no default. If the borrower defaults, the license terminates and the lender is entitled to collect rents. Some state laws may require that the lender take possession of the mortgaged property and obtain a judicial appointment of a receiver before being entitled to collect the rents. In

addition, if bankruptcy or similar proceedings are commenced by or in respect of the borrower, the lender's ability to collect the rents may be adversely affected.

Ground Leases

The Collateral Interests may be secured in whole or in part by a leasehold interest. On the bankruptcy of a lessor or a lessee under a ground lease, the debtor entity has the right to assume (continue) or reject (terminate) the ground lease.

Pursuant to Section 365(h) of the Bankruptcy Code, a ground lessee whose ground lease is rejected by a debtor ground lessor has the right to remain in possession of its leased premises under the rent reserved in the lease for the term (including renewals) of the ground lease but is not entitled to enforce the obligations of the ground lessor to provide any services required under the ground lease. In the event a ground lessee/borrower in bankruptcy rejects any or all of its ground lease, the leasehold mortgagee would have the right to succeed to the ground lessee/borrower's position under the lease only if the ground lessor had specifically granted the mortgagee such right. In the event of concurrent bankruptcy proceedings involving the ground lessor and the ground lessee/borrower, the mortgagee may be unable to enforce the bankrupt ground lessee/borrower's obligation to refuse to treat a ground lease rejected by a bankrupt ground lessor as terminated. In such circumstances, a ground lease could be terminated notwithstanding lender protection provisions contained therein or in the mortgage. A mortgagee could lose its security unless the bankruptcy court, as a court of equity, allows the mortgagee to assume the ground lessee's obligations under the ground lease and succeed to the ground lessee's position. Although not directly addressed by the 1994 amendment to the Bankruptcy Code, such a result would be consistent with the purposes of those amendments which grant leasehold mortgagees the right to succeed to the position of a leasehold mortgagor. Although consistent with the Bankruptcy Code, such position may not be adopted by a bankruptcy court.

Because a ground lease may be the primary security for a mortgage loan, the ability of a borrower to refinance the related mortgage loan or its interest in the related mortgaged property often depends on the length of the related ground lease. The ability of the borrower to refinance the existing debt on the mortgaged property may be adversely impacted by a ground lease with a term that is not significantly longer than the term of the mortgage loan.

Limitations of Appraisals

It is expected that an appraisal or an update thereof was conducted in respect of the related mortgaged properties in connection with the origination of each commercial mortgage loan or thereafter. Those appraisals represent the analysis and opinion of the person performing the appraisal or market analysis and are not guarantees of present or future values. In addition, appraisals seek to establish the amount a typically motivated buyer would pay a typically motivated seller. Such amount could be significantly higher than the amount obtained from the sale of a mortgaged property under a distress or liquidation sale. Certain of the commercial mortgage loans are not or will not be newly originated when the related Collateral Interest is acquired by the Issuer and the appraisals of the underlying mortgaged properties may not be current or reflect the then current value of the mortgaged property. The values of the

mortgaged properties may have changed significantly since the appraisal was performed. None of the Issuer, the Collateral Manager or the Trustee is under any obligation to obtain or update any appraisals.

Risks of Additional Secured or Mezzanine Financing

The commercial mortgage loans may prohibit the related borrower from encumbering the mortgaged property with additional secured debt or require the consent of the holder of the first lien prior to so encumbering such property. However, a violation of such prohibition may not become evident until the related commercial mortgage loan otherwise defaults. The existence of any additional indebtedness may increase the difficulty of refinancing the related commercial mortgage loan at maturity for the purpose of making any balloon payments and the possibility that reduced cash flow could result in deferred maintenance. If the holder of any subordinated debt secured by a mortgaged property has filed for bankruptcy or been placed in involuntary receivership, foreclosing on such mortgaged property in the event of a default under the related commercial mortgage loan could be delayed.

A portion of the Collateral Interests may consist of Loans that have related Mezzanine Loans. Loans that are subsequently acquired may have existing Mezzanine Loans or may provide that Mezzanine Loans are permitted. Because Mezzanine Loans are secured by all or a portion of the obligor's equity interest in the related borrowers, such financing effectively reduces the obligor's economic stake in the related mortgaged property. The existence of Mezzanine Loans may reduce cash flow on the borrower's mortgaged property after the payment of debt service and may increase the likelihood that the owner of a borrower will permit the value or income producing potential of a mortgaged property to fall and may create a greater risk that a borrower will default on the commercial mortgage loan secured by a mortgaged property whose value or income is relatively weak.

Related Borrowers; Concentration of Borrowers or Sponsors

Certain borrowers or sponsors under the commercial mortgage loans may be affiliated or under common control with one another. Any adverse circumstances relating to a borrower or sponsor or an affiliate thereof and affecting one of the related commercial mortgage loans or mortgaged properties could also affect commercial mortgage loans or mortgaged properties of the related borrower. In particular, the bankruptcy or insolvency of any such borrower, sponsor or affiliate could have an adverse effect on the operation of all of the mortgaged properties of that borrower and its affiliates and on the ability of such related mortgaged properties to produce sufficient cash flow to make required payments on the related commercial mortgage loans. For example, if a person that owns or controls several mortgaged properties experiences financial difficulty at one mortgaged property, it could defer maintenance at one or more other mortgaged properties, in order to satisfy current expenses with respect to the mortgaged property experiencing financial difficulty. Alternatively, the borrower could attempt to avert foreclosure by filing a bankruptcy petition. The bankruptcy or insolvency of a borrower or its affiliate could have an adverse effect on the operation of all of the mortgaged properties of that borrower and its affiliates and on the ability of those mortgaged properties to produce sufficient cash flow to make required payments on the commercial mortgage loan.

Zoning and Building Code Compliance

While it is expected that the originator of each commercial mortgage loan will have taken certain steps to establish at origination that the use and operation of mortgaged properties were in compliance in all material respects with all applicable zoning, land use, building, fire and health ordinances, rules, regulations and orders applicable to such mortgaged properties, no assurance can be made that such steps revealed all possible violations. Evidence of such compliance may have been in the form of legal opinions, certifications from government officials, title policy endorsements and/or representations by the related borrower contained in the related commercial mortgage loan documents. In many cases, the use, operation and/or structure of a mortgaged property constitutes a permitted nonconforming use and/or structure, which may not be rebuilt to its current state in the event of a material casualty event; however, it is expected that insurance proceeds would be available for application to the related commercial mortgage loan if such were to occur. Such insurance proceeds, however, may not be sufficient to cover all principal of and interest on the related commercial mortgage loan.

Availability of Hazard Insurance and Terrorism Insurance

Commercial mortgage loans typically will require the borrowers to maintain hazard insurance policies with respect to the related mortgaged properties, as well as comprehensive general liability and business interruption or rent loss insurance policies. Such insurance policies are generally subject to periodic renewals during the term of the related commercial mortgage loans. At the time of such renewal, insurance coverage may be more difficult to obtain or renew at comparable rates.

Risks Related to Redevelopment or Renovation

The Collateral Interests may include Loans that are currently undergoing or are expected to undergo redevelopment or renovation. There can be no assurance that current or planned redevelopment or renovation will be completed, that such redevelopment or renovation will be completed in the time frame contemplated or that, when and if such redevelopment or renovation is completed, it will improve the operations at, or increase the value of, the related mortgaged property. Failure of any of the foregoing to occur could have a material adverse impact on the related mortgage loan, which could affect the ability of the related borrower to repay the related mortgage loan.

In the event the related borrower fails to pay the costs of work completed or material delivered in connection with such ongoing redevelopment or renovation, the portion of the mortgaged property on which there are renovations may be subject to mechanics' or materialmen's liens that may be senior to the lien on the related mortgage loans.

The existence of construction or renovation at a mortgaged property may make such mortgaged property less attractive to tenants or their customers or, in the case of hospitality properties, may require that a portion of the mortgaged property not be used during that renovation and, accordingly, could have a negative effect on net operating income.

Risks Particular to Office Properties

Economic decline in the businesses operated by the tenants of office properties may increase the likelihood that the tenants may be unable to pay their rent, which could result in realized losses on the mortgage loans. A number of economic and demographic factors may adversely affect the value of office properties, including:

- (i) the quality of the tenants in the building;
- (ii) the physical attributes of the building in relation to competing buildings;
- (iii) access to transportation;
- (iv) the availability of tax benefits;
- (v) strength and stability of businesses operated by the tenant or tenants;
- (vi) the desirability of the location for business; and
- (vii) the cost of refitting office space for a new tenant, which is often significantly higher than the cost of refitting other types of properties for new tenants.

These risks may be increased if rental revenue depends on a single tenant, on a few tenants, if the property is owner occupied or if there is a significant concentration of tenants in a particular business or industry.

In addition, adverse developments in the local, regional and national economies can affect the ability of a landlord to incur the cost of providing services at an office property, and the ability of a landlord to provide services to an office property can have a significant effect on the success of the property. Further, technological developments can affect the viability of office properties by rendering facilities obsolete or by reducing the size of the workforce necessary to perform office tasks, thus reducing demand for office space.

The bankruptcy of, or financial difficulties affecting, a major tenant may adversely affect a borrower's ability to make its mortgage loan payments.

Risks Particular to Retail Properties

A significant tenant ceasing to do business at a retail property could result in realized losses on the mortgage loans. The loss of a significant tenant may be the result of the tenant's voluntary decision not to renew a lease or to terminate it in accordance with its terms, the bankruptcy or insolvency of the tenant, the tenant's general cessation of business activities or other reasons (including co tenancy provisions permitting a tenant to terminate a lease prior to its term). There is no guarantee that any tenant will continue to occupy space in the related retail property.

Some component of the total rent paid by retail tenants may be tied to a percentage of gross sales. As a result, the correlation between the success of a given tenant's business and property value is more direct for retail properties than other types of commercial properties. Significant tenants or anchor tenants at a retail property play an important part in generating customer traffic and making a retail property a desirable location for other tenants at that property. A retail "anchor tenant" is typically understood to be a tenant that is larger in size and is important in attracting customers to a retail property, whether or not it is located on the mortgaged property.

Certain of the Collateral Interests may be collateralized by anchored retail properties. During the Reinvestment Period, additional Loans that are anchored retail properties may be acquired. Some tenants at retail properties may be entitled to terminate their leases or pay reduced rent if sales are below certain target levels, or if an anchor tenant or one or more major tenants cease operations at that property or fail to open. If anchor stores in a mortgaged property were to close, the borrower may be unable to replace those anchor tenants in a timely manner on similar terms, and customer traffic may be reduced, possibly affecting sales at the remaining retail tenants. The lack of replacement anchors and a reduction in rental income from remaining tenants may adversely affect the borrower's ability to pay current debt service or successfully refinance the mortgage loan at maturity. These risks with respect to an anchored retail property may be increased when the property is a single tenant property. In addition, certain retail anchor tenants may own their building and improvements, while the borrower owns only the underlying land. In those cases, the collateral securing the mortgage loan will include only the land and the rights of the borrower as landlord with respect to the anchor lease.

The bankruptcy of, or financial difficulties affecting, a major tenant may adversely affect a borrower's ability to make its mortgage loan payments.

Retail Properties are Vulnerable to Changes in Consumer Preferences. Changes in consumer preferences and market demographics may adversely affect the value and cash flow from retail properties, particularly properties with a specialty retail focus. The commercial mortgage loans may experience losses due to these changes. Retail properties are particularly vulnerable to changes in consumer preferences and market demographics that may relate to:

- (i) Changes in consumer spending patterns;
- (ii) Local competitive conditions, such as an increased supply of retail space or the construction of other shopping centers;
- (iii) the attractiveness of the properties and the surrounding neighborhood to tenants and their Customers;
- (iv) with respect to value oriented retail properties, such properties may contain tenants that sell discounted, "last season" or closeout merchandise, or may have higher than average seasonality in tenant sales, cash flows and occupancy levels;

- (v) The public perception of the safety of the neighborhood;
- (vi) The need to make major repairs or improvements to satisfy major tenants;
and
- (vii) The quality and philosophy of management. Retail property and can have a significant effect on the success of a retail property.

The Collateral Interests may include Loans that have movie theaters as tenants. In recent years, the theater industry has experienced a high level of construction of new theaters and an increase in competition among theater operators. This has caused some operators to experience financial difficulties, resulting in downgrades in their credit ratings and, in certain cases, bankruptcy filings. In addition, because of the unique construction requirements of theaters, any vacant theater space would not easily be converted to other uses.

Risks Particular to Industrial Properties

Changes in Economic and Economic decline in the businesses operated by the tenants of industrial properties could result in realized losses on the mortgage loans.

These risks are similar to those of tenants of office properties.

Site characteristics at industrial properties may impose restrictions that may limit the properties suitability for tenants, affect the value of the properties and contribute to losses on the mortgage loans. Site characteristics which affect the value of an industrial property include:

- (i) clear heights;
- (ii) column spacing;
- (iii) number of bays and bay depths;
- (iv) truck turning radius;
- (v) divisibility;
- (vi) zoning restrictions; and
- (vii) overall functionality and accessibility.
- (viii) An industrial property also requires availability of labor sources, proximity to supply sources and customers, and accessibility to rail lines, major roadways and other distribution channels.

Risks Particular to Multi-family Properties

Reduction in Occupancy and Rent Levels on Multi-family Properties Could Adversely Affect their Value and Cash Flow. A decrease in occupancy or rent levels at these properties could result in realized losses on the mortgage loans. Occupancy and rent levels at a multi-family property may be adversely affected by:

- (i) local, regional or national economic conditions, which may limit the amount of rent that can be charged for rental units or result in a reduction in timely rent payments;
- (ii) construction of additional housing units in the same market; (iii) local military base or industrial/business closings;
- (iii) the tenant mix (such as tenants being predominantly students, military personnel, corporate tenants or employees of a particular business);
- (iv) developments at local colleges and universities;
- (v) national, regional and local politics, including current or future rent stabilization and rent control laws and agreements;
- (vi) trends in the senior housing market;
- (vii) the level of mortgage interest rates, which may encourage tenants in multi-family properties to purchase housing, and
- (viii) a lack of amenities, unattractive physical attributes or bad reputation of the mortgaged property.

Risks Particular to Hospitality Properties

Reductions in Room Rates or Occupancy at a Hospitality Property Could Adversely Affect its Value and Cash Flow. A decrease in room rates or occupancy at a hospitality property could result in realized losses on the mortgage loans. Room rates and occupancy levels may depend upon the following factors:

- (i) the proximity of a hospitality property to major population centers or attractions;
- (ii) adverse local, regional or national economic conditions or the existence or construction of competing hospitality properties. Because hospitality property rooms typically are rented for short periods of time, the performance of hospitality properties tends to be affected by adverse economic conditions and competition more quickly than other commercial properties;
- (iii) a hospitality property's ability to attract customers and a portion of its

revenues may depend on its having a liquor license, which may not be transferable if a foreclosure on the mortgaged property occurs;

- (iv) in many parts of the country the hotel and lodging industry is seasonal in nature. Seasonality will cause periodic fluctuations in room and other revenues, occupancy levels, room rates and operating expenses; and
- (v) limited service hospitality properties have lower barriers to entry than other types of hospitality properties, and over building could occur.

The viability of hospitality properties that are franchisees of national, international or regional hotel chains or managed by hotel management companies depends in large part on the continued existence and financial strength of the franchisor or management company, as applicable. The public perception of the franchise or chain service mark, and the duration of the franchise license agreement or hotel management agreement are also important. Franchise licensing agreements generally impose affirmative obligations on the franchisees with respect to hotel operation. If the franchisee does not comply with such obligations, it may lose its franchise license. In addition, if the borrower defaults on its debt, the trustee may be unable to use the franchise license without the consent of the franchisor or hotel management company due to restrictions on transfers imposed by the franchise license agreement or hotel management agreement, as applicable, and substantial disruption of operations may occur. Conversely, a lender may be unable to remove a franchisor that it desires to replace following a foreclosure. Some of the mortgaged properties may not be affiliated with a franchise.

In addition, the demand for particular accommodations may also be affected adversely by changes in travel patterns caused by changes in energy prices, strikes, relocation of highways, concern over terrorist activity, the construction of additional highways, seasonality and other factors. This may have a material adverse effect on revenues for hotel properties and the related borrower's ability to meet its obligations to the mortgagee.

Risks Particular to Medical Office Properties

Medical Office Properties consist of office buildings that are primarily occupied by health care professionals and other health care service providers.

Certain types of health care providers receive a substantial portion of their revenues from government reimbursement programs, primarily Medicaid and Medicare. Medicaid and Medicare are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings, policy interpretations, delays by fiscal intermediaries and government funding restrictions. Accordingly, it cannot be assured that payments under government reimbursement programs will, in the future, be sufficient to fully reimburse the cost of caring for program beneficiaries. If such payments are insufficient, net operating income of those health care providers that receive revenues from those sources, and consequently the ability of the related borrowers to meet their obligations under any mortgage loans secured thereby, could be adversely affected.

Compliance with Applicable Laws and Regulations May Result in Losses

A borrower may be required to incur costs to comply with various existing and future federal, state or local laws and regulations applicable to the related mortgaged real property securing a mortgage loan. Examples of these laws and regulations include zoning laws and the Americans with Disabilities Act of 1990 (the "ADA"), which requires all public accommodations to meet certain federal requirements related to access and use by disabled persons. The expenditure of such costs or the imposition of injunctive relief, penalties or fines in connection with the borrower's noncompliance could negatively impact the borrower's cash flow and, consequently, its ability to pay its mortgage loan.

Bankruptcy Proceedings Entail Certain Risks

Under federal bankruptcy law, the filing of a petition in bankruptcy by or against a borrower will stay the sale of the mortgaged real property owned by that borrower, as well as the commencement or continuation of a foreclosure action. In addition, even if a court determines that the value of the mortgaged real property is less than the principal balance of the mortgage loan it secures, the court may prevent a lender from foreclosing on the mortgaged real property (subject to certain protections available to the lender). As part of a restructuring plan, a court also may reduce the amount of secured indebtedness to the then current value of the mortgaged real property, which would make the lender a general unsecured creditor for the difference between the then current value and the amount of its outstanding mortgage indebtedness. A bankruptcy court also may: (i) grant a debtor a reasonable time to cure a payment default on a mortgage loan; (ii) reduce periodic payments due under a mortgage loan; (iii) change the rate of interest due on a mortgage loan; or (iv) otherwise alter the mortgage loan's repayment schedule.

Moreover, the filing of a petition in bankruptcy by, or on behalf of, a junior lienholder may stay the senior lienholder from taking action to foreclose on the junior lien. Additionally, the borrower's trustee or the borrower, as debtor in possession, has certain special powers to avoid, subordinate or disallow debts. In certain circumstances, the claims of the special servicer may be subordinated to financing obtained by a debtor in possession subsequent to its bankruptcy. Under federal bankruptcy law, the lender will be stayed from enforcing a borrower's assignment of rents and leases. Federal bankruptcy law also may interfere with the master servicer's or special servicer's ability to enforce lockbox requirements. The legal proceedings necessary to resolve these issues can be time consuming and costly and may significantly delay or diminish the receipt of rents. Rents also may escape an assignment to the extent they are used by the borrower to maintain the mortgaged real property or for other court authorized expenses.

Additionally, pursuant to subordination agreements for certain of the mortgage loans, the subordinate lenders may have agreed that they will not take any direct actions with respect to the related subordinated debt, including any actions relating to the bankruptcy of the borrower, and that the holder of the mortgage loan will have all rights to direct all such actions. There can be no assurance that in the event of the borrower's bankruptcy, a court will enforce such restrictions against a subordinated lender. In its decision in *In re 203 North LaSalle Street Partnership*, 246 B.R. 325 (Bank N.D. Ill. March 10, 2000), the United States Bankruptcy Court for the Northern District of Illinois refused to enforce a provision of a subordination

agreement that allowed a first mortgagee to vote a second mortgagee's claim with respect to a Chapter 11 reorganization plan on the grounds that pre bankruptcy contracts cannot override rights expressly provided by the Bankruptcy Code.

Litigation May Have Adverse Effect on Borrowers

From time to time, there may be legal proceedings pending or threatened against the borrowers and their affiliates relating to the business of, or arising out of the ordinary course of business of, the borrowers and their affiliates, and certain of the borrowers and their affiliates are subject to legal proceedings relating to the business of, or arising out of the ordinary course of business of, the borrowers or their affiliates.

ITEM 9. DISCIPLINARY INFORMATION

WRP has no disciplinary information to report at this time.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither WRP nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither WRP nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

WRP and FWC are related parties, and WRP's relationship with FWC is material to its advisory business. There is no conflict of interest created by the relationship between WRP and FWC. WRP annually pays a fixed amount to FWC in respect of WRP's use of certain employees and facilities WRP shares with FWC.

WRP does not select or recommend other advisers for any client.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

WRP has adopted and is in the process of implementing a Code of Ethics (the "Code") that sets forth the ethical and fiduciary principles and related compliance requirements under which WRP operates and the procedures for implementing those principles. The Code, which is designed to comply with Rule 204A-1 under the Advisers Act of 1940, includes provisions that govern fiduciary duty, standards of business conduct, client opportunities and personal securities transactions, including certain pre-clearance and reporting obligations.

Every managing director, principal, partner or officer (or any person performing similar functions) or employee of WRP and every natural person (whether or not an employee) who is subject to WRP's supervision and control who (i) has access to nonpublic information regarding the Client's purchase or sale of securities, (ii) is involved in making securities recommendations to the Client, or (iii) has access to securities recommendations to the Client that are nonpublic (collectively, "Access Persons") may maintain personal securities accounts, provided that such

accounts are disclosed to WRP and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, employees may buy, sell or hold, for their own personal accounts, securities that WRP also may buy, sell or hold for the Client.

The Code contains policies and procedures that, among other things:

- Prohibit Access Persons from taking personal advantage of opportunities belonging to the Client;
- Place limitations on personal trading by Access Persons to avoid direct conflict with the Client's trading and impose, in certain cases, preclearance and reporting obligations with respect to trading;
- Require initial and annual reports of securities holdings and quarterly transaction reports by Access Persons;
- Require Access Persons to report violations of the Code of which they become aware; and
- Require Access Persons to certify annually compliance with the Code.

In limited circumstances, WRP sells for its client account the same or related securities to those recommended, bought or sold by related persons. In the unlikely event that a potential conflict of interest arises as a result of a related person recommending, buying or selling the same or similar securities as those that WRP may sell for its client account, WRP resolves any such potential conflicts on a case-by-case basis in accordance with its fiduciary duties.

A copy of the Code can be obtained by contacting Jay Cramer at (617) 570-4600.

ITEM 12. BROKERAGE PRACTICES

WRP has full discretionary authority to place trades on behalf of its client subject to the consent of the Members. WRP is obligated to obtain best execution for client securities transactions. WRP considers best execution to be a duty to execute securities transactions so that a client's total costs or proceeds are the most favorable over the long term. Factors WRP may consider when selecting broker-dealers generally include price, the size of the transaction, the nature of the market for such security, the amount of the commission, the time constraints of the transaction, general market trends, the reputation, experience and financial stability of any broker or dealer and the quality of service rendered by the broker or dealer in other transactions. Since the termination of the reinvestment period specified in the Indenture, the Advisor's brokerage activities have been almost exclusively with respect to the disposition of Assets.

In placing specific orders to sell Assets for the Client, WRP considers a number of factors in selecting the appropriate broker-dealer, such as:

- (i) determining which broker-dealers with whom WRP conducts business make an active market in the asset;
- (ii) determining what their respective current bid or offer prices, as applicable, are;

- (iii) comparing what, if any, assignment fees may be charged depending on which broker-dealer is selected; and
- (iv) taking into account whether the quoted prices are immediately actionable (i.e. whether the broker-dealer actually owns and is ready to sell an asset, or is ready to confirm an order for purchase).

Because of the nature of its business as a manager to a pool of fixed income real estate related assets, WRP does not enter into soft dollar arrangements or accept directions of brokerage from investors.

WRP does not consider, in selecting or recommending broker-dealers, whether WRP or a related person received client referrals from a broker-dealer or third party. WRP does not make or receive Client referrals.

ITEM 13. REVIEW OF ACCOUNTS

Day-to-day monitoring of the Client's portfolio composition enables WRP to customize its services to the needs of the Client. Weekly reviews of the Client's performance and portfolio composition are performed by middle and senior management of WRP to ensure the Client's portfolio is managed in accordance with the Operative Documents. In addition, the Client has engaged an administrator, servicers, an independent accounting firm, and a trustee to perform various review functions with respect to its Assets.

On a monthly basis, the Trustee prepares written reports that are distributed on the Trustee's website to the Client and its investors. WRP performs a detailed review of all reports for accuracy and provides approval to the Trustee prior to the posting of the reports. Once a year, the Client engages a certified public accountant to provide testing on the data on the note valuation report from February of the prior year and the aggregate principal amount of the collateral debt securities, eligible investments, and equity securities securing the secured notes as of the immediately preceding calculation date.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Neither WRP nor its related persons operate under any arrangement where it or they receive compensation or any economic benefit from a non-client.

Neither WRP nor its related persons, directly or indirectly, compensate any person for client referrals.

ITEM 15. CUSTODY

WRP does not have custody of the assets of the Client. Any cash and securities owned by the Client are maintained by the Trustee. The Client and its investors receive account statements prepared and provided by its trustee and investors should carefully review account statements provided by the trustee.

ITEM 16. INVESTMENT DISCRETION

WRP has full discretionary authority over the Client's Assets to operate within the parameters of the Operative Documents subject to the consent of the Members. At times, either Member may recuse itself from decisions regarding transactions involving its affiliates in order to ameliorate any potential conflicts of interest posed by such transactions, and as a result, the other Member acts as the sole decision-maker with respect to those transactions. WRP performs a thorough review of the Operative Documents and engages in day-to-day monitoring of the Client's performance and portfolio composition to ensure customization of its services to best meet the needs of the Client. Since the termination of the reinvestment periods specified in the Indentures, WRP's ability to purchase Assets on behalf of the Client is very limited, and therefore, WRP's primary activities currently consist of maintaining, monitoring and disposing of the Assets.

ITEM 17. VOTING CLIENT SECURITIES

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds ("Votes"). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant Fund's investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's Chief Compliance Officer (the "CCO") or the relevant Adviser investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Adviser's Vote.

All Voting decisions initially are referred to the Adviser's CCO or appropriate investment professional for a voting decision. In most cases, the Adviser's CCO or investment professional covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. If the investment professional is making the Voting decision, the investment professional will inform the CCO of any such Voting decision, and if the CCO does not object to such decision as a result of his or her conflict of interest review, the Vote will be voted in such manner. If the investment professional and the CCO are unable to arrive at an agreement as to how to vote, then the CCO may consult with the Adviser's Chief Executive Officer as to the appropriate vote, who will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds' holdings.

The Adviser's CCO has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review by the Adviser's CCO in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or the Adviser's affiliates and their clients has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser's CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Where the Adviser's CCO deems appropriate in his or her sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's CCO shall have the power to retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to: Carolyn Tiffany at 617-570-4600 or ctiffany@firstwinthrop.com to obtain further information.

ITEM 18. FINANCIAL INFORMATION

As of the date of this report, to the best of WRP's knowledge, no financial condition exists that is reasonably likely to impair WRP's ability to meet contractual commitments to the Client.