Transcript of Ladder Capital Corp's Fireside Chat Presentation at the KBW Mortgage Finance Conference

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<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Okay, let's get started. Next up we have Ladder Capital. Very pleased to introduce Mike Mazzei, President; Pamela McCormack, COO; and Tom Harney, Head of Capital Markets. And I guess before diving into questions, perhaps you could introduce the company to folks that may not be as familiar with it since the February 2014 IPO.

<<Thomas Harney, Head of Merchant Banking & Capital Markets>>

Sure, I'm happy to do that. I'm Tom Harney, Head of Capital Markets at Ladder. I think the best summary of Ladder is, the company was founded in 2008. We are a finance REIT. We have $5.7 billion of assets and about $1.5 billion of book equity. Our primary business lines are the direct origination of first mortgages, both for sale through the conduit market, as well as balance sheet loans to hold on balance sheet. We have a significant investment grade rated CMBS portfolio, which is actually a very nice natural hedge to the conduit business. And then we also have a 7 million square foot equity portfolio which is composed of net lease, as well as office joint ventures that are attractively financed and yielding a good cash flow.

So really the company prides itself on a balance of products. We're internally managed, so we have a good alignment. We have produced generally an industry leading ROE. We went public as a C-Corp. And as we built up our durable cash flowing portfolio of properties, we analyzed the REIT structure and realized that we would qualify comfortably and we converted over to a REIT. We paid a regular cash dividend of $0.275 per quarter. And then in addition at the end of the year, our dividend policy has been to have an additional REIT true-up, paid in both cash and stock with an orientation towards having maximum retention of capital for internal growth purposes. And I think that on the trailing basis, our payout ratio was about 73% versus most of our peers at hundred, hundred plus that type of level. That's a quick summary.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Great. Do you want to also touch on a management's background, I think you guys have got a great management team including Brian, who is not here, but I think that's one of the great attributes of Ladder.

<<Pamela McCormack, Chief Operating Officer>>

Okay. Starting with our CEO, Brian Harris spent many years running global real estate at a variety of firms. I think the most relevant of which was he helped run real estate with Andy Stone at Credit Suisse and then moved over to UBS to run global real estate at UBS, then eventually Dillon Read when it spun out from UBS. And Mike Mazzei ran global real estate at Lehman before – he likes me to point out – before there were any issues there. And then BofA and then eventually Barclays, where he later joined us. Thus Brian and Mike are way back. I've worked with Brian for many, many years now and Mike was always sort of a partner outside of the partnership at UBS, and Lehman and UBS did a ton of deals together. So we have a long working history together.

And Tom Harney joined us in…

<<Thomas Harney, Head of Merchant Banking & Capital Markets>>

2010.

<<Pamela McCormack, Chief Operating Officer>>

2010. And I think you're probably better situated to introduce your background.

<<Michael Mazzei, President>>

What I would say is we have incredibly deep bench, a lot of players, not only at the management level, but at our banking level, finance level, credit origination that have had long tenures on the street. And it's no mystery that right now the banks are effectively disgorging talent, and so we've been able to select senior talent from the street. We think any non-bank out there with a competitive platform has the advantage in terms of human capital right now versus the banks and we've seen that happen at Ladder. We've been to be able to consistently attract every year senior people who have long tenured careers from banking.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

We've been through quite a period of volatility that seems like it's improving, CMBS dynamics seem also to be improving. Do you to want to talk about your view on what drove the volatility and the outlook for the CMBS business?

<<Michael Mazzei, President>>

Well, I think everyone kind of knows what drove the volatility in oil, in high-yield and in energy, and then the knock-on effects in almost every asset class including ours and the banks'. So it was a very tough 75 days. The Fed also I think loomed overall that, the U.S. dollar. So we had really a lot of confluence of things that were going on in the market.

In addition to that, this is a great example of how Dodd-Frank is affecting liquidity. And so anything that happens in the market gets further exacerbated by the fact that the banks cannot step up and provide liquidity like they did to stabilize markets in the past. And you'll hear industry icons like Larry Fink and Jamie Dimon complain excessively about the fact that Dodd-Frank has stripped out that liquidity and caused bid-offers to go very wide.

So at Ladder, as Tom discussed, we are an allocator of capital. So we will originate loans when the market seizes, that's the right thing to do. Listening to the capital markets and it's telling us, green-light, things are stable, we will originate gain on sale loans and securitize them. Alternatively, if that market starts to get volatile, we will start to throttle back on our fixed-rate originations and we allocate capital into buying securities.

So, while we had a profit in our gain on sale in Q1, where many had losses, we had substantial gains on bonds that we bought during that period of time. In some cases, we advertised this on our call, in some cases 15 points over a 30-day period. We also allocated capital in buying back some of our capital. We saw some of our bonds trading in the low 80's. Not because anything was wrong with the credit, it was people saw liquidity, that was the price, and we lifted some bonds out of the market and retired those bonds at a substantial gain.

So right now the markets are better, they're in a healing mode. We see some stability with credit spreads going forward. We're kind of easing back and growing our pipeline in gain on sale. Our bridge book business is always on; it's less affected by the capital markets, and so right now we see slightly less opportunity in buying bonds and more opportunity going back into originating loans for securitization.

So I think it's that allocation of capital almost like a Chief Investment Officer who would have an insurance company, is that allocation of capital that allows us to see out of some real estate debt markets and into others. And not being a monoline where we're in only one market. If we were just in the gain on sale market that probably would have led to losses as it did at many banks in Q1.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

In terms of the securitization market, what kind of effects do you anticipate for the rest of the year? Is it going to be a gradual building of the pipeline, and you'll participate in some securitizations at a lower pace than, say, last year? Are you looking into your own securitization? Or is that light switches on 3Q, 4Q Ladder's back as it was, say, a year ago.

<<Pamela McCormack, Chief Operating Officer>>

I think the light switch is on. We are actively originating loans and we're actually – we understand risk retention is not great for the market, but we are feeling empowered in this environment to originate loans. We have spent a lot of time looking at risk retention which is impacting origination today, and I think you're going to start to see that increase over the summer people preparing for that. It was recently announced with some of the banks testing out their vertical risk retention strategy in the upcoming deals that they're doing.

But we have resolved that we can do any of the structures under risk retention, and we actually are looking at this as a business opportunity. So we are currently originating loans normal way, and we've been invited to participate in a few deals and we're – we'll either be doing that or we'll be aggregating for a Ladder only securitization because we have recently filed the shelf and we are excited about the ability to do our own deals and hold our own B-pieces where we like the credit and we've underwritten the assets organically. So we're spending some time thinking about that and weighing the options, but I think you will see us in the market originating. And if the production is there, we will probably do both. And if not, you'll see that definitely early next year.

And I think what we're excited most about is, I think there will be some trepidation about origination into the second half of the year in anticipation of risk retention, or there will be some have's and have not's in terms of strategy through year-end. And for those of us that have a strategy, it will give us not just the ability to originate, but pricing power in origination at a volatile time.

<<Michael Mazzei, President>>

Even if the market shrinks a little, we think that because we have a risk retention solution that our market share – not that we are market share players – but our market share will gain because I think Pamela said best, trepidation. There will be a lack of confidence out there by some platforms that do not have a steady risk retention solution.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Is there any difference between loans that you would contribute to a bank risk retention compliant securitization versus your own?

<<Pamela McCormack, Chief Operating Officer>>

No. I mean, the only difference that we might approach the loan differently is just in terms of pricing. Because when you, price and we spent a lot of time with investors talking about that, the current market does not distinguish good credit from bad credit when it's pricing the B pieces. And an investment grade or high quality loan gets treated the same way as a loan in the small tertiary market with higher leverage.

So I think the only difference would be in the price that we want to ascribe to the B-piece if we chose to hold to the B-piece on that. But from a credit quality perspective, our partners are – our partners not just in securitization, but in liquidity for the firm, they provide banking-wise, we have deep personal and professional relationships with these banks at this time. So there would be no adverse selection, and that would be transparent to them, because they finance all of our assets as we originate.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And do you need to do anything different from asset management surveillance servicing perspective to retain your own B-piece?

<<Pamela McCormack, Chief Operating Officer>>

Absolutely, we have an asset management group with experience. And we are currently looking at special servicing. At this point, we would probably hire a special servicer. So we have deep relationships with a lot of the B-piece buyers and we're very familiar with the current special services. If we did our own deal, I would expect at the outset we would hire a special servicer. But our asset management group is very robust in its coverage of our – today, we have balance sheet loans that are a little shorter duration, but require the same level of asset management. We have, in fact I would say, a higher level, because these are transitional loans that have performance target.

So we have a current book – we've originated over $3.5 billion of balance sheet loans that are anywhere from one to three years. And the team regularly visits the assets, works very closely with servicers, is in direct contact with the borrowers on a regular basis. And we do reporting to our line lenders, very, very robust quarterly reporting, on the assets and their performance levels. So I think we're ready for servicing and it's a question of is it worth building the infrastructure up relative to the cost and that will depend on the size of the opportunity.

<<Michael Mazzei, President>>

Now, I would just say that when you – if you just take a step back, when you think of Ladder, regulation as seen in the banking sector right now is neutral to positive for us. We have a strong liability structure. We're a member of the FHLB. Our sunset is not until February 2021. So anything from Dodd-Frank which causes illiquidity in bonds, we're a bond investor, where risk retention which can cause a chilling effect in the origination market, all that inures to the benefit of Ladder. So when you hear a lot about regulations and you're trying to take away a headline, more regulation is probably better for us.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

In terms of the CMBS market and the way you guys priced your loans, leaving aside the bridge loan book, is there any cost of capital disadvantage that CMBS versus balance sheet lenders at this point? I mean it seems that a couple months ago, lenders were quoting loans that were – the quotes were too high to get done so.

<<Michael Mazzei, President>>

Yes. There was – listen, there was a point in time for 75 days. And this did not just exist in CMBS. I'm sure if you were a leverage loan banker at a major money center bank that you could not tell a borrower, a BB borrower, they can get credit in a market at that point because it's such in a state of flux. So I think there was a 75-day period, where yes, it was like catching a falling knife because spreads will widen every day, every other day. So at that point in time the borrowers, if they could do a bank deal or a life company deal, moved into that market But I actually think what happened, there was a chilling effect in the entire market. Everybody pulled back acquisitions pulled back because of uncertainty in execution.

Generally today, yes we're seeing the banks are more active. We're seeing the OCC start to rattle the sword at the banks because they're seeing that some of them are penetrating their CRE limits. We don't think anything is wrong in the asset class, but we do think the OCC is rearing their head at the banks saying okay, your limit is rising and there has been neck-breaking amounts of production at the banks over the past year in CRE.

But right now, they are competitively priced versus CMBS. But as I said, the markets are healing. CMBS AAA spreads have ratcheted in something like 60 basis points. So I think right now we're competitive. But that's the point that Pamela made, if we decide to retain our own risk which we have basically done, we will be able to price even better credits that would normally go to life insurance companies at better pricing because we can decide where we're going to hold that B piece.

And second, it'd be arbitrary, but we can certainly say we're not going to hold what we deem to be an investment grade credit at 19%. We will be more effective in pricing that in the market. So right now I think we're becoming more competitive than we were in the first three months of the year absolutely.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And the B-piece you're talking about holding the horizontal, not the vertical.

<<Pamela McCormack, Chief Operating Officer>>

We can do all of it, it's what's most accretive to us and our earnings. The vertical side is not highly accretive because it's mostly made up of senior bonds. I think the way we look at it is we're tapping into our strengths, which is our underwriting skills, because we do originate the product. What's interesting about Ladder is that our platform is very diverse and every individual that works within the platform has experience, in that the same originators originate conduit, balance sheet, equity, we like to say it's opportunistic, we become equity partners usually when they come to us purchase on debt. Everyone can originate any structure throughout the platform. So for us the ability to underwrite the assets really distinguishes us in terms of we don't think about it differently.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

We've heard sort of a range of comments around the banks and what they're doing. Some have said banks are slightly pulling back because of the OCC, because of other things, especially in construction. Some have said that's just talk, banks are being aggressive right now. What's your view?

<<Michael Mazzei, President>>

I think the banks are still very active. First of all, as I said, I used the words, OCC is rattling the sword, that means they're in there and they're certainly looking at banks who are exceeding their limits and want to see what they're doing. But they're not stopping banks from originating commercial real estate loans. So today, the banks are very active. When I say tiering, I mean in construction. Because of the high volatility real estate and the Basel legislation, banks are forced now look at construction loans differently. You can no longer mark up your land basis. You can't have leakage on construction loans. If you have any of those aspects, you have to hold 150% risk weighted capital against that construction loan. So that's driven out pricing.

So I think on construction banks are becoming generally a little bit more conservative. The HVCRE legislation is pushing that. But right now I would say the banks have not pulled back in balance sheet lending yet. I do anticipate that as the year progresses you'll see some more of that, but right now at this moment, no.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Can you just give your views on the cycle, if beyond a few markets that have some frothiness in Miami condos for example, but there's others San Francisco, broadly do you feel that the overall market is in a healthy space, or are there growing pockets of concern?

<<Michael Mazzei, President>>

I think there are both. I think overall the markets are in very good shape. You do not have the leverage in the system anywhere near what you had in 2007 and 2008. You do not have the pro forma underwriting that you had in 2007 and 2008. So I think prudent lending has really been the case over the past several years especially since the crisis. There are some pockets, retail, we all read about that. All the retailers had – all the bricks and mortar retailers had weak sales except for Walmart. We see the Internet capturing more. So there's a concern about that. We've always been very defensive. In retail, there are several names that we really, really do not like that we stay away from or are very risk averse about.

And there are other pockets, we're all reading about the high-end luxury market in condos. We think that there are some high-end condo projects that were going on that are now not going on or pulling back, some cannot get construction financing. Some of these larger transactions and construction deals may require a syndicate of banks. And so to get five or six banks in the deal is a very difficult task right now. So we think that end of the market is pulling back. But generally the markets are pretty good.

You saw us actually in – and we mentioned in Miami, we were exposed in Miami more extensively several years ago when there was a robust international market. Given where currencies are today, we were very smart to pull out of Miami and downplay what we have in Miami. We do have one condo that's selling in Miami that we bought way back and that's selling at about 130% of our book value right now, and it's more a low-end price points for local buyers. And we moved into Fort Lauderdale, which was a domestic lower price point market and we were doing quite well there, and again we started that pretty early on. So generally I think we are migrating out of those risks.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Anything in San Francisco office sector?

<<Thomas Harney, Head of Merchant Banking & Capital Markets>>

That market is – yes, San Francisco office sector is – there have been a lot of markets being driven by WeWork and things like that. And so there's a lot of new construction going on in that market, that market does appear to be very through the cycle right now. So I think people should be very cautious there, yes.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

And just lastly from me before opening up to the audience, this financial leverage, it's a little misleading because of the securities portfolio, it seems to overstate the true leverage that you are taking. Can you just comment on the overall financial leverage where you are comfortable with?

<<Thomas Harney, Head of Merchant Banking & Capital Markets>>

Yes, no problem. In the first quarter, through 3/31 we were 2.8 times levered debt-to-equity. When you dig into that, what you'll see is that we have a primarily AAA rated $2.4 billion CMBS bond portfolio, so very senior. That is levered at about 4:1. So if you were to strip out the leverage on the primarily AAA bonds, our overall leverage is about 1:1 leverage. So we're very moderately levered, we're not a residential mREIT with nine times leverage by any means. And what we do have levered is really leverage in a barbell fashion where our most liquid and most senior assets have appropriate leverage. And when you blend it all together you're about 2.8 and 1.1 without the securities.

And I think, the other point about leverage is, all the leverage that you see on our book is what you see is what you get because we are really a first mortgage senior secured lender. We don't have a lot of organic leverage built into the structure of our assets. Our $0 attachment point is generally $0. We don't have a junior piece of a first mortgage, that is they were somebody else owns the A piece, we own the B. We have $5.7 billion of assets. We have about $200 million of mezzanine. So we're very, very senior, probably the most senior I guess ourselves and probably BXMT is the most senior in the space.

<<Michael Mazzei, President>>

Is there any thing wrong with 100 times leverage?

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Any questions from the audience? Go ahead.

Q&A

<Q>: Good evening guys. Can you just elaborate on sort of specifically what you're seeing or sort of the B piece strategy [indiscernible].

<A – Pamela McCormack>: The answer is, that that's a little further down the road, we're looking at that. Our approach to risk retention right now is to invest in the B-piece ourselves. We've been approached both by traditional B-piece buyers and by some traditional real estate but more equity players they haven't really had exposure to the debt space that have been interested. And we're thinking about how to do at this point because we're really only today looking at, we do we are primarily, if you look at Ladder who we are – what we are as a derivative of who we are and it's internally managed with a lot of inside ownership and that dictates how we invest. So we like the idea of buying B-pieces where we've organically originated them, understand the assets, and are very comfortable with the credit and holding it long-term.

Going out and really creating a big business out of it and buying third-party B-pieces is not something we're ready to do today. And I don't know that that's where will migrate ever. So when we think about bringing in partners, it's a matter of how much capital we have available. These investments are only in like $35 million, $40 million plus increments, and even then we can bring in passive investors as majority-owned affiliates to invest with us. So we're looking at is can we create a fee business out of it. If we can create a fee business to your point and that has risk retention implications and conflict of interest issues that we're exploring. So that sort of a second stage.

I think as we look at risk retention for Ladder, we realized there was a business opportunity inherent in our business that absent risk retention is probably still a good idea. It takes a lot of gain on sale and allows us to create durable sustainable income on assets that were very comfortable with over time and on the B-piece side. So the answer is, we would like to do that. But we have to look at the size and scope of the opportunity as the market evolves and we have to be comfortable with the structure.

<A – Thomas Harney>: But you're right, you're dead on right, as an internally managed entity, our shareholders own our franchise, all of our franchise, unlike an externally managed vehicle. And in the past we've created externally managed funds and those fees flow to all of our shareholders not just to the management team by any means. And a corollary to the B-piece opportunity which clearly is one for us, we have just recently filed with the SEC, a red herring prospectus for a mutual fund for CMBS, its name is Ladder Select Bond Fund. And the thought process there was we have good in-house expertise, let's start exporting it in a more organized way.

<A – Pamela McCormack>: So I think the point is just that we are everything we're doing at Ladder it's going to be for the benefit of all the shareholders. There is absolutely no difference in how we own our ownership versus every other investor, other than the fact that we get paid last.

<A – Michael Mazzei>: I didn't mean to interrupt my colleagues, because we're always in the market issuing CMBS and things like that. So we've been highly trained.

<A – Thomas Harney>: Yes.

<A – Michael Mazzei>: Do not talk about things when we have an offering circular coming or something for that.

<A – Thomas Harney>: Yes.

<A – Michael Mazzei>: We are quite paranoid.

<A – Thomas Harney>: Yes. We do have a red filed with SEC so we can we can talk about it. We can't sell it to you, but we can certainly talk about it.

<Q>: [Question Inaudible]

<A – Thomas Harney>: Yes.

<Q>: [Question Inaudible]

<A – Pamela McCormack>: Well, I think about it differently. I think about it as a five-year asset that we're really comfortable with the credit. I mean we do one-to-three-year balance sheet loans and honestly those are some of our most valuable assets. And if you look at how our income is derived, a good portion of it is from the balance sheet activity. So if you can take that same concept and create five years of sustainable income on assets, we're not looking to replace that capital. And if it is accretive as we like to think it will be, we have a whole securities book that we can sell that's really for us, an alternative, very efficient and high return alternative to cash.

<Q>: [Question Inaudible]

<A – Michael Mazzei>: That's true. But this will have higher intrinsic returns. It doesn't need to leverage for that because the yields will be high enough. And what you will see over time, what Pamela is alluding to, is you might see a little less gain on sale and we'll be taking some of that income over the long haul. I don't think you'll see us not do gain on sale with our partners. We want to have a balanced book of business and we will try to do that. But I do think that there will be some of our gain on sale embedded in the ongoing accretion of the B-pieces that we will own. That's what we're anticipating.

<A – Pamela McCormack>: And you also I mean because we have one to three balance sheet, if that rolls off and increases additional capital to allocate as the balance sheet matures, and then we have a continuously rolling maturity schedule on our balance sheet that creates capital. And we'll continue as we have – it's when we first opened Lader, we used to refer to it as the spider web and then it merged into the triangle. And today we would like to say we're capital allocators, so we go to where the best return is.

So if we see a ton of balance sheet opportunity that's more creative than the B-piece space, we'll take advantage of our ability to participate. The good thing for us is we have the ability to participate in a market regular way or to do this. And we'll do it as we see it as the best capital allocation at that time. And the only other thing I would add is we have a lot of reverse inquiry about sharing it. And so if we ever did feel like we had a capital allocation issue in terms of B-pieces, we could easily agree to take in partners to share some of the risk, that's probably the easiest thing for us to do today in terms of immediate capital raise.

The question about that is, we like the opportunities, so we like for today to hold it for ourselves. And if there's a way to do it in a way that's accretive to everybody in terms of fees, then that's more attractive. But again, these are $35 million to $40 million slugs, and we do – even if we're not going to do all of our deals this way and even if we did it for three or four deal a year, right.

<Q>: In terms of last year as a REIT, would say the structure has any limitations that have pressured the business model in any way? You're pleased with how it's played out?

<A – Thomas Harney>: I think we're very pleased with the structure. I think we're probably in the most efficient structure where the most of our earnings gets passed through directly to our shareholders. We went public as a C-Corp because at that time we had a much bigger preponderance of earnings from the conduit. As we as built up the solid quarter of REIT-qualified assets, that relationship changed.

And I would say that this last quarter that we announced was actually a pretty interesting quarter. With all the volatility that we all just talked about, Ladder intentionally pulled back from the conduit origination business because we didn't like the risk reward and that really comes from the culture of the management. One, internally managed is very important. The senior management team has about $150 million of ownership in the stock.

And the way we look at it is, when we talk about allocation, you've got four or five key products that are tightly related, and they're the same products that Brian Harris and team have used for many years. And instead of ever being, as Mike said, a monoline player, because monoline players oftentimes drive themselves right into a ditch, we really like to be able to just respond to the actual supply demand risk-reward dynamic that are actually presented in the market opportunity. And we allocated away from things we don't like the risk-return.

And so interestingly, in that last quarter, we produced a 10.8% ROE without much contribution at all, a very small contribution, from conduit, because we had intentionally geared away not liking the dynamics. And that turned out to be a pretty good move because many people who did not, made losses in that business. So it's really a company that that has unfettered relative value thinking people sitting on top of it saying I'm only motivated to make good solid profits with downside protection, how do I do that with my established skill set. And it's been working quite well in terms of producing truly industry leading ROE's and we kind of look forward to volatility.

I think another comment is some people in the one-on-one's were asking us, okay, with all that said, there's a lot of complexity around risk retention, CMBS, conduit, my God, your head could spin. What's the story? What's the compelling value thesis for Ladder? And it really can distill down to just a couple things.

In REIT investing, you want really sort of three things to be working and you should feel pretty good when they do. One is, is your management team aligned, and the answer is, yes with Ladder and it's a very, very important thing when you're not aligned you start thinking about growing AUM and raising equity when you don't need it et cetera. So alignment is probably first.

Second is, is your dividend sustainable and well-covered. We have the lowest payout ratio in the sector by a long shot. On a trailing basis, we were at 73% payout. I think most people are at a 100 and in fact if you dig deep enough it's a little bit more than 100 cause they payout their non-cash depreciation as well. So we had that checkmark as well, well-covered dividend.

And then third is, what's the asset value, liquidation value, NAV, whatever you want to call it, compared to your stock price. And our stock is in the $12 type of range today, our depreciated book basis is $13.60 a share. But we would argue that depreciated book when you have a 7 million square foot equity portfolio unlike other mortgage REIT's is not as relevant as undepreciated book, which is really your cost basis in the asset. So let's not talk about NAV. Let's just talk about your actual cost. That's about $14.30 a share. So all three of those key items of REIT 101 are I think a check mark for us right now.

And there's a lot of noise about what's going on in conduit and CMBS et cetera. That's become a smaller portion of what we do. But we have the infrastructure in-house. When those dynamics turn interesting again, we're able to seize on that and supplement an already pretty good ROE.

<<Jade J. Rahmani, Analyst, Keefe, Bruyette & Woods, Inc.>>

Great. Well, I thought that was a good wrap up. Thanks so much.

<<Pamela McCormack, Chief Operating Officer>>

Thank you all for your time.

<<Michael Mazzei, President>>

Thank you.

<<Thomas Harney, Head of Merchant Banking & Capital Markets>>

Thanks, Jade.