From:

Sent:

Tuesday, February 14, 2006 9:24 AM

To: Subject: Verne, B. Michael RE: REIT Question

Hi Mike.

I have learned that the REIT whose voting securities are to be acquired holds not only loans it originates and that are secured by realty but also the following.

(1) Senior secured and non-secured bank loans that it purchases in the secondary market and the mezzanine layer of certain CLO obligations that it purchases. Real property may secure some or all these purchased instruments, but real property may not be the only assets securing such loans. If realty secures any portion of a loan, is such loan exempt or is it necessary to determine that realty secures 50% or more of each loan before we can conclude that such loan is exempt?

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(2) The REIT also holds accounts receivable or payable that relate to residential mortgage backed securities. I assume that these are exempt. Please advise if they are not.

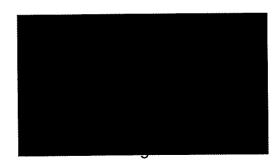
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(3) Finally, the REIT holds derivative contracts including interest rate swaps and interest rate swap forwards to hedge interest rate exposure. Would such contracts be considered assets, and if so, would they be exempt?

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Thanks Mike for your advise.

Best regards,



Bulloc

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