

FULBRIGHT & JAWORSKI L.L.P.

A REGISTERED LIMITED LIABILITY PARTNERSHIP

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MEMORANDUM

TO: Direct Lenders of the LLCs that Fulbright & Jaworski L.L.P. Represents
FROM: The Fulbright Team
DATE: October 9, 2007
RE: Summary of October 1st and 2nd Hearing

The Fulbright & Jaworski, LLP team (the "**Fulbright Team**") wants to thank all of the direct lenders for their patience over the past six (6) weeks. We have been working around the clock to defend against Compass, and take the offensive against Compass, and we have achieved great success. We have **listed below** a bullet-point outline of the results of all our efforts, and also listed below is what we anticipate doing in the coming weeks (we have not included our legal strategy because we anticipate this Memorandum will be delivered to Compass). The items listed below do not include everything discussed at the two-day hearing; to list those items would add approximately 100 pages to this Memorandum. The actual Court Order, which will reflect what is set out below, is currently being drafted and negotiated and will be distributed to all of the direct lenders (by the loan captains) when Judge Jones signs it. Also, please be patient because this is a very complicated fact pattern, and Judge Jones is trying to do his very best to get this right.

1. **LLCs.** Judge Jones said the LLCs may continue, need not be dissolved, and the assignments of deed of trust may also stay with the LLCs (they do not need to be returned to the direct lenders).

2. **Legal Fund.** Because Judge Jones said that the assignments of deed of trust may stay with the LLCs (and need not be returned to the direct lenders), the LLCs may use 1% (the legal fund) of the amount of the loan which is represented by the assignments of deed of trust to borrow money from a lender to finance the fight against Compass.

3. **Declarations.** Judge Jones specifically listed by name in open court in front of everyone approximately ten (10) Declarations he had personally read; he said that he found the allegations in the Declarations troubling. Thank you for your help with the Declarations; they mattered.

4. **Terminating Compass.** Compass may be terminated by (i) a 51% vote of the direct lenders, and (ii) a successful hearing before Judge Jones proving that Compass breached the applicable loan servicing agreement(s). The Fulbright Team is organizing the specific evidence needed to terminate Compass on a number of loans.

5. **Accounting.** Before a time period we are currently negotiating (e.g. October 22, 2007 or another day in the very near future) expires, Compass must provide to everyone (including Judge Jones) a detailed accounting, by line item, of all the money Compass has received, and distributed, since February 16, 2007 (which is the date Compass purchased the servicing rights from the Bankruptcy Court). This includes amounts remitted from borrowers to Silar Advisors, Compass' lender, as the Fulbright Team is investigating whether Silar Advisors is a co-conspirator in Compass' scheme [also known as "alter ego" theory]).
6. **Default Interest, Late Fees, Etc.** Compass must continue to hold in escrow all of the disputed amounts (e.g. default interest, late fees, exit fees, etc.) until a trial has occurred to determine who gets these amounts, and when they get these amounts. This lawsuit has been filed with the Court and, now that we have the last six (6) weeks behind us, will be aggressively pursued by the Fulbright Team.
7. **Borrower Settlements.** Compass may not accept from a borrower less than a 100% payoff of every dollar due under a loan, unless 100% of the direct lenders agree with the payoff.
8. **Compass May Not Sell Servicing Rights.** Judge Jones said Compass may not assign or sell the servicing rights that Compass purchased out of bankruptcy.
9. **Consolidated Mortgage.** Until Compass is terminated, Compass remains the "primary" servicer; however, Judge Jones also ruled that Consolidated Mortgage, LLC, must be employed as Compass' "sub-servicer" to monitor Compass' actions. Interestingly, Consolidated Mortgage has not agreed to assume the role of sub-servicer. The Fulbright Team will closely monitor this situation so that if talks between Compass and Consolidated Mortgage break down, the Fulbright Team will immediately notify Judge Jones and request that Compass find an acceptable sub-servicer.
10. **Contempt Proceedings.** On two (2) technical points, Judge Jones found that Donna Cangelosi violated certain provisions within two (2) previous bankruptcy court orders. However, Judge Jones did not impose any sanctions against Donna.

Once again, the Fulbright Team thanks each and every direct lender for your patience and understanding during the last six (6) weeks; we understand that this has been very, very difficult. During this period we had asked that Donna focus exclusively on the Court hearings because this was the highest and best use of her time. This is why many of you have not heard from Donna. We have made significant progress in getting Compass terminated and finding Compass liable to the direct lenders for breaching the fiduciary duty they owe the direct lenders. Finally, and as mentioned above, we will immediately circulate to all of the direct lenders, through the loan captains, a full-executed copy of Judge Jones' Order when it is finished and Judge Jones signs it.

Stay tuned.

The Fulbright Team.