



January 22, 2008

To: **The Holders of Beneficial Interests (the "Direct Lenders") in the Bay Pompano Loan (the "Bay Pompano Loan")**

RE: **Request for Consent to Discounted Payoff of the Bay Pompano Loan**

Compass Financial Partners LLC (together with its licensed subservicers and affiliates, "Compass") has negotiated a proposed transaction with the holder of a junior lien on the collateral securing the Bay Pompano Loan (the "Second Mortgagee") pursuant to which the Direct Lenders and Compass would receive a lump sum cash payment of \$17,000,000.00 in satisfaction of all obligations due and owing the Direct Lenders and Compass under the Bay Pompano Loan. Pursuant to the Second Mortgagee's proposal, if its commitments are fulfilled, on or about 2/29/08, Compass and the Direct Lenders would receive 77.24% of the \$22 million due and owing from the Bay Pompano borrower (the "Borrower"). Thus, under Compass's proposal below, the Direct Lenders would recover 107.4% of their original principal investment, including prior payments received.

The existing Bay Pompano situation is unusually complicated and has been very costly to date. Despite repeated demands, the Borrower has not remitted payment on the Bay Pompano Loan since July 2006. As set forth in the Loan Status Report previously distributed to Direct Lenders, Compass was compelled to initiate the foreclosure in light of the Borrower's unwillingness and/or inability to meet its obligations under the Bay Pompano Loan documents. Under Florida law, all foreclosures must proceed through the judicial process, which is more time consuming and expensive than non-judicial foreclosures, such as in Texas and California. Moreover, the Second Mortgagee recently succeeded in having 3 judicial receivers appointed to monitor the collateral securing the Bay Pompano Loan (the "Property"). One of the receivers manages the Property, another receiver oversees the condo association, and a third receiver oversees the title escrow agent. Although the Direct Lenders benefit from having an independent party monitor the affairs of the Borrower, the costs associated with the receivers are substantial. Furthermore, Compass has been required to monitor the receivership proceedings in order to adequately protect the interests of the Direct Lenders.

Further complicating the Bay Pompano situation is the fact that a local title company authorized the sale of 52 units constituting the Direct Lenders' collateral without obtaining the requisite consent or releases from USA Commercial Mortgage Company or Compass. Compass has retained counsel and has been litigating with the title company in order to protect the interests of the Direct Lenders and recover the appropriate release prices.

Thus, the current proposal from the Second Mortgagee presents a unique opportunity for the Direct Lenders to liquidate their interest in the Bay Pompano Loan at an extremely favorable price, and remove themselves from an exceedingly complicated and expensive fight with multiple parties which will escalate from this point going forward.

WHY CONSENT: Compass strongly recommends the Direct Lenders consent to this proposal. The proposed payoff represents the culmination of lengthy negotiations with the Second Mortgagee—the party most inclined to acquire the Direct Lenders' senior note to protect its own junior position. After performing substantial due diligence and conducting market research, **Compass believes this is the**



highest and best offer obtainable in the quickest manner possible. Any alternative resolution would require substantial expenses (*i.e.*, foreclosure fees, litigation costs, and amounts necessary to fund extensive capital improvements to the collateral) and an extensive delay to be borne by the Direct Lenders that would reduce the overall recovery.

The Bay Pompano Loan has been in default since June 2006, and Compass was compelled to pursue foreclosure in light of the Borrower's unwillingness and/or inability to meet their contractual obligations. In August of 2007, Compass received an appraisal of the Property which indicated an "as-is" value, of approximately \$18 million, *well below* the approximate \$22 million due and owing under the Bay Pompano Loan documents as of February 29, 2008.

Given the complex set of circumstances, Compass is pleased to present the current proposal, pursuant to which the Direct Lenders and Compass will receive a lump sum cash payment of \$17.0 million in exchange for an assignment of the promissory note and mortgage on the Property. Based on Compass's market research, the extensive costs and delay that would be associated with pursuing an alternative resolution, and the overall deteriorating condition of the Florida Condominium real estate market, Compass believes this proposal presents the best opportunity for maximum recovery in the most expedient manner on the Bay Pompano Loan.

WHAT "DO NOT CONSENT" WILL MEAN: Unless Compass receives the consent of each of the Direct Lenders to the Second Mortgagee's proposal, this transaction cannot be approved. Absent such consent, an Event of Default would remain uncured under the Bay Pompano Loan documents, and Compass would be compelled to move forward with the foreclosure process and the various litigations in order to protect the Direct Lenders' interests and satisfy amounts due and owing under the Bay Pompano Loan. Compass would receive an estimate of the anticipated legal fees and would request that Direct Lenders advance such funds prior to taking any further action. It is Compass's view that an alternative to the current proposal would result in a lower recovery over a much longer timeframe.

In the event Compass is compelled to move forward with foreclosure, the Direct Lenders' recovery will be substantially delayed. In order to proceed with a foreclosure sale, Compass first must obtain a decree of foreclosure through the courts, and thereafter schedule a foreclosure sale. Under applicable Florida law, a foreclosure sale could not occur before early July 2008, and would occur much later should the borrower contest the foreclosure. The settlement with the Second Mortgagee preserves Compass's ability to continue to pursue a decree of foreclosure while the transaction with the Second Mortgagee is finalized.

In the event the sale to the Second Mortgagee is not approved pursuant to this Request for Consent, the Borrower will likely seek to challenge the foreclosure in the courts, which would lead to further delays, substantial costs, and the risks associated with potential lender liability counter-claims. In the event Compass is ultimately successful in taking title through foreclosure, Compass and the Direct Lenders will incur additional costs and delays in connection with marketing, maintaining, and selling the Property, including professional fees, litigation costs, and foreclosure costs attendant thereto, as well as satisfying the outstanding fees and costs incurred by the receiver prior to the foreclosure sale. Each Direct Lender's pro rata share of such costs and professional fees would be immediately due and payable to Compass in accordance with the terms of the governing Loan Servicing Agreements.



Moreover, given the current appraised value of the Property, the Direct Lenders would bear the absolute risk that any post-foreclosure sales price (less the extensive aforementioned expenses) would be substantially less than the Second Mortgagee's current proposal. Compass therefore reiterates its belief that the proposed transaction presents the best chance for maximum recovery for Direct Lenders in the most time efficient manner, and therefore urges you to consent.

SERVICING FEES: In accordance with the Preliminary Injunction and Order entered by the U.S. District Court for the District of Nevada on November 6, 2007 (the "Preliminary Injunction Order"), Compass will receive 100% reimbursement of its actual and necessary servicer advances and payment of its post-closing servicing fees (accrued after February 16, 2007) in the aggregate amount of \$336,057.84, as itemized below.

The majority of Loan Servicing Agreements provide for the payment to Compass of accrued default interest, late charges, as well as a percentage servicing fee. While Compass believes it is entitled to priority payment of outstanding default interest, late charges, and other fees due and owing in the Bay Pompano Loan (the "Compass Fees"), Compass is willing to accept a *pari passu* (or proportionate) recovery of its Compass Fees with amounts due and owing to the Direct Lenders from the Borrower if the Direct Lenders unanimously and unconditionally approve this proposal. Pursuant to this proposed distribution of the proceeds, the Direct Lenders and Compass would each receive 77.24% of total amounts due and owing, as follows:

- Direct Lenders would receive \$14,162,115.80, representing 77.24% of the total amounts due and owing the Direct Lenders through 2/29/2008 (of their principal & non-default interest), less \$449,868.07 representing servicing fees¹ and reimbursement of actual and necessary servicer advances. A line-by-line itemization of the total amounts due and owing Direct Lenders through 2/29/2008 is set forth below.
- Compass will receive \$2,951,694.43, representing 77.24% of the total Compass Fees due and owing in the Bay Pompano Loan through 2/29/2008. A line-by-line itemization of the total Compass Fees due and owing through 2/29/2008 is set forth below.

In the event any Direct Lender objects to the payment of Compass Fees on a *pari passu* basis as set forth above, but there is no objection to the Direct Lenders' and Compass's collective receipt of \$17,000,000.00 in satisfaction of all obligations due and owing under the Bay Pompano Loan, Compass will close the transaction with the Second Mortgagee, place the disputed portion of the proceeds into escrow in accordance with the Preliminary Injunction Order, and seek the full payment of its Compass Fees as a priority.

A line-by-line itemization of the total amounts due and owing the Direct Lenders and Compass through 2/29/2008, as well as the total recoveries for the Direct Lenders and Compass if the proposed *pari passu* settlement is consummated, are set forth below:

¹ Amount reflects 78.46% recovery of pre-closing servicing fees and 100% recovery of post-closing servicing fees. The reference to "closing" refers to the 2/16/07 closing date of the sale of USA's assets to Compass.



Direct Lenders			
Total Amounts Due and Owing By Borrower to Direct Lenders		(as of 2/29/08)	Proposed Discounted Payoff
Unpaid Principal Balance =	\$14,682,911.51		Principal to be Paid = \$11,340,674.97
Non-Default Interest =	\$3,592,858.82		Non-Default Interest to be Paid = \$2,775,024.83
Servicer Advances	\$60,095.36		Servicer Advances = \$46,415.99
			\$14,162,115.80
TOTAL =	\$18,335,865.69 (100%)		TOTAL (GROSS) = (77.24%)
			Less Servicing Fees/Advances (\$449,868.07)
			TOTAL (NET) = \$13,712,247.73
			TOTAL PROPOSED RECOVERY OF PRINCIPAL 107.4%²

Compass			
Total Compass Fees		(as of 2/29/08)	Proposed Discounted Payoff
Servicing Fees pre-2/16/07=	\$147,351.50		Servicing Fees pre-2/16/07= \$113,810.23
Default Interest=	\$2,307,697.23		Default Interest= \$1,782,401.55 ³
Late Fees=	\$1,046,546.39		Late Fees= \$808,323.50
Exit Fee=	\$320,000.00		Exit Fee= \$247,159.15
TOTAL=	\$3,821,595.12 (100%)		TOTAL= \$2,951,694.43 (77.24%)

Servicer Advances & Post- 2/16/07 Servicing Fees	
Servicing Fees post-2/16/07	\$275,962.48
Total Advances Incurred	
Approximate Legal Fees	\$51,341.86
Appraisal	\$7,900.00
Mail Delivery Costs	\$853.50
TOTAL	\$336,057.84

² Includes interest already received aggregating to \$3,341,189.44 and principal returned aggregating to \$17,317,088.49.

³ Amount reflects default interest due and owing to Compass and any Direct Lender who has not assigned its right to default interest to the servicer pursuant to its loan servicing agreement. Compass will distribute any default interest collected which is due and owing to such Direct Lenders in conjunction with the distribution of the other amounts due and owing the Direct Lenders.



HOW TO CONSENT: To consent, you do not need to do anything. If you do not consent, you must submit such vote to Compass, through its Nevada-licensed subservicer, Windemere Special Assets (“Windemere”), in writing by mail or email so that Compass is in receipt of such vote no later than 5:00 p.m. Eastern Time, Thursday, January 31st, 2008. Direct Lenders may contact Windemere by email directed to info@compassloans.net or by calling (702) 242-0796 or (866) 535-0796.

CONFERENCE CALL: A conference call with the Direct Lenders to discuss this Request for Consent will be held on Wednesday, January 30th, 2008 at 2:00 p.m. Eastern Time. Direct Lenders in this Loan may participate by calling (800) 736-4594. Direct Lenders are encouraged to email their questions about this loan in advance of the conference call to info@compassloans.net so that they may be addressed either on or before the call.