THE CAPITAL CONSORTIUM

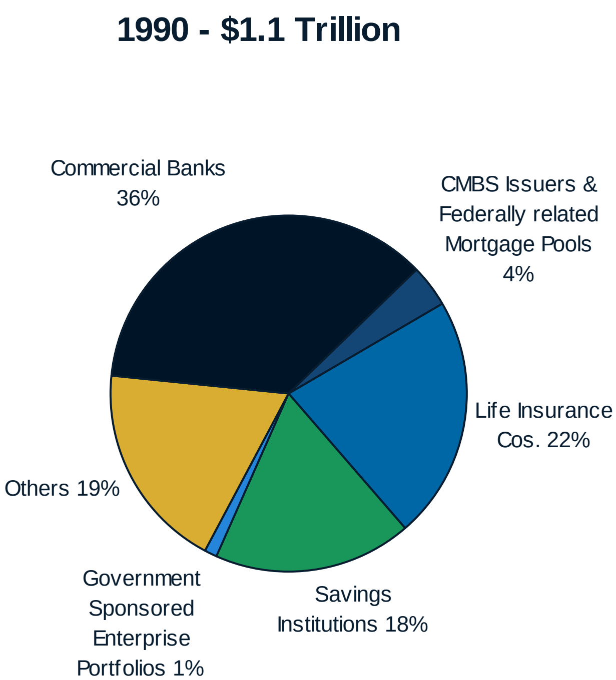
Commercial Mortgage Securities Association (CMSA)
Mortgage Bankers Association (MBA)
National Association of Realtors (NAR)
The Real Estate Roundtable (RER)
The Bond Market Association (TBMA) and its
affiliate, the American Securitization Forum (ASF)

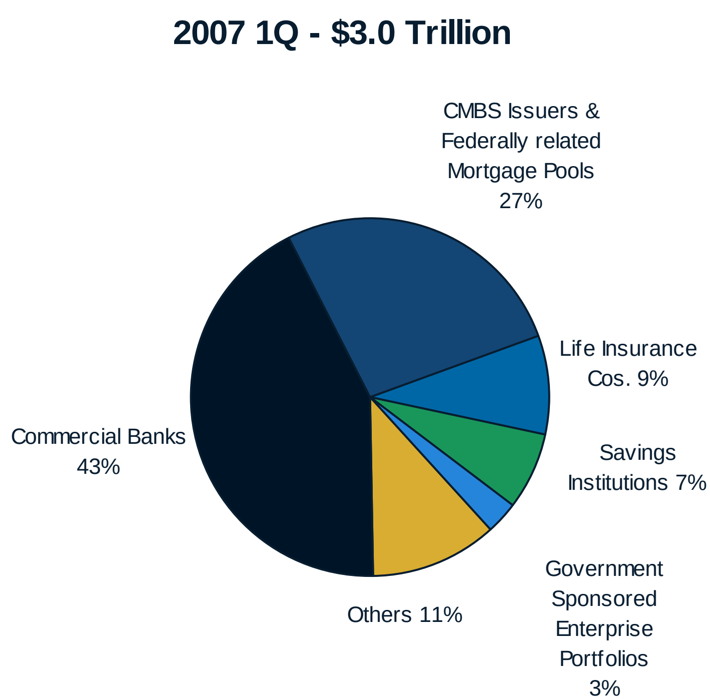
The Role of Commercial Mortgage Backed Securities (CMBS) and Commercial Real Estate Collateralized Debt Obligations (CRE CDOs) in the U.S. Real Estate Finance Market

Commercial Mortgage Backed Securities

In 1990, most of the $1.1 trillion of U.S. commercial and multifamily mortgage loans were held by financial institutions. After the real estate credit crunch of the early 1990's, the government and private real estate property owners turned to the capital markets as a viable source of debt financing.

As of the first quarter 2007, $804 billion (27%) of the $3.0 trillion of U.S. multifamily and commercial mortgage loans outstanding were held as securities. In comparison, the public market capitalization of all real estate investment (REITs) stood at $438 billion at December 31, 2006.

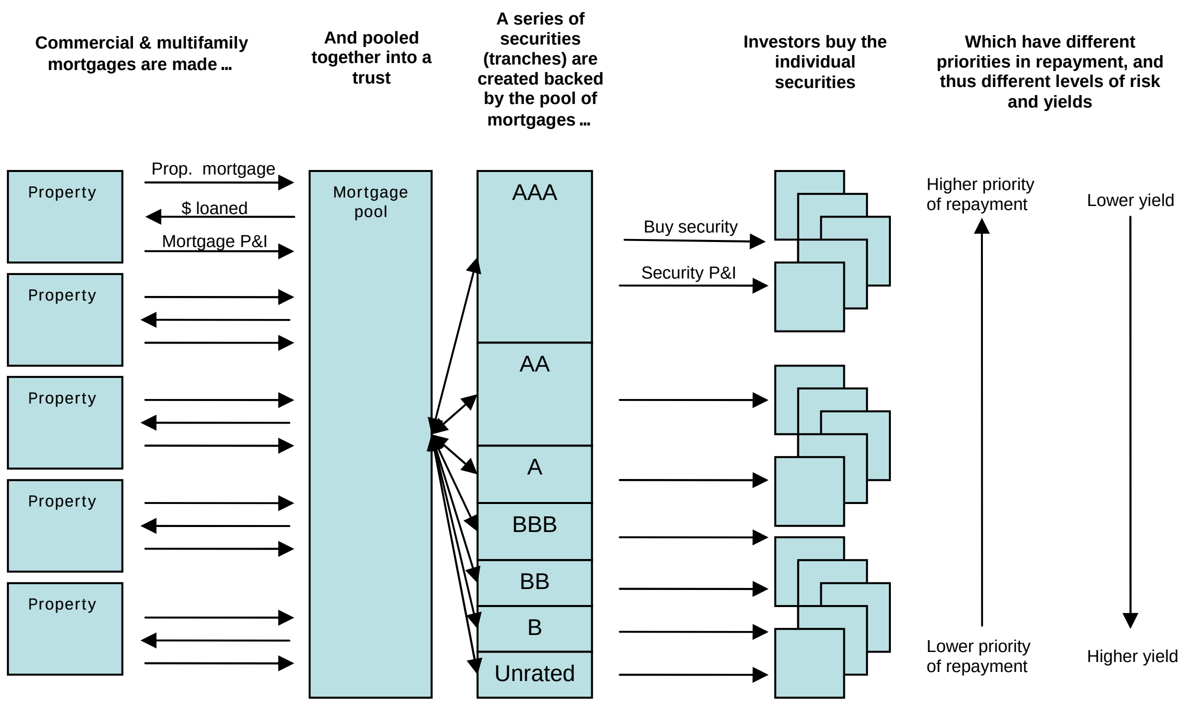




Source: Federal Reserve Board, Flow of Funds

The CMBS Process

CMBS are created through a process of grouping many single commercial and multifamily loans of varying size, property type and location into a pool and transferring them into a trust. The trust issues a series of bonds that vary in yield, duration and payment priority. Securities investors choose which CMBS bonds to purchase based on the level of credit risk, yield and duration that they seek. Credit ratings are assigned by the nationally recognized rating agencies, which assess the varying risk and yield profiles of the different securities (or tranches), ranging from AAA-rated securities with a high priority of repayment (and thus lower risk and a lower yield) to B-rated and unrated securities with a lower priority of repayment (and thus higher risk and a higher yield).



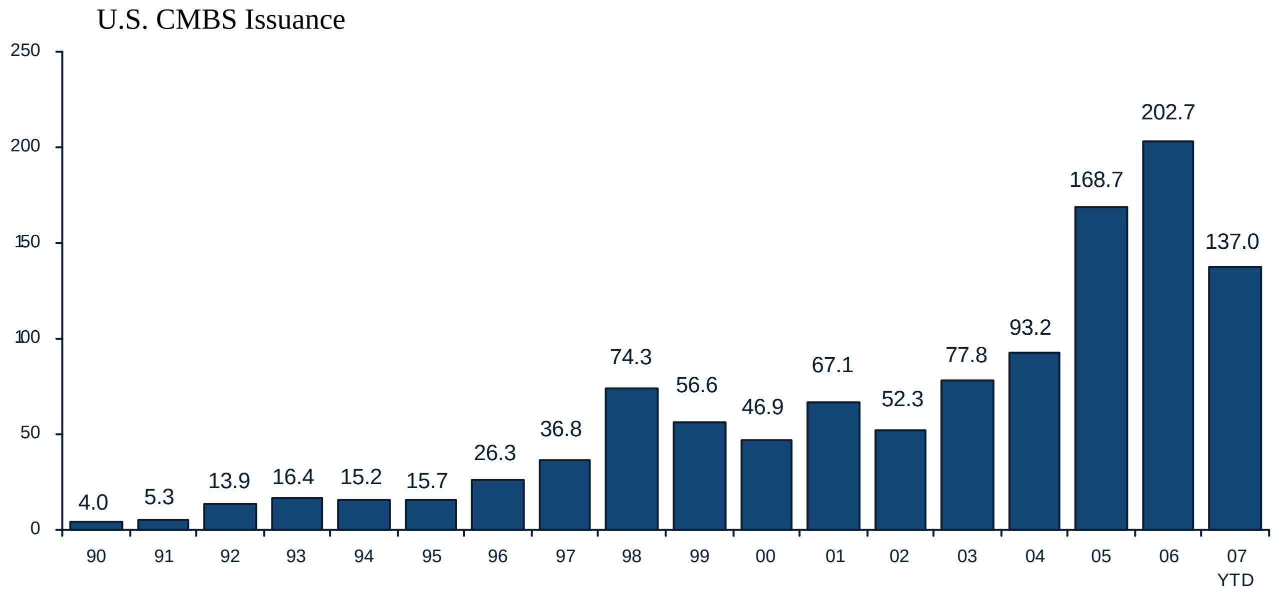
Source: **Mortgage Bankers Association**

Many primers on the structuring of CMBS are available including the *Borrower Guide to CMBS* available on the websites of the two trade organization sponsors of such guide: Commercial Mortgage Securities Association (www.cmbs.org) and Mortgage Bankers Association (www.mortgagebankers.org).

Growth of CMBS Market

Through continued innovation, strong performance and acceptance by real estate borrowers and securities investors, the CMBS market has grown from $41.6 billion in CMBS outstanding in 1990, representing 3.8 percent of commercial and multifamily mortgage debt outstanding, to $804 billion currently, representing 27 percent of mortgages outstanding. CMBS has become a part of balanced fixed income investment portfolios, along with corporate and municipal debt and mortgage and other asset-backed securities.

CMBS is accepted as an important sector within the global bonds markets as demonstrated by its inclusion in two of the important bond indices. CMBS was added to the Lehman U.S. Aggregate Index in January 1999 and, in 2004, the Merrill Lynch index. Growth in U.S. CMBS issuance continues to be robust climbing 81 percent in 2005 to $168.7 billion and 20.1 percent in 2006 to a $202.7 billion. Through the end of the second quarter of 2007, U.S. CMBS issuance stands at $137.0 billion, 54.2 percent ahead of last year’s record breaking pace.

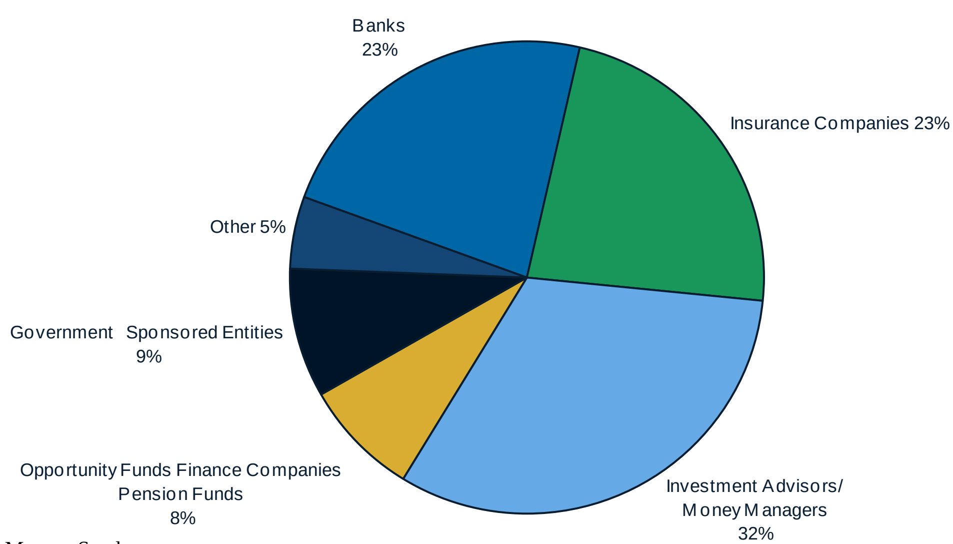


Source: *Commercial Mortgage Alert.* 2007 data as of March 30 (U.S. only, non-agency, non-CDO)
Comparable issuance for 2006 stood at $88.8B for U.S.

CMBS Offers Liquidity to the Market

The emergence of CMBS as a capital source for commercial mortgage lending has brought liquidity to commercial real estate that did not exist prior to 1990. Investors, which could not previously invest in individual unrated whole loans, can now invest in CMBS. Part of the benefit of CMBS is the added liquidity it offers relative to individual whole loans, allowing a wider ranger of investors to make commercial mortgage investments. CMBS is the vehicle which connects the public global fixed income market with the real estate capital markets.

Investors in CMBS in 2006
(as of May 1)



Source: Morgan Stanley

As shown on the following chart, many of the largest financial institutions in the world use CMBS as part of their lending activities and strategies.

Top Loan Contributors to CMBS Deals in 2006
Based on amount of collateral supplied to U.S. securitizations backed by recently originated mortgages.

		2006 Total ($ Millions)	% of Total	2005 Total ($ Millions)	% of Total
1	Wachovia	21,890.3	10.9	16,200.7	9.9
2	Credit Suisse	16,009.1	8.0	12,750.7	7.8
3	Banc of America	13,871.1	6.9	13,921.4	8.5
4	J.P. Morgan Chase	12,494.7	6.2	9,932.5	6.1
5	Lehman Brothers	11,666.1	5.8	8,616.5	5.3
6	Deutsche Bank	11,268.7	5.6	9,955.9	6.1
7	Morgan Stanley	10,664.7	5.3	9,689.2	5.9
8	Merrill Lynch	8,559.9	4.3	6,767.6	4.1
9	LaSalle Bank	8,264.1	4.1	4,366.2	2.7
10	RBS Greenwich	7,882.3	3.9	7,726.1	4.7
11	Bear Stearns	7,813.2	3.9	6,885.7	4.2
12	Citigroup	7,147.0	3.6	3,561.9	2.2
13	Goldman Sachs	5,265.2	2.6	6,742.9	4.1
14	UBS	5,248.4	2.6	3.428.3	2.1
15	Capmark	4,614.7	2.3	2,774.2	1.7
16	Countrywide	4,575.3	2.3	3,012.6	1.8
17	Nomura	4,318.7	2.1	3,665.0	2.2
18	CIBC	3,919.4	1.9	2,919.3	1.8
19	Wells Fargo	3,900.5	1.9	4,018.1	2.5
20	Barclays	3,291.8	1.6	2,605.6	1.6
21	Prudential	3,203.0	1.6	2,400.1	1.5
22	IXIS Real Estate	3,151.9	1.6	2,796.0	1.7
23	Eurohypo	3,051.7	1.5	2,777.3	1.7
24	Principal Life	2,906.8	1.4	2,212.9	1.4
25	PNC Bank	2,772.0	1.4	3,008.1	1.8
	TOTAL ISSUANCE	**201,251.9**	**100.0**	**163,586.6**	**100.0**

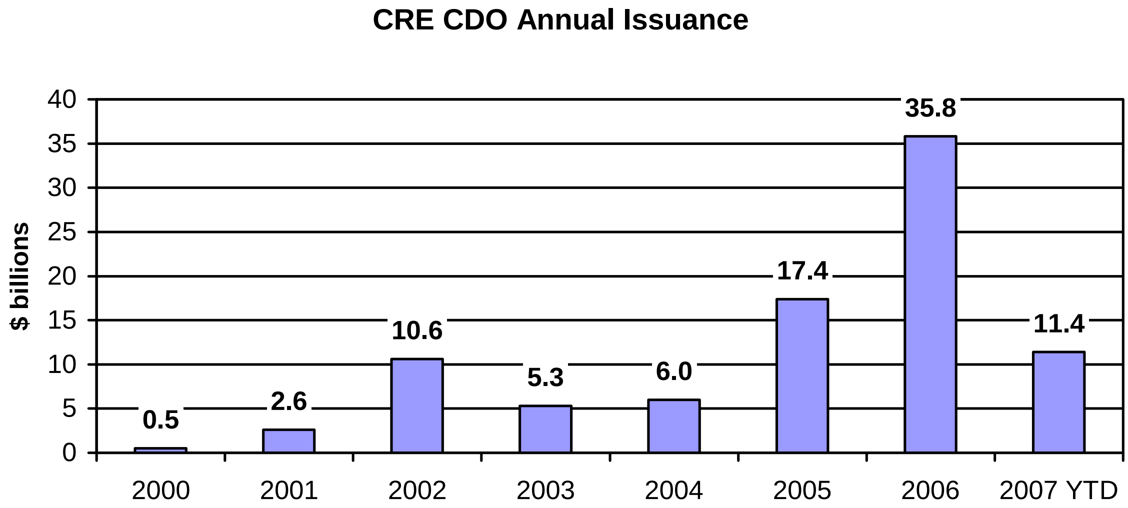
Source: ***Commercial Mortgage Alert***

Summary

The CMBS market, now the second largest source of capital for commercial and multifamily real estate lending, provides a liquid, viable and transparent funding method for real estate borrowers and a wide array of global fixed income investors. It has helped fuel the growth and stability of the commercial real estate market by providing competitively priced loans for borrowers while providing investors a low-risk investment at attractive yields.

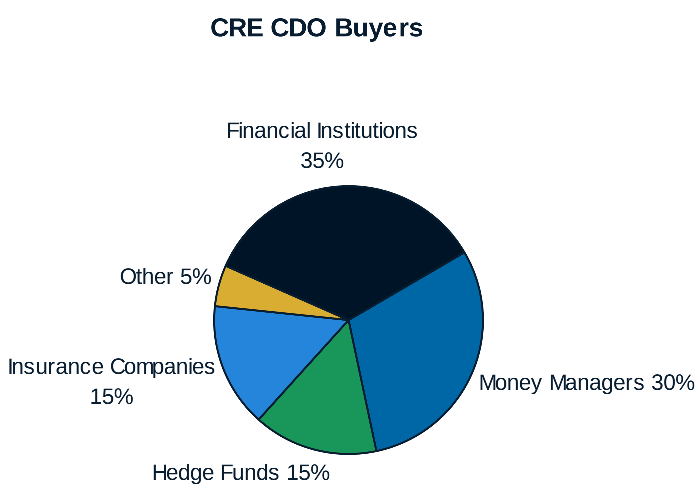
Commercial Real Estate Collateralized Debt Obligations

Since being introduced in 1999, commercial real estate collateralized debt obligations (CRE CDOs) have become an increasing important force in the commercial real estate finance industry. CRE CDOs are special purpose entities established in the Cayman Islands which are comprised of a variety of commercial real estate assets such CMBS, whole loans, REIT debt, other CDOs and even a small amount of non-CRE collateral. Unlike CMBS, whose structure is more rigid, CRE CDOs can be either static or managed. Earlier CRE CDO transactions tended to be static but the bulk of more recent issues are managed transactions which allow managers to react to changes in market conditions.



Source: Commercial Mortgage Alert. 2007 data as of June 19.

Total issuance of CRE CDOs in 2006 reached $35.8 billion, up just over 100 percent over 2005 volume of $17.4 billion which, in turn, represented an extraordinary 190 percent growth over 2004. The activity in 2006 alone accounted for just under half (46 percent) of the total issuance volume in CRE CDOs in the past seven years; through 2006.



Source: JPMorgan, October 2006.