***Warm Holiday Wishes from Miami*,**

On behalf of the crew of CapitalQuest Group, I just wanted to wish you a very joyous Holiday Season and prosperous New Year. Over the past two years, we have stressed the cultivation of relationships for our long term success in the investment banking business. As the financial markets imploded during the past 6 months, lasting bonds were forged with our financing clients as their loans closed, on time and as structured. As our consulting work blossomed, National and International hedge funds and pension funds relied on us for insights to local markets, financial and servicing issues. Our mortgage banking grew, as banks, conduits and life insurance companies gave us access to their limited pockets of low interest, short term and long term funds. Here are our thoughts as we look into 2008.

Real Estate Markets

The adage of dealing in niche markets will continue to ring true for the coming year.

- The housing market in South Florida continues to reel from the overbuilding over the past 5 years. Single family home prices have precipitously dropped as high as 25% in some areas, which pales in comparison to an over 40% reduction for some new, poorly located condominiums. Newly topped off high rises are only adding to the 36 month plus of condo supply and deposit walk-aways and foreclosures continue to rise above 10% at most projects.

- The retail market in South Florida continues to benefit from undersupply of square footage. Land and constructions prices have caused most sites to be converted to office or condo projects adding to this undersupply. Preliminary reports on Black Friday and Cyber Monday have shown strong sales, and the reduction in the Prime rate has also bolstered these, likely short term, results.

- The office and industrial markets have likely peaked in terms of occupancies and there has been a flight toward quality in these sectors. Class A buildings and niche markets continue to push the rents higher, while office/industrial condos have quickly fallen as viable assets.

- The strength of the apartment market has been driven by amenities, location and quality management. During 2008, we will likely see many condo buildings turn into splintered apartment projects and operating efficiencies will only be achieved with management professionals.

- Lastly, the hospitality, mini-storage, cold storage and mixed use markets will also be driven by the strength of the management expertise. Economies of scale and access to capital will be the keys in keeping operating costs low and these projects successful.

Financial Markets

The wild swings in the stock market and interest rates/spreads; and the national housing slump have all caused FTDs “*Financially Transmitted Diseases”* in the commercial markets.

- The conduit market for 2007 will likely end up with over $250 billion in new financings, most of which were done in the first 8 months of the year. In 2008, this number will likely be under $150 billion, as production staff and offices are reduced; and loan structures will be dictated by rating agencies. Today’s rates are based more on swap spread margins, then treasury margins and these change weekly. We continue to see inexperienced brokers/directors quoting 150-160 over, indices loosely defined as the T-bill and then retrading deals at closing. However, as the 10 year treasury dropped under 4.25% and swap spreads widened, all bets are off. High quality, low leveraged apartments are (despite Agencies increasing spreads) the bench mark for the best lending terms, with some I/O ("interest only") periods still being offered and fixed interest rates of $\pm$6.5%. Mezzanine lenders are being very selective with new transactions and the majority will remain on the sidelines for the first quarter of 2008. Caution, not IRRs, is dictating a reduced capital/equity stack to 80% - 85% of values, far less than the 90% - 95% norms of early 2007.

- The banking market, due to the housing crash and land development portfolios, continues to be very selective with new business. Short term financings, based on Libor, have seen a 50 basis point increase over the past 30 days to 5.25%. The 75 basis point drop in Prime has stimulated credit card purchases and has also softened the reindexing of ARM loans.

- The life insurance/pension fund market, will add liquidity to the commercial debt business for the first quarter of 2008, as allocations are replenished for the New Year. However, as nervousness prevails, allocations will be condensed to primary markets and experienced borrowers. Underwriting parameters will become much more conservative and third parties (appraisers, engineers and mortgage brokers) will be heavily relied on for market and client knowledge.

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.

We want to again wish you and your families a very joyous Holiday Season. As always, continued success and prosperity in the New Year and we look forward to being a part of that.

John and the CapitalQuest Crew.

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