



Dear Gess Direct Lender,

Yesterday, Compass hosted a 90 minute conference call with the Direct Lenders in the Gess loan. On the call, Compass answered all of the Direct Lenders' questions regarding the proposed sale of the Gess collateral to a third party purchased named C.S.P. Properties, Inc. The terms of the sale were set forth in the Request for Consent previously distributed by Compass to all Direct Lenders in the Gess loan.

Recognizing that not all of the Direct Lenders were able to participate in yesterday's call, and in response to many Direct Lender inquiries, Compass is providing you the following list of frequently asked questions about the Gess proposal.

Q: If I vote to approve the current sale transaction, am I consenting to the payment of any default interest or late charges ahead of principal in the "waterfall" litigation?

A: Absolutely not. The decision on whether to approve the proposed sale of the collateral has nothing to do with the litigation over the distribution of the proceeds. They are completely separate matters. Your rights in the waterfall litigation are not affected by your vote on the proposed sale, and those rights will attach to the proceeds of the sale, which will be impounded in an interest-bearing account until the matter is resolved through settlement or litigation.

Q: If the current sale transaction is approved, what will the approximate recovery be for a Direct Lender holding a \$50,000 interest in the Gess loan?

A: The answer to this question will depend on how the District Court ultimately resolves the "waterfall" litigation. In the event of a "Pari Passu" ruling by the District Court, a Direct Lender holding a \$50,000 participating interest will receive approximately \$17,306 (or 35%) of his or her original investment. In the event the Direct Lenders prevail in the "waterfall" litigation, a Direct Lender holding a \$50,000 participating interest will receive approximately \$23,310 (or 46%) of his or her original investment. In the event Compass prevails in the "waterfall" litigation, a Direct Lender holding a \$50,000 participating interest will receive approximately \$3,668 (or 7%) of his or her original investment. Under the terms of the Mediated Proposal mailed to LLC members on April 4, 2008 (no longer in effect, but the subject of Compass's request for further formal mediation to achieve a consensual settlement), Direct Lenders would have received \$16,092 (or 32%) of their original investment. As noted above, until such time as the "waterfall" litigation is resolved or a settlement between Compass and the Direct Lenders is reached, all disputed fees will remain in escrow.

Q: On the call, the real estate broker retained by Compass on behalf of the Direct Lenders indicated that the "as is" value of the property is likely between \$14-\$16 million, while the "stabilized" value of the property is likely between \$20-\$22 million. How can the Direct Lenders realize the "stabilized" value?

A: In order for the Direct Lenders to realize the "stabilized" value of the property, the Direct Lenders will have to advance at least \$5 million necessary to rehabilitate the property and satisfy delinquent property taxes. This represents approximately \$10,000 for a Direct Lender holding a \$50,000 participating interest. To the extent that fewer than 100% of the Direct Lenders were willing or able to make their necessary pro rata advance and other Direct lenders made the



advance in their place, the Loan Servicing Agreements and Loan documents would require Compass to obtain the unanimous consent of all Direct Lenders because non-participants effectively would be subordinating their present interest to the new money or altering their ownership interest in the Loan. Importantly, given the time necessary to complete construction as well as re-marketing efforts, resolution of the Gess loan would be delayed by a minimum of 12 to 18 months, with incremental cost accruals. Given the volatility of the real estate market, there is no certainty that the project can reach the assumed "stabilized" performance levels or that a sale of the collateral on a "stabilized" basis will yield more than current proposed sale plus the amounts advanced to fund the rehabilitation and continually accruing costs.

Q: Would it be possible to obtain outside financing or a "joint venture" partner who may be willing to advance the funds necessary to stabilize the property?

A: It is highly unlikely that outside institutional commercial construction financing could be obtained and, if available, such financing would be extremely expensive due to the tight credit markets and speculative nature of the project. Moreover, any third party lender or "joint venture" partner undoubtedly would require the Direct Lenders to subordinate their position to any such new construction financing. Compass cannot subordinate the Direct Lenders' position absent the unanimous consent of each and every Direct Lender in the Gess loan. Hence, unless each and every Direct Lender would agree to subordinate to outside or joint venture construction financing (thus, putting his or her interest in the collateral at further risk of dilution), such financing likely is not a realistic option for the Direct Lenders.

Q: Why isn't the net operating income of the property sufficient to fund the rehabilitation costs?

A: Due to the gross mismanagement of the property by the Borrower, as well as the fact that only 60% of the units currently are occupied and paying rent, the property generates only approximately \$7,000 of net income per month. Given the Borrower's failure to pay delinquent property taxes, as well as the costs associated with maintaining day-to-day operations, it is not possible to subsidize the substantial costs of the necessary rehabilitation from the net operating income alone.

As always, additional information about the Gess loan is available on Compass's website, www.compassloans.net