



December 7, 2007

To: **All Direct Lenders**

RE: **November 30th Communication from Donna Cangelosi**

On November 30, 2007, Donna Cangelosi sent you a communication that contains false and misleading information regarding the treatment of Direct Lenders' claims under the Preliminary Injunction Order entered by the District Court at the request of Compass. This letter responds to certain of the most egregious falsehoods contained in Ms. Cangelosi's communication.

Ms. Cangelosi stated that you must hire an attorney or join her LLCs "if you do not want Compass to take default, late and other fees." This statement is false. When a borrower's settlement offer is insufficient to satisfy a loan in full, the District Court has ruled that every Direct Lender (defined in the Preliminary Injunction Order itself to include both direct lenders who are members of the LLCs that initiated litigation and those who are not members of LLCs) will have an opportunity to dispute the payment of default interest and/or late fees to Compass, regardless of whether you are a member of an LLC or have an attorney. *Compass sought this broad and inclusive definition of Direct Lenders and will fully comply with this and any other ruling of the District Court.*

Ms. Cangelosi stated that if a Direct Lender is not a member of her LLCs, or does not have his or her own counsel, the Direct Lender will be unable to "defend themselves from Compass retaining portions of their principal and interest for default, late, and other fees." This statement is false. To the extent that Compass receives a discounted payoff from a borrower with the consent of the Direct Lenders (both LLC members and non-LLC members) but a Direct Lender does not accept a settlement offered by Compass as to



the treatment of default interest, late fees or other fees that Compass otherwise claims it is entitled to by contract or court order as a priority, such fees will be escrowed and the issue of priority and distribution rights will be presented to the District Court for resolution. When the District Court issues a determination as to the priority of payments of disputed escrowed funds on a particular loan, *Compass will fully comply with the ruling of the District Court and treat all Direct Lenders who objected in exactly the same way (with the exception of the 1% or more the LLC may claim should be paid directly to it or set aside in escrow pending determination of the LLC's claimed right of payment vis-à-vis the Direct Lender LLC members – as was just ordered in connection with the La Hacienda distribution), regardless of whether you are a member of an LLC or have an attorney.*

After the District Court entered the Preliminary Injunction Order (which enjoins Ms. Cangelosi from interfering with Compass's efforts to resolve loans) and the Contempt Order Re Donna M. Cangelosi (which held Ms. Cangelosi in contempt of Court), Compass has been able to make great strides to resolve loans for Direct Lenders. Over the past few weeks, Compass has successfully negotiated the resolution of eight loans, with anticipated recoveries in excess of \$72 million. Mediations and foreclosure sales are scheduled for the next few weeks which will result in the recoveries of many other loans. Many of you will be receiving requests for consent in the next few weeks.

No one is more interested in quickly resolving the remaining loans in this portfolio than Compass, and no one is more qualified than Compass to do so. Any dispute as to the priority of payments will be resolved by the District Court, and Compass will comply with any ruling of the Court regardless of whether you are a member of an LLC or have an attorney.

As you have recently been advised, effective December 1, 2007, Compass retained Windemere Special Assets as its Nevada-licensed subservicer. To



the extent you have any questions regarding your account status or the resolution of your loans, please contact Windemere at 702-242-0796.