

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA**

<b>In re:</b>	}	
<b>USA COMMERCIAL MORTGAGE COMPANY,</b>	}	<b>Case No. 2:07-cv-892-RCJ-GWF-BASE and Case No. 3:07-cv-241-RCJ-VPC</b>
<b>Debtor.</b>	}	<b>DECLARATION OF DONNA CANGELOSI IN COMPLIANCE WITH ORDER DENYING LLCs' EMERGENCY MOTION FOR ORDER AUTHORIZING ENCUMBRANCE OF BENEFICIAL INTERESTS</b>

I, Donna Cangelosi, declare as follows:

1. "My name is Donna Cangelosi. I am over twenty-one years of age and am otherwise competent and qualified to make this declaration. The facts stated in this declaration are within my personal knowledge and are true and correct. I submit this declaration in compliance with the Court's Order Denying LLCs' Emergency Motion for Order Authorizing Encumbrance of Beneficial Interests entered on May 15, 2008 (the "Order").

2. Pursuant to paragraph 4 of the Order and in reliance on paragraph 6 of the Order, which provides in part that "Cangelosi and FDH shall be permitted to take such actions as may be necessary to effectuate the terms of this Order" I organized, directed, and assisted in the return to the LLC members of each LLC member's properly executed Assignment of Beneficial Interest ("Assignment"). The Assignments were returned with a signed statement by me on behalf of FDH stating: "FDH is returning the attached assignment, which is null and void and of no force or effect, and forever releases any claim or entitlement to the proceeds of any Loan resolution with respect of such beneficial interest." A true and correct copy of this statement is attached hereto as Exhibit A. The Assignments have never been recorded, therefore, no recording activity was required to effectuate the return of the Assignments.

3. The Assignments were returned pursuant to the following process: Using the LLCs' database, which shows investors who have assigned their interests into the LLCs, mailing

1 labels were generated for all LLC investors. Then, using a master file of lenders, all original  
2 Assignments for each LLC member were pulled and compiled from each loan in which the LLC  
3 member was invested and bundled into an individual lender mailing file. Each lender mailing  
4 file was then processed by a separate person, who performed a quality assurance check to assure  
5 that the correct and complete Assignments were collected for each individual LLC member.  
6 Once the integrity of a lender mailing file was ensured, the original Assignment(s) and the signed  
7 statement quoted above were placed in the appropriately labeled envelope and sealed. On  
8 Saturday, May 24, 2008, the stuffed, sealed, and sorted envelopes were brought to a mailing  
9 service. The mailing service recounted the envelopes to ensure that none were missing. On  
10 Tuesday, May 27, 2008, the mailing service applied the appropriate postage to the envelopes and  
11 mailed them out. The cost of the postage was \$1,019.00. This cost does not include supplies and  
12 other related expenses estimated to be approximately \$500.00. A true and correct copy of the  
13 mailing receipt dated 5/27/08 at 1:04 PM is attached hereto as Exhibit B.

14 4. In response to paragraph 5 of the Order, the LLCs do not have and never have had  
15 separate Powers of Attorneys for any LLC member.

16 5. In compliance with paragraph 9 of the Order, I have caused an updated  
17 accounting to be prepared. To assist the Court in its review of the accounting, I provide the  
18 following information concerning each subparagraph of paragraph 9 of the Order:

19 (a) The information required by paragraph 9(a) of the Order is set forth in a  
20 schedule entitled "LLC Membership Dollars by Loan." A true and correct copy of this schedule  
21 is attached hereto as Exhibit C.

22 (b) The information called for by paragraph 9(b) of the Order is contained in a  
23 multi-page schedule entitled "LLC Membership by Loan." A true and correct copy of this  
24 schedule is attached hereto as Exhibit D.

25 (c) The rescission information called for by paragraph 9(c) of the Order is  
26 contained in a one-page schedule entitled "Rescission Report as of April 28, 2008." A true and  
27 correct copy of this accounting is attached to this declaration as Exhibit E.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

(d) The payment information called for by paragraph 9(d) of the Order is contained in a one-page document entitled "FDH Operating Statement" for the period May 2007—May 2008, under the heading "Income." A true and correct copy of this Operating Statement is attached hereto as Exhibit F.

(e) The total payments made to Fulbright of \$52,300, called for by paragraph 9(e) of the Order, is contained in Footnote (3) on the document entitled "FDH Operating Statement." A true and correct copy of this Operating Statement is attached hereto as Exhibit F.

(f) With respect to paragraph 9(f) of the Order, there have been no "sales, assignments, transfers, hypothecations or encumbrances of Beneficial Interests by the LLC.," and therefore paragraph 9(g) of the Order is inapplicable because no such funds have been received.

(h) With respect to paragraph (h) of the Order, there have been no such requests to a borrower for payment on a Loan by myself, FDH or the LLCs.

(g) I have received a copy of one Loan payoff proposal from a borrower, a true and correct copy of which is attached hereto as Exhibit G. Compass also received this proposal.

6. At the hearing on April 28, 2008, the Court made certain statements about a dissolution of the LLCs. However, the Order does not mention such a dissolution. I will bring Certificates of Dissolution to the June 2, 2008 hearing and will comply with further orders of the court concerning dissolution of the LLCs.

I hereby declare under penalty of perjury that the foregoing is true and correct."

EXECUTED on the 28th day of May, 2008.

By:   
Donna Cangelosi, Manager of FDH