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UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA
LAS VEGAS, NEVADA

In re: USA COMMERCIAL MORTGAGE)
COMPANY.)
) Case No.
) 07-CV-892-RCJ-GWF
)
_____)

ROUGH DRAFT OF TRANSCRIPT OF PROCEEDINGS
OF
HEARING RE: EMERGENCY MOTION
REGARDING ENCUMBRANCE OF BENEFICIAL INTERESTS, NO. 481,
AND
OBJECTION RE: SAN FERNANDO LOAN PAYOFF, NO. 394
VOLUME 1
BEFORE THE HONORABLE ROBERT C. JONES
UNITED STATES DISTRICT JUDGE

Monday, April 28, 2008

Court Recorder: Araceli Catu

Proceedings recorded by electronic sound recording;
transcript produced by transcription service.

1 APPEARANCES:

2 For ^: NORLYNN B. PRICE, ESQ.
MARK WEIBEL, ESQ.

3 For ^: ROBERT J. MOORE, ESQ.
4 TYSON LOMAZOW, ESQ.

5 GEORGANNE W. BRADLEY, ESQ.
6 Bullivant Houser Bailey, P.C.
3883 Howard Hughes Parkway
7 Suite 550
Las Vegas, Nevada 89169

8 For ^: RANDOLPH HOWARD, ESQ.
9 Kolesar & Leatham, Chtd.

10 For ^: JANET CHUBB, ESQ.
11 Telephonic

12 Also Present: DONNA CANGELOSI
13 The Lenders Protection Group (phonetic)
14 Representative

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1 (Court convened at 09:01:33 a.m.)

2 THE COURT: Thank you.

3 (Colloquy not on the record.)

4 THE COURT: Please be seated and welcome.

5 (Colloquy not on the record.)

6 THE COURT: Good morning. For oral argument and
7 calendar, I'll take these in the order listed on the calendar
8 unless there are any that can be resolved very shortly or
9 continued or otherwise resolved.

10 The first one is USA Commercial.

11 Appearances, please.

12 MS. PRICE: Your Honor, Norlynn Price, Fulbright
13 & Jaworski, on behalf of the LLCs, and also with me is
14 Mr. Mark Weibel also from Fulbright.

15 THE COURT: Thank you.

16 MR. MOORE: Your Honor, Robert Moore and
17 Tyson Lomazow of Milbank, Tweed on behalf of Compass.
18 Georganne Bradley is also present in the courtroom as local
19 counsel.

20 Thank you, your Honor.

21 MR. HOWARD: Good morning, your Honor.
22 Randolph Howard of Kolesar & Leatham appearing as the local
23 counsel for Silar Advisors.

24 (Colloquy not on the record.)

25 THE COURT: On the telephone, please.

1 MS. CHUBB: Yes, your Honor. Thank you for allowing
2 me to attend by phone. Janet Chubb for some of the plaintiffs
3 who are not in the LLCs, Mohave, the Kehl Family members, and
4 the Anderson Trust.

5 THE COURT: Thank you.

6 Let's see. Do we have a representative of Cross
7 (phonetic) or is Cross represented here?

8 MS. PRICE: Your Honor, not here today. The
9 principal representative of Cross had a baby two days ago, and
10 so --

11 THE COURT: Uh-huh.

12 MS. PRICE: -- he was not able to be here today for
13 this morning's hearing.

14 THE COURT: And what representatives in person do we
15 have of the LLCs?

16 MS. PRICE: We have, your Honor, Ms. Donna Cangelosi.

17 THE COURT: Um-h'm.

18 UNIDENTIFIED SPEAKER: (Indiscernible).

19 MS. PRICE: And there are a number of other lenders I
20 believe here in the courtroom this morning, but our official
21 party representative here today is Ms. Cangelosi.

22 THE COURT: Okay. I have a few questions before we
23 start, and I'm going to try to keep my temper.

24 Ms. Cangelosi, will you come up and stand by your counsel,
25 and I'll ask your counsel to stand.

1 MS. PRICE: (Indiscernible).

2 THE COURT: I'm going to ask a couple of questions
3 predicate to, potentially, an issuance of an order for contempt
4 and, potentially, arrest.

5 We seem to have a semantics language barrier. That's all
6 I can think of as opposed to direct contempt and disobedience
7 to court orders.

8 Was there something misunderstandable about the words
9 "standstill agreement"? Anything incomprehensible about that
10 term? That is the litigation would stand still while mediation
11 occurred.

12 Part of that question is who gave Ms. Cangelosi authority
13 to negotiate with someone else who would support or fund her
14 litigation and a counterproposal to the proposals made in
15 mediation. That's the first question.

16 The second question is the Court long since ruled that
17 there was a violation of the securities laws in
18 Ms. Cangelosi's solicitation of these membership interests, and
19 I suggested either rescission or reiteration.

20 In fact, I ordered that there would be reiteration as a
21 condition for further representation. Has that reiteration
22 been accomplished?

23 MS. PRICE: Your Honor, may I address those --

24 THE COURT: You can answer --

25 MS. PRICE: -- both of those questions?

1 THE COURT: -- that question.

2 MS. PRICE: It is our understanding, your Honor, that
3 the reiteration that the Court has referred to and is on record
4 in prior transcripts had to do with the reiteration of the LLCs
5 and members' elections to terminate Compass.

6 THE COURT: They're elections to become members of
7 the LLCs.

8 MS. PRICE: Well, your Honor, it is our understanding
9 that the Court asked that the reiterations of the elections to
10 terminate Compass be made by the individual members. The Court
11 has specifically authorized --

12 THE COURT: So the answer --

13 MS. PRICE: -- the --

14 THE COURT: -- is you didn't understand me to have
15 ordered you to undertake a redisclosure and resolicitation.
16 You didn't understand me to have ordered that.

17 MS. PRICE: That's correct, your Honor. We
18 believe --

19 THE COURT: Okay.

20 MS. PRICE: -- that --

21 THE COURT: Madam Clerk, would you call the
22 U.S. Marshal and have them send a U.S. Marshal, please.

23 THE CLERK: I will, your Honor.

24 THE COURT: Next question, the Court ordered that the
25 LLCs perform an accounting. I long since told Ms. Cangelosi

1 she wasn't going to expect to step in here as an unsuccessful
2 bidder --

3 (Colloquy not on the record.)

4 THE COURT: -- and take profit out of these people's
5 pockets, people that have already been defrauded in the prior
6 bankruptcy. She wasn't going to be permitted to do it again.

7 (Colloquy not on the record.)

8 THE COURT: Have you provided the accountings? Have
9 they been provided?

10 MS. PRICE: Yes, your Honor.

11 THE COURT: They've been provided.

12 And counsel for Compass has received copies of those?

13 MR. MOORE: Yes, your Honor.

14 THE COURT: Okay. So we know if any moneys went to
15 Ms. Cangelosi.

16 (Colloquy not on the record.)

17 MS. PRICE: Your Honor, and I don't believe there has
18 been any violation of the standstill, either. The standstill
19 agreement was put in place to allow the parties to explore
20 mediation which the parties have done.

21 THE COURT: So why --

22 MS. PRICE: There have been --

23 THE COURT: -- did you think under the standstill you
24 were permitted to solicit funding for litigation, continuation
25 of the litigation, and to continue persuing litigation outside

1 of the mediation even to the extent of proposing a
2 counterproposal to the proposal offered in mediation? What
3 gave your client --

4 (Colloquy not on the record.)

5 THE COURT: -- the thought in her head that she had
6 the right to do that in spite of the standstill --

7 MS. CANGELOSI: Your Honor --

8 THE COURT: -- agreement?

9 MS. CANGELOSI: -- may I address the Court?

10 THE COURT: You can, but at great risk, ma'am. You
11 really would be better off letting your attorney answer it to
12 tell you the truth.

13 MS. PRICE: Your Honor, let me just say that there
14 have been --

15 THE COURT: And the --

16 MS. PRICE: -- settlement --

17 THE COURT: -- U.S. Marshal is on his way.

18 MS. PRICE: There have been settlement negotiations
19 ongoing for several months even prior to the mediations.

20 THE COURT: Uh-huh.

21 MS. PRICE: Ms. Cangelosi on behalf of the LLCs was
22 engaged in negotiations with Compass dating back to early
23 February.

24 There was at one stage of the negotiations a contemplation
25 that the cases could be settled by Compass basically stepping

1 out as servicer and having the LLCs buy out their position, a
2 compromise along the lines of paying Compass the servicing fees
3 that they're due and whatever compromise amount over and above
4 that was to be made.

5 But that would be requiring a cash payment upfront to
6 settle with Compass, and then Compass would be out and no
7 longer servicing the loans, so there needed to be a servicer in
8 place.

9 So as a part of these settlement negotiations, your Honor,
10 Ms. Cangelosi on behalf of the LLCs engaged in negotiations to
11 try to find a solution there that would allow a settlement with
12 Compass along the lines that at that time was being discussed
13 to great detail.

14 But that if Compass then stopped servicing the loans as a
15 part of this package, then there needed to be a servicer ready
16 to step in, and so negotiations with Cross --

17 THE COURT: Nothing wrong --

18 MS. PRICE: -- had been going on since --

19 THE COURT: -- with trying to find an alternate
20 servicer to step in. That's not what you did. What you did is
21 you arranged for funding for continuation of the litigation,
22 even assignment of rights of these people who have been
23 defrauded, already, further compensation in order to fund the
24 litigation, further litigation. That's what you did. You
25 didn't just solicit a servicer to step in in lieu of Compass.

1 MS. PRICE: Okay.

2 MS. CANGELOSI: Your Honor --

3 THE COURT: Do you see why that's a problem?

4 MS. CANGELOSI: Your Honor, please, may I explain?

5 THE COURT: You sure may, and you're cautioned
6 because you have already been found in contempt of this Court,
7 and I've got a marshal here ready to arrest you for civil
8 contempt. So with that caution in mind, ma'am -- by the way
9 just for the record, you represent the LLCs, correct?

10 Does Ms. Cangelosi have a personal representative here?
11 She is sued, correct? She's a party individually as well as
12 the LLCs in these proceedings, correct?

13 MS. CANGELOSI: Yes, sir.

14 THE COURT: Does she have individual counsel?

15 MS. CANGELOSI: No, sir.

16 MS. PRICE: No, your Honor.

17 THE COURT: Jaworski represents her as well as --

18 MS. CANGELOSI: No, sir.

19 THE COURT: -- the LLCs?

20 MS. PRICE: No --

21 THE COURT: No.

22 MS. PRICE: -- your Honor.

23 THE COURT: So she has no representation
24 individually?

25 MS. PRICE: Not this morning, your Honor.

1 THE COURT: Who's her personal representation in
2 these cases?

3 MS. CANGELOSI: Your Honor, Mr. Alan Smith was, and
4 he withdrew.

5 THE COURT: So you're pro se, ma'am?

6 MS. CANGELOSI: Your Honor, I didn't know that I was
7 going to be put up on a trial today.

8 THE COURT: Yes. Well, that's why I'm letting you
9 know, and that's why I'm giving you clear caution as the
10 circuit requires.

11 You're on the verge of being held in contempt and
12 arrested, ma'am, and that's why I'm giving you very strong
13 caution before you speak pro se because I will consider what
14 you say.

15 MS. CANGELOSI: Then, your Honor, I'd like to speak
16 pro se.

17 THE COURT: You may, ma'am.

18 MS. CANGELOSI: Would you like me to stand here --

19 THE COURT: No.

20 MS. CANGELOSI: -- or come up there?

21 THE COURT: Right there is fine.

22 MS. CANGELOSI: Okay. Your Honor, in December, we --
23 we have had a funding issue with the pledge for the LLC pledge.

24 THE COURT: You sure have, and you didn't understand
25 my prior direction to you that you had violated securities laws

1 in soliciting these members?

2 And that before you could continue to represent them with
3 a short interim exception allowed you had to resolicit. You
4 didn't understand the Court to have said that.

5 MS. CANGELOSI: Your Honor, I have read the
6 transcripts over and over again --

7 THE COURT: You just didn't --

8 MS. CANGELOSI: -- sir.

9 THE COURT: -- get that.

10 MS. CANGELOSI: I read the transcripts over and over,
11 and I have also acted under advice of counsel. I was told over
12 and over again that the reiteration that was required was for
13 the terminations, your Honor.

14 THE COURT: Okay.

15 MS. CANGELOSI: I was under the --

16 THE COURT: Very good. I'm going to take what you
17 say at face value, ma'am, that you're not intentionally
18 disobeying the Court's order.

19 MS. CANGELOSI: No, sir.

20 THE COURT: So let's get it clear, and counsel for
21 Compass will take careful notes, and you'll prepare an order.

22 Number one, who is authorized to sign on behalf of the
23 LLC? Who is their managing member?

24 (STOPPED PROOFING AT 09:12:01 (phonetic).)

25 MS. CANGELOSI: The LLCs have authorized FDH

1 (phonetic) which is my company to manage it. However, we --

2 THE COURT: So FDH is a corporation.

3 MS. CANGELOSI: Yes, sir.

4 THE COURT: And who is authorized to sign on behalf
5 of FDH?

6 MS. CANGELOSI: In which regard, sir?

7 THE COURT: With respect to its role as managing
8 member of any and every LLC?

9 MS. CANGELOSI: Your Honor, as it relates to voting
10 processes with the Compass -- with the Compass payoff
11 processes, FDH is authorized. As it relates to any encumbrance
12 regarding pledges, the individual members are the ones who
13 sign. FDH does not pledge any assets on behalf of the LLC.

14 THE COURT: Okay. It is the managing member, right?
15 Okay. Here's the order. Within 30 days, the managing member
16 will sign reassignments of all assignments of direct-lender
17 interests back to the direct lenders within 30 days.

18 MS. CANGELOSI: Yes, sir.

19 THE COURT: Ms. Cangelosi personally and FDH and a
20 representative are commanded to be here. We'll give you a date
21 on the calendar under order to show cause for contempt if she
22 fails to obey this order. She'll be here with jail threatened
23 until she complies. It's civil contempt. It's not criminal.

24 MS. CANGELOSI: All right.

25 THE COURT: So it's civil contempt. Number two, I

1 want full accountings performed. Number three, the LLCs and
2 Cangelosi are specifically barred from any further
3 representation of direct-lender interests in the mediation or
4 of member interests or direct-lender interests here in these
5 proceedings. The question remains as whether Jaworski can
6 continue to represent direct-lender interests and member
7 interests. I have a few questions in that regard before I make
8 an order in that respect. And the last one, let's see. I got
9 the accountings. I am going to set trial forthwith. The
10 standstill period was when? I know what it was. The last one
11 is I direct Compass to file a motion asking for a receiver to
12 be appointed for the LLCs conditioned only upon whether she
13 complies with these direct orders as given by the Court this
14 morning. If she fails to comply, then I want you forthwith to
15 file a motion justifying the appointment of an equity receiver
16 in these proceedings for one of the parties to the proceedings.
17 That is the LLC or LLCs and the Court to appoint an equitable
18 receiver both as a sanction for contempt for its failure to
19 follow the Court's orders and to make proper appearance here on
20 behalf of the direct lenders. How long is the standstill
21 period?

22 MR. MOORE: Your Honor, it expires at the end of this
23 month.

24 THE COURT: It expires the end of this month. Okay.

25 MR. MOORE: The solicitation period I believe was to

1 go through Wednesday of --

2 THE COURT: All right.

3 MR. MOORE: -- this week.

4 THE COURT: Okay. Cross isn't represented here --
5 (Colloquy not on the record.)

6 THE COURT: -- are they? Then I'll have to ask
7 Jaworski to convey to Cross. They haven't made an appearance
8 in this case I don't imagine.

9 MS. PRICE: Not yet, your Honor.

10 THE COURT: Uh-huh. They won't be allowed to appear,
11 and, unfortunately, they haven't been part of these proceedings
12 heretofore especially the part where the Court said that
13 Ms. Cangelosi was in contempt. So in engaging in exactly the
14 same conduct, they are inviting exactly the same ruling that
15 they're in contempt.

16 Therefore, I'll ask you to convey to them the clear
17 statement of the Court. If they involve themselves in
18 interference with Compass' rights, they will be held in
19 contempt, similarly, and they will be visited with substantial
20 sanctions.

21 (Colloquy not on the record.)

22 THE COURT: Those are the orders. Is there anything
23 unclear about what I have said here today, anything unclear, or
24 do you want clarification --

25 (Colloquy not on the record.)

1 THE COURT: -- so that it's clear next time you come
2 before the Court -- and there's a marshal standing here -- what
3 standard you meet, anything unclear?

4 MS. CANGELOSI: No, your Honor.

5 MS. PRICE: Your Honor, the paragraph 13 of the
6 preliminary-injunction order entered by the Court in November
7 specifically allows the LLCs as LLCs to encumber interest to
8 obtain litigation financing, and I guess at this point we are
9 completely in the dark as to how the LLCs are going to be able
10 to do that.

11 THE COURT: They're not. I am dismembering them.

12 MS. PRICE: Okay.

13 THE COURT: We are dissolving them. Unfortunately,
14 that leaves me in the very precarious position of who in the
15 world is going to represent these direct lenders.

16 MS. PRICE: Yes, your Honor.

17 THE COURT: You know, Ms. Cangelosi -- of course,
18 Compass invited this. You invited this by coming into these
19 proceedings and doing what was good and healthy and what was
20 solicited by the bankruptcy court, buying up the servicing
21 rights, and then you proceeded on a loan or two to show part of
22 your true intent, and that is to repillage the same people that
23 had been defrauded. You invited it, so there's nothing wrong
24 with Ms. Cangelosi's original intent to protect her own
25 interest and people similarly situated. She's not a lawyer,

1 though, and she has no right to represent them, and then what
2 she did was exactly what Compass did. She involved herself in
3 soliciting people for a big share of their membership
4 interests, not just so that -- it wasn't a solicitation where
5 you contradict \$200 this month and each month to help pay the
6 litigation costs. Well, you contribute two percent, three
7 percent, mandatorily percentages of your interest, and I have
8 the right to bind, and I have the right to profits. She
9 involved herself in doing exactly the same thing that these
10 people had been through before, and I told her that she was in
11 contempt. She didn't get it. I must have said it three or
12 four times. You are not going to walk out of these proceedings
13 with any profit, ma'am. She didn't get it.

14 MS. CANGELOSI: Your Honor, may I please speak?
15 There is no profit --

16 THE COURT: You can speak when you get yourself an
17 attorney, ma'am, because you are being put on notice of civil
18 contempt. I didn't hear any objection that there was any lack
19 of clarity in what I'm ordering. I'm ordering Compass to
20 prepare an order to present this week that the Court will sign.
21 She is barred now from representing anybody but her own
22 interests in these mediations. She may appear. She may
23 represent only her own interest. FDH is barred. Now, the last
24 question is, these direct lenders, both of those who opted into
25 the LLCs and those who haven't need representation in these

1 mediations, and they need representation vis-a-vis the
2 borrowers, and they need representation vis-a-vis Compass, so
3 who is going to do that since Ms. Cangelosi has clearly
4 violated her position of trust in trying to do that?

5 MS. PRICE: Your Honor --

6 THE COURT: Did Jaworski solicit or negotiate the
7 potential contract with Cross?

8 MS. PRICE: No, your Honor.

9 THE COURT: No. Good. So in my mind, Jaworski can
10 continue to represent the LLCs short of a receiver. If there's
11 a receiver, of course, then, of course, the receiver will
12 retain counsel, either Jaworski or somebody else, so Jaworski
13 can continue to appear in the mediation to represent the
14 interests of the members of the LLCs and the direct lenders as
15 you have been previously engaged to do.

16 MS. PRICE: Your Honor, Fulbright & Jaworski has only
17 been retained to represent the LLCs. We have not been retained
18 nor have we accepted --

19 THE COURT: Of individual --

20 MS. PRICE: -- engagements --

21 THE COURT: -- members.

22 MS. PRICE: Correct, your Honor, and part of the
23 reason that we are here this morning is because the LLCs, the
24 individual lender members of the LLCs are desperately without
25 litigation funding. They are not able to move forward in this

1 litigation, and Fulbright & Jaworski is a big problem in that
2 regard as well.

3 THE COURT: Well --

4 MS. PRICE: And that was --

5 THE COURT: -- I fully understand that. But where in
6 the world you got it into your head that you could go out and
7 solicit a funding-litigation proposal like this is just beyond
8 me. It's just rape and pillage of the same people who were
9 defrauded before, and you don't get that.

10 MS. PRICE: I don't get that, your Honor. I don't --

11 THE COURT: Yeah.

12 MS. PRICE: -- understand that because the --

13 THE COURT: Okay.

14 MS. PRICE: -- or this proposal has been vetted and
15 considered very, very carefully by each and every individual
16 lender. This is not being run. This process is not being
17 done --

18 THE COURT: And since you don't get it --

19 MS. PRICE: -- on the LLC level.

20 (Colloquy not on the record.)

21 THE COURT: -- I strongly suggest that you start
22 seeking other counsel to substitute for you. Okay?

23 MS. PRICE: To substitute --

24 THE COURT: As of this point --

25 MS. PRICE: -- for the LLCs?

1 THE COURT: -- in time, I'm not barring you from the
2 mediation. Okay?

3 MS. PRICE: I'm sorry. Could you clarify that,
4 your Honor.

5 THE COURT: You didn't get all of the prior orders
6 and rulings the Court has given. You didn't get it. You just
7 told me you didn't get it. You didn't understand what the
8 Court understood it to have been conveyed; therefore, I
9 strongly suggest that Jaworski generally find substitute
10 counsel because you're on the verge of having the same problem
11 that Ms. Cangelosi has. So far, you don't, but I'm strongly
12 advising that.

13 Give us a date in 30 days. Ms. Cangelosi is ordered to
14 appear to show cause for contempt. The sanction will be civil
15 arrest for civil contempt if she fails to comply.

16 THE CLERK: Yes, your Honor. Monday, June 2nd at
17 9:00 a.m.

18 THE COURT: Monday, June 2nd at 9:00 a.m. The clerk
19 will also produce a written order to show cause for contempt.
20 Ms. Cangelosi will be served at her address shown on the
21 pleadings.

22 MS. PRICE: Your Honor, may we have an extension of
23 the litigation standstill through June 2nd?

24 THE COURT: It makes sense to me, so that you can do
25 a proper solicitation to people with a proper disclosure of

1 what they're voting on. The problem is Ms. Cangelosi who
2 previously I had in my head I could trust, partly trust, to
3 give some fair representation of the mediation offers now
4 can't.

5 (Colloquy not on the record.)

6 THE COURT: So you're the only one who we can rely on
7 to convey the mediation offers to those members that you
8 represent as well as the other direct lenders, so that somebody
9 gets a true picture of what they would approve or what they
10 would deny approval of.

11 MS. PRICE: Your Honor, the Court has not even heard
12 any evidence of the extent to which the individual lender
13 members of the LLCs have been given these proposals, and we
14 have not even had a chance to put on our case for that, so,
15 your Honor, I certainly want to comply with the Court's orders.
16 Ms. Cangelosi fully intends to comply with this order.

17 THE COURT: I understand, but you need to make your
18 record as well.

19 MS. PRICE: Yes, your Honor.

20 THE COURT: I got it.

21 MS. CANGELOSI: Your Honor, could I -- how do -- how
22 do I clear my name, your Honor? There is no profits in here --

23 THE COURT: You can't, anymore --

24 MS. CANGELOSI: -- for me.

25 THE COURT: -- ma'am.

1 MS. CANGELOSI: There's no --

2 THE COURT: You're done.

3 MS. CANGELOSI: There --

4 THE COURT: You're --

5 MS. CANGELOSI: But --

6 THE COURT: -- in contempt, and you have refused to
7 extricate yourself from the contempt.

8 MS. CANGELOSI: Your Honor --

9 THE COURT: I --

10 MS. CANGELOSI: -- I have --

11 (Jennie started taking down at 09:24:19 a.m. (phonetic).)

12 THE COURT: We've been here at hearing after hearing,
13 and I've told you the problem, and you continue, and now what
14 do I get? Not a reiteration redisclosure, not a turn back of
15 the interests Ms. Cangelosi has in here (indiscernible) in all
16 this process second to the principles of the prior debtors, USA
17 Commercial, what I get is a new proposal for more pledging of
18 more member interests, more fees on top of fees coming from the
19 members. That's what I get in response.

20 MS. CANGELOSI: Your Honor, the -- a question for you
21 though. How do the members defend themselves if they don't
22 have money in their pocket and all they have is this asset to
23 pledge? There is no profits in this for FDH unlike what like
24 Compass would like you to believe.

25 THE COURT: That's a terrific question, just a

1 terrific question. I hope the appellate court is listening and
2 will answer that question for us because I told you you had to
3 turn back these membership interests and resolicit, but I gave
4 you an extension of time. I said nobody's here to represent
5 these members therefore I'm not going to order it immediately.
6 I'm going to trust Ms. Cangelosi to represent these people
7 without soliciting profit and pillaging them herself. Well, by
8 gum, it was misplaced trust. So that's a good question and I
9 can't answer it. I pose it to the higher powers.

10 MS. CANGELOSI: Your Honor --

11 THE COURT: Who's going to represent them? Not Ms.
12 Cangelosi.

13 MS. CANGELOSI: I'm not suggesting, sir, that I
14 represent them, but --

15 THE COURT: And --

16 MS. CANGELOSI: -- what I'm saying is --

17 THE COURT: -- no, in fact, the Court's ordered
18 you're done.

19 MS. CANGELOSI: Yes, sir. I -- I appreciate that,
20 but --

21 THE COURT: You got it. Good.

22 MS. CANGELOSI: -- FDH stands to make not one penny
23 of profit. FDH participates in no way with the Cross proposal.

24 THE COURT: And that's especially true now because
25 they're out.

1 MS. CANGELOSI: But FDH never did, sir, it never did.

2 THE COURT: Yeah. And it's --

3 MS. CANGELOSI: All we were trying --

4 THE COURT: -- out now for sure.

5 MS. CANGELOSI: We have 37 individuals who have been
6 sued that are scared and don't know what to do. We have the
7 LLC members who had a proposal from Compass that, sir, is
8 unacceptable. The individual members were asked to vote on
9 this. Concurrent with that I was desperate to find a solution
10 to help find defense of Compass' very aggressive actions.
11 There is -- there is no money that's involved in this for FDH.
12 Your Honor, I apologize to you. I read the transcripts over
13 and over again. I read the Court orders. I read the
14 reiterations as being the elections to terminate. I -- I've
15 concurred with --

16 THE COURT: I take your --

17 MS. CANGELOSI: -- counsel --

18 THE COURT: -- statement at face value that you did
19 not intend to violate any Court order, but so that there may be
20 clarification, I've given you more express order and commanded
21 that you comply within 30 days.

22 MS. CANGELOSI: I am -- I'm -- I will comply
23 absolutely --

24 THE COURT: Okay.

25 MS. CANGELOSI: -- your Honor. There's no intention

1 here but the people need to have defense, and we can't --
2 nobody is willing --

3 THE COURT: They sure do.

4 MS. CANGELOSI: Nobody is --

5 THE COURT: And you're not the one who can do it, nor
6 ask for it --

7 MS. CANGELOSI: I --

8 THE COURT: -- henceforth.

9 MS. CANGELOSI: I understand, your Honor.

10 THE COURT: Jaworski still can --

11 MS. CANGELOSI: Okay.

12 THE COURT: -- but you can't.

13 MS. CANGELOSI: I understand, your Honor. I -- I
14 interviewed contingency law firms, I interviewed class action
15 law firms on behalf of the people --

16 THE COURT: Henceforth, you won't interview anybody.

17 MS. CANGELOSI: -- to try and find a solution.

18 That's (indiscernible) --

19 THE COURT: Nor will you negotiate with anyone.

20 MS. CANGELOSI: I'm -- I'm (indiscernible).

21 THE COURT: Have you been provided copies of the
22 emergency motions? They were filed under seal and you weren't
23 given a copy?

24 MR. MOORE: We were not given a copy of the -- we
25 received a redacted copy.

1 THE COURT: Is there any reason why I shouldn't give
2 them a full copy?

3 MS. PRICE: No, your Honor. The full exhibits that
4 were attached to our motion obviously Compass already has
5 because they were exhibits to the response that was filed, but
6 we can certainly provide them forthwith with the --

7 THE COURT: Okay.

8 MS. PRICE: -- full set.

9 THE COURT: Provide them with a whole set.

10 MS. CANGELOSI: Your Honor, is it -- is it correct --
11 am I correct that your ruling is that Cross is out completely
12 as well in this?

13 THE COURT: Absolutely. That's a pure violation of
14 the standstill order.

15 MS. PRICE: Your Honor, we have evidence to show that
16 each and every individual lender member of the LLCs has voted,
17 has considered, and has spoken on whether to -- they have been
18 given equal access to a settlement proposal by Compass as well
19 another option that if the settlement is unpalatable to them,
20 and we've got evidence to put on as to how that was done.
21 We're happy to present that to the Court and it's done on an
22 individual basis. There have been numerous lengthy, four and
23 five hour long conference calls, where members of Compass were
24 --

25 THE COURT: Um-h'm.

1 MS. PRICE: -- on the phone, members of Cross were on
2 the phone answering questions, providing the lenders with every
3 bit of information that they wanted. The balloting process has
4 been very, very above board and is ongoing and it's almost
5 complete. It looks like --

6 THE COURT: Okay.

7 MS. PRICE: -- over 96 --

8 THE COURT: That's --

9 MS. PRICE: -- percent --

10 THE COURT: That's good. That's delightful, but the
11 clear message I've given heretofore and hopefully making it
12 very clear today is Ms. Cangelosi is out. She will not
13 negotiate, she will not forward proposals, FDH will not be
14 involved, they will not represent, they will not participate in
15 the mediation for anybody other than their own interests.
16 There were no longer be any withholding for the LLCs, period,
17 and that's absolutely clear. She's out.

18 MS. PRICE: There will no longer be withholding for
19 -- could you clarify that, your Honor?

20 THE COURT: There's no -- I think you understand.

21 MR. WEIBEL: Yes, your Honor, I do.

22 THE COURT: Make sure it's in the order.

23 MR. WEIBEL: Will do.

24 THE COURT: Okay. I'll expect the order this week,
25 and return within 30 days.

1 MS. PRICE: Your Honor, there was another matter on
2 the docket as well with respect to the San Fernando payoff.
3 That --

4 MR. MOORE: Your Honor, I believe that's what your
5 Honor just mentioned. That was whether or not the one percent
6 goes to the LLCs and FDH or -- excuse me -- to FDH or whether
7 it goes to the members and I interpreted --

8 THE COURT: It goes to the members.

9 MR. MOORE: -- your Court's comments as it goes to
10 the members.

11 THE COURT: That's right.

12 MS. CANGELOSI: Your Honor, that leaves Fulbright &
13 Jaworski with a \$3,000,000 bill that we can't satisfy, and the
14 pledge was less than \$3,000,000, your Honor.

15 THE COURT: You've been in contempt of the bankruptcy
16 court orders and the district court orders from day one, Ms.
17 Cangelosi, and Judge Riegler told you that, I told you that, and
18 you just went on your merry way. I'm sure there are people
19 here who want you to represent them, but there are how many,
20 1100 total direct lenders?

21 MR. MOORE: 3,000 directs, your Honor.

22 THE COURT: 3,000 direct lenders, ma'am, that you've
23 done a serious injury to, so that's the order of the Court and
24 we'll make sure that we now get some proper representation for
25 the whole body. That's where we're going.

1 MR. MOORE: Thank you, your Honor.

2 MR. HOWARD: Your Honor, if I might, Randolph Howard
3 for the (indiscernible) advisors. We have three pending
4 motions that have not been calendared for hearing. Would the
5 Court at least --

6 UNIDENTIFIED SPEAKER: Sir, can you step over --

7 MR. HOWARD: -- consider --

8 UNIDENTIFIED SPEAKER: -- to the (indiscernible).

9 THE CLERK: (Indiscernible), thank you.

10 MR. HOWARD: (Indiscernible). Your Honor, Randolph
11 Howard for Silar Advisors. We have three pending motions that
12 have been fully briefed and ready for hearing. I would request
13 if it pleases the Court that those be set for hearing likewise
14 on June 2nd.

15 THE COURT: I'll ask Madam Clerk to consider that.

16 THE CLERK: Yes, your Honor.

17 MR. HOWARD: Thank you.

18 THE COURT: Thank you so much, and thank you for your
19 appearance today. Ms. Chubb?

20 MS. CHUBB: Yes, your Honor.

21 THE COURT: You know, you're one of the people that I
22 trust --

23 MS. CHUBB: Thank you, your Honor.

24 THE COURT: -- so I failed to ask you for your input
25 and I sincerely apologize for not getting your input. Did you

1 have anything to add?

2 MS. CHUBB: Well, I am concerned, your Honor, that if
3 you say that nothing can be pledged by the direct lenders
4 themselves that they have no ability to hire anyone else. I
5 mean, my people have me, but the other direct lenders now have
6 no one and as I understood your order there is no way that they
7 can encumber their interest and hire new counsel or pay
8 Jaworski, so I don't know where that leaves them.

9 THE COURT: Ms. Chubb, I think they can.

10 MS. CHUBB: Okay.

11 THE COURT: What they can't do is let Ms. Cangelosi
12 do it for them because what I get from Ms. Cangelosi is what I
13 got in this Cross proposal which is --

14 MS. CHUBB: Okay.

15 THE COURT: -- outrageous. It's an outrageous
16 proposal. If I were a bankruptcy judge and considering this an
17 interim financing, you'd understand exactly where I'm coming
18 from.

19 MS. CHUBB: Okay.

20 THE COURT: You've heard it many times before.

21 MS. CHUBB: Okay. So they can pledge their own
22 interest on --

23 THE COURT: They can pledge their --

24 MS. CHUBB: -- an individual basis?

25 THE COURT: -- interest, they can retain counsel,

1 they can try to form themselves as groups to retain counsel in
2 common.

3 MS. CHUBB: Okay.

4 THE COURT: They just can't do it through Ms.
5 Cangelosi anymore.

6 MS. CHUBB: Okay.

7 THE COURT: Because she's just absolutely violated
8 the Court's orders.

9 MS. CHUBB: That's very helpful for all of the direct
10 lenders.

11 THE COURT: Okay. And again I apologize to you.

12 MS. CHUBB: No problem. I was just a listen-in only.
13 That's all I asked for.

14 THE COURT: All right.

15 MS. CHUBB: Thank you.

16 THE COURT: Thank you so much.

17 MS. CHUBB: Thank you very much.

18 THE COURT: Thank you. I'm going to call the next
19 case.

20 (Court concluded at 09:34:04 a.m.)

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