

Greetings from Miami,

I wanted to provide a quick update to our turbulent credit markets and real estate financing outlook for the balance of 2007.

The severe softness in the residential markets nationwide continues to cause havoc on the commercial markets and the corresponding loan spreads. However, last week we saw a slight pull back in spreads by the remaining active lenders. Recent fixed rate loan quotes were again under T+200 (6.5%, down 20 bpts) for low leveraged apartments and higher quality assets. Most life companies; pension funds and 15 of the 25 conduit lenders are on the sidelines till the first part of 2008. Those that are active are being very selective with the terms, choosing third party providers and are opting to lock rates at closing, rather than during application.

The mortgage industry continues to go through a downsizing in terms of appetites for residential loans and its personnel. Commercial lending has started to see this too, as regulators have put strains on new loan production and lenders are relegated to filling out forms on cited or non-performing loans.

Transactions that need to close in 2007 or early 2008, execution and experience will be the keys in this tumultuous marketplace. Start the process now and deal with a company, **CapitalQuest**, which has the experience and an excellent reputation. Our focus remains on high quality clients and their financial needs including loan structuring, loan placements and financial consulting. When granted the opportunity, we get it done.

Thank you for your time and your business during the past 20 years. We recently updated our website with some of our recent transactions and I invite you to take a look. www.CapitalQuest.net. As always, continued success,

John and the CapitalQuest Crew.

Remember, no matter how much milk is shaken, cream rises to the top. - JPM