



February 11, 2008

To: **The Holders of Beneficial Interests (the “Direct Lenders”) in the Gardens LLC Timeshare loan (the “Timeshare Loan”), the Gardens LLC \$2,425,000 loan (the “Land Loan”), and the Gardens Phase II loan (the “Phase II Loan”) (collectively, the “Gardens Loans”)**

RE: **Request for Consent to Extension and Modification of the Gardens Loans**

On December 19, 2007, Compass Financial Partners LLC (together with its licensed subservicer affiliates, “Compass”) participated in a ten hour mediation with the borrower in the three Gardens Loans (the “Borrower”), and Direct Lenders Peter Gacs, Steven Kowalski and Ron Ryan (each a lender LLC board member, but acting in their individual capacities). The mediation was conducted before Hon. Mike Nakagawa of the United States Bankruptcy Court for the District of Nevada at the direction of Hon. Robert C. Jones of the United States District Court for the District of Nevada. As a result of the mediation, the parties have reached an agreement on the terms of a consensual extension of the maturity date and restructuring of the Gardens Loans, subject to unanimous Direct Lender approval, which Compass firmly believes will present Direct Lenders with the absolute best opportunity for maximum recovery on the Gardens Loans. Compass requests that the Direct Lenders consent to this proposal. If the Borrower fulfills its commitments on or before 2/29/2008, Compass and the Direct Lenders will receive an initial \$4 million payment upon the closing of this transaction (the “Closing”) and an additional \$6 million on or prior to a new maturity date in satisfaction of all obligations due and owing under the Gardens Loans.

**BACKGROUND FACTS AND SUMMARY OF PROPOSAL:** As set forth in Loan Status Reports and Requests for Consent previously distributed by Compass to Direct Lenders, the situation surrounding the Gardens Loans is unusually complicated and unique. The entire Gardens project was approved for the development of 164 timeshare units on Rock Lake in Orlando, Florida. Eighteen of the timeshare units were constructed during the initial phase of the project in 2006, and the three loans with USA Capital were intended to finance the construction of the remaining 146 units in adjacent areas. Due to a variety of factors, including the commencement of USA Capital’s chapter 11 cases in 2006, the Gardens project remains only partially developed. Unfortunately, the value of the raw land constituting the Direct Lenders’ collateral, as it stands now, is likely far insufficient to recover the investments of the Direct Lenders. Moreover, as the property is contiguous with The Parliament House Resort (the “Parliament House”), an existing successful alternative lifestyle resort, the marketability of the Gardens project as a going concern is limited. Thus, unlike other loans in the USA Capital portfolio, Compass does not believe foreclosure is an optimal vehicle for recovery of the Direct Lenders’ investments in the Gardens Loans.

In light of the above, Compass strongly believes that the Direct Lenders’ best chance for the maximum possible recovery requires cooperation with the Borrower to enable it to complete the construction of the timeshare units, as this will maximize the value of the collateral. The Borrower has identified a construction lender interested in financing the completion of the project. The construction lender is requiring that the Direct Lenders subordinate and/or release their existing collateral to its construction loan, as set forth in detail below. In addition, the maturity date of the Gardens Loans would be extended for a period of three years (the “New Maturity Date”). As an incentive for the Direct Lenders to support the loan extensions and required partial release/subordination of collateral, the Borrower will provide the Direct Lenders and Compass with a \$4 million cash payment upon the Closing. Compass anticipates significant additional paydowns within the next twelve months. The balance of \$6 million will be paid at or



prior to the New Maturity Date, and the Borrower would remain obligated to continue to remit “release prices” to the Direct Lenders upon the sale of each timeshare unit.

The Gardens Loans are cross-collateralized by various parcels of developed and undeveloped real property (known as Phases 1, 2, 3, 4, 5 and the “retail” parcel), as well as by the Parliament House, the parking lot adjacent thereto, and a security interest in the Borrower’s membership interest in Charbell Enterprises, LLC (“Charbell”). Specifically, the Timeshare Loan is secured by: (i) a *first* lien on the “Phase 1” parcel (an approximate six-acre strip of land upon which an 18-unit structure has been constructed, although substantially all of the land is underneath a lake);<sup>1</sup> (ii) a *first* lien on the 1.5-acre parking lot; and (iii) a *second* lien on The Parliament House. The Land Loan is secured by: (i) *first* liens on the undeveloped “Phase 3,” “Phase 4,” “Phase 5,” and “retail” parcels (which total approximately 2 acres in the aggregate); and (ii) a *third* lien on The Parliament House. The Phase II Loan is secured by: (i) a *first* lien on the undeveloped 2-acre “Phase 2” parcel; (ii) *second* liens on the undeveloped “Phase 3,” “Phase 4,” “Phase 5,” and “retail” parcels; (iii) a *fourth* lien on The Parliament House, and (iv) a security interest in the Borrower’s membership interest in Charbell. The collateral structure is best summarized as follows:

<b>Loan Name</b>	<b>Phase I (timeshares)</b>	<b>Phase 2 (2-acres)</b>	<b>Phases 3/4/5/Retail (2-acres)</b>	<b>Parliament House</b>	<b>Parking Lot</b>	<b>Charbell</b>
Timeshare	1 <sup>st</sup> Lien	x	X	2 <sup>nd</sup> Lien	1 <sup>st</sup> Lien	x
Land Loan	x	x	1 <sup>st</sup> Lien	3 <sup>rd</sup> Lien	x	x
Phase II	x	1 <sup>st</sup> Lien	2 <sup>nd</sup> Lien	4 <sup>th</sup> Lien	x	1 <sup>st</sup> Lien

Pursuant to the proposal, the collateral for the three Gardens Loans will be revised such that the Direct Lenders shall together maintain (i) *second* liens on the Parking Lot, Phase 1, Phase 2, Phase 4, Phase 5, and Retail parcels, and (ii) a security interest in the Borrower’s membership interest in Charbell. The Direct Lenders will release any liens against the Parliament House and Phase 3, and the existing guaranties of the Borrower’s obligations under the Gardens Loans will be released. The Borrower will release any and all claims against the Direct Lenders, including potential lender-liability claims.

As set forth in detail below, the \$10 million proceeds of the Gardens Loans will be distributed on a *pro rata* (proportionate) basis amongst the Direct Lenders in the Timeshare Loan, the Land Loan, and the Phase II Loan.<sup>2</sup> Although Compass firmly believes that accrued default interest and late charges are entitled to priority payment ahead of principal and non-default interest, in the interest of compromise and settlement, Compass has agreed to defer its entitlement to nearly all of its default interest and late fees until after the initial \$4 million payment has been distributed to Direct Lenders, and has agreed to waive default interest and late charges of \$709,744.40.<sup>3</sup> In addition, if the proposal is approved, Compass has agreed that the Gardens Loans will be serviced by a third party, Nevada-licensed servicer, on a going

<sup>1</sup> The collateral securing the Timeshare Loan includes approximately 300 weekly “time share” segments within the timeshare structures.

<sup>2</sup> Compass owns 100% of the Direct Lender interests in the Phase II Loan.

<sup>3</sup> This compromise by Compass applies to the particular facts and circumstances of the Gardens Loans only.



forward basis, and not Compass. The new servicer has agreed not to recover any default interest and late charges accrued after the Closing until all amounts due the Direct Lenders under the current proposal have been satisfied in full.

**WHY CONSENT:** Compass strongly recommends the Direct Lenders consent to this proposal. The proposed restructuring represents the culmination of a lengthy mediation process with the Borrower that, Compass firmly believes, presents the Direct Lenders' **absolute best opportunity** for maximum recovery on the Gardens Loans. This is based upon, among other things, Compass's extensive due diligence, market research, the current value and unique nature of collateral, the costs and delay that would be associated with any alternative resolution, and the overall deteriorating condition of the real estate market. Moreover, the proposal is fully supported by Direct Lenders Peter Gacs, Steven Kowalski and Ron Ryan, who participated in the mediation and subsequent negotiations with representatives of Compass.

As set forth below, the proposal presents an opportunity for the Direct Lenders to immediately recover nearly \$4 million—an amount which Compass believes would likely exceed the ultimate recovery available to Direct Lenders in the event of a foreclosure—without having to incur the costs and delays associated with a foreclosure and resale process. Under Florida law, all foreclosures must proceed through the judicial system, which is substantially more time consuming and expensive than non-judicial foreclosures, such as in Texas and California. By providing the Borrower with the time necessary to develop the Gardens project, the proposal preserves the Direct Lenders' ability to recover an additional \$6 million of amounts due and owing while facing none of the risks associated with pursuing a foreclosure (which could potentially include lender-liability counter-claims from the Borrower). Compass believes that any alternative resolution would require unnecessary expenses and delay to be borne by the Direct Lenders that would dramatically reduce the overall recovery on the Gardens Loans. Compass thus urges Direct Lenders to consent to this proposal.

**WHAT “DO NOT CONSENT” WILL MEAN:** If 100% of the Direct Lenders do not consent to this proposal, Compass will be forced to initiate a judicial foreclosure under Florida law. Through cooperation with the Borrower, Compass believes that the instant proposal presents a last chance for Direct Lenders to realize a significant recovery of their investments. All three of the Gardens Loans have been in default for over a year. The Borrower has been unable to make interest payments, let alone satisfy the \$11 million balance currently due and owing on the three Gardens Loans. Absent 100% of the Direct Lenders' authorization to subordinate and/or release their existing collateral as set forth above, the Borrower will be unable to obtain construction financing necessary to complete the project, and no income will be available to Direct Lenders to pay down the Gardens Loans beyond the proceeds of a foreclosure sale.

As set forth above, Compass believes that the amount Direct Lenders would realize from a foreclosure sale of the collateral would yield far less than the current proposal from the Borrower—and most likely will not even exceed the \$4 million cash payment the Direct Lenders will receive upon the Closing in a matter of weeks. In the event Compass is compelled to move forward with foreclosure, Compass anticipates that the Direct Lenders' recovery could be delayed in excess of twelve months. Under Florida law, all foreclosures must proceed through the judicial process, which is substantially more time consuming and expensive than non-judicial foreclosures. Even if Compass were to obtain a decree of foreclosure, the Borrower could commence a case under chapter 11 of the U.S. Bankruptcy Code to provide itself an opportunity to reorganize the project. The Direct Lenders would be unable to pursue collection efforts



during the pendency of a chapter 11 case, and would incur substantial costs and delays in connection with protecting their interests, and may face challenges in attempting to lift the automatic stay to foreclose. Even if Compass is successful in proceeding to foreclosure, the Direct Lenders would incur additional costs and delays associated with conducting the foreclosure sale, marketing, maintaining, and re-selling the collateral. 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.

Furthermore, given the current appraised value of the collateral, as well as several broker price opinions from experts in the local market, the Direct Lenders would bear the absolute risk that any post-foreclosure sale (less the aforementioned expenses) would yield substantially less than the Borrower's current proposal. Compass therefore reiterates its belief that the current proposal presents the best opportunity for maximum recovery for Direct Lenders in the Gardens Loans 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 is entitled to receive 100% reimbursement of its actual and necessary servicer advances and payment of its servicing fees (accrued after February 16, 2007). Pursuant to this proposal, servicing fees will be deducted on a lender-by-lender basis based upon the applicable servicing fee % set forth in each Direct Lender's loan servicing agreement ("LSA"). Servicing fee percentages vary from 1% to 3% based upon the particular LSA. Compass will also be reimbursed for its actual and necessary servicer advances incurred on behalf of the Direct Lenders in accordance with the terms of the LSA.<sup>4</sup>

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 amounts due and owing in the Gardens Loans in the aggregate amount of \$1,902,483.47 (the "Compass Fees"), in the event the proposal is unanimously approved, Compass has agreed to (i) cease accruing any default interest or late fees as of May 31, 2007,<sup>5</sup> and (ii) defer its entitlement to all but \$200,000 of its Compass Fees until after the initial \$4 million payment from the Borrower has been distributed to the Direct Lenders. Compass has also agreed to waive its entitlement to a loan extension fee.

**PROPOSED ALLOCATION OF PAYMENTS:** The initial \$4 million payment will be distributed to the Direct Lenders on a *pro rata* (proportionate) basis among the three Gardens Loans, as follows:<sup>6</sup>

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<sup>4</sup> Compass will recover its servicing fees and servicer advances from the \$118,300 release price received from the Borrower on August 31, 2007 and November 6, 2007, as well as the first \$154,881.30 received from the Borrower (to be deducted from the \$4 million payment on a lender-by-lender basis). For ease of reference, the approximate amount of servicer advances to be recovered from a Direct Lender with a \$50,000 interest in the Timeshare Loan will be \$203.18. Compass will recover approximately \$219.21 from a Direct Lender with a \$50,000 interest in the Land Loan.

<sup>5</sup> This represents a waiver of approximately \$709,744.40 in accrued Compass Fees.

<sup>6</sup> As set forth above, \$154,881.30 of the \$4 million payment will satisfy outstanding advances and servicing fees, and \$200,000.00 will partially satisfy Compass Fees.



- Direct Lenders in the Timeshare Loan will receive \$1,545,051.52, representing 41.6% of the \$3,577,719.33 of total principal and \$135,145.88<sup>7</sup> of total non-default interest due and owing in the Timeshare Loan through 5/31/2007.
- Direct Lenders in the Land Loan will receive \$896,891.33, representing 41.6% of the \$1,925,000.00 of total principal and \$230,291.64 of total non-default interest due and owing in the Land Loan through 5/31/2007.
- Direct Lenders in the Phase II Loan will receive \$1,203,175.84, representing 41.6% of the \$2,500,000.00 of total principal and \$391,314.39 of total non-default interest due and owing in the Phase II Loan through 5/31/2007.

The remaining \$6 million due and owing from the Borrower pursuant to the proposal (the “Additional Payments”) will be satisfied primarily from release prices,<sup>8</sup> followed by a lump sum payment on the New Maturity Date. The first \$500,000 of Additional Payments will be applied to pay down Compass Fees, and the next \$1 million of Additional Payments will be used to pay down Direct Lenders’ principal and non-default interest on a *pro rata* (proportionate) basis among the three Gardens Loans. Of the final \$4.5 million of Additional Payments received, \$4 million will be applied to pay down Direct Lenders’ remaining principal and non-default interest, and \$500,000 will be applied to pay down remaining Compass Fees, to be allocated on a *pro rata* basis. As the Gardens Loans, as restructured, will no longer be interest-bearing loans, Direct Lenders should speak with their accountants to discuss any tax implications.

In the event any Direct Lender objects to the payment of Compass Fees as set forth above, but there is no objection to the Direct Lenders’ and Compass’s collective receipt of \$10,000,000.00 from the Borrower pursuant to the terms set forth above, Compass will close the transaction with the Borrower, place the disputed portion of proceeds received 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 on each of the Gardens Loans through 5/31/2007, as well as the total recoveries for the Direct Lenders and Compass if the proposed transaction with the Borrower is consummated, are set forth below:

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<sup>7</sup> This figure differs from a previous amount reported in a prior Request for Consent. Compass made a distribution on the Timeshare loan shortly after sending out the first Request for Consent which reduced the outstanding non-default interest figure.

<sup>8</sup> The release price for each of the approximate 300 individual timeshare units remaining in Phase 1 shall be \$5,000. The release price for each of the 2,496 timeshare units in Phase 3 shall be \$1,500. The release price for each of the first 750 timeshare units in Phase 2 shall be \$1,000.



<b>Direct Lenders - Timeshare Loan</b>			
<b>Total Amounts Due and Owing By Borrower to Direct Lenders</b>	<b>(as of 5/31/2007)</b>	<b>Proposed Recovery</b>	
Unpaid Principal Balance =	\$3,577,719.33	Principal to be Paid =	\$3,577,719.33
Non-Default Interest =	\$135,145.88	Non-Default Interest to be Paid =	\$86,675.42
<b>TOTAL =</b>	<b>\$3,712,865.21 (100%)</b>	<b>TOTAL =</b>	<b>\$3,664,394.75</b>
		Amount to be Paid Immediately =	<b>\$1,545,051.52</b>
		<b>% of Funds to be Paid Immediately</b>	<b>42.2%</b>
		<b>TOTAL PROPOSED RECOVERY OF PRINCIPAL</b>	<b>121.8%<sup>9</sup></b>

<b>Compass - Timeshare Loan</b>			
<b>Total Compass Fees</b>	<b>(as of 5/31/2007)</b>	<b>Proposed Recovery</b>	
Default Interest=	\$86,949.17	Default Interest=	\$87,478.48 <sup>10</sup>
Late Charges=	\$201,602.73	Late Charges=	\$202,830.01
Extension Fees	\$101,446.33	Extension Fees	\$102,063.90
Exit Fees	\$145,000.00	Exit Fees	\$145,882.70
<b>TOTAL=</b>	<b>\$534,998.23 (100%)</b>	<b>TOTAL=</b>	<b>\$538,255.09</b>
		Amount to be Paid Immediately =	<b>\$89,709.18</b>
		<b>% of Funds to be Paid Immediately</b>	<b>16.7%</b>

<b>Servicer Advances &amp; Servicing Fees - Timeshare Loan</b>	
Servicing Fees	\$74,985.19
Total Advances Incurred	\$14,538.69
Approximate Legal Fees	\$8,477.37
Appraisal	\$3,518.11
Conference Call Costs	\$0.00
Mail Delivery Costs	\$0.00
Travel	\$2,543.21
<b>TOTAL</b>	<b>\$89,523.89</b>

<sup>9</sup> Includes interest already received aggregating to \$1,175,595.50 and principal returned aggregating to \$2,222,280.67.

<sup>10</sup> 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.



<b>Direct Lenders - Land Loan</b>			
<b>Total Amounts Due and Owing By Borrower to Direct Lenders</b>	<b>(as of 5/31/2007)</b>	<b>Proposed Recovery</b>	
Unpaid Principal Balance =	\$1,925,000.00	Principal to be Paid =	\$1,925,000.00
Non-Default Interest =	\$230,291.64	Non-Default Interest to be Paid =	\$202,154.89
<b>TOTAL =</b>	<b>\$2,155,291.64 (100%)</b>	<b>TOTAL =</b>	<b>\$2,127,154.89</b>
		Amount to be Paid Immediately =	<b>\$896,891.33</b>
		<b>% of Funds to be Paid Immediately</b>	<b>42.2%</b>
		<b>TOTAL PROPOSED RECOVERY OF PRINCIPAL</b>	<b>124.3%<sup>11</sup></b>

<b>Compass - Land Loan</b>			
<b>Total Compass Fees</b>	<b>(as of 5/31/2007)</b>	<b>Proposed Recovery</b>	
Default Interest=	\$136,128.84	Default Interest=	\$136,957.54 <sup>12</sup>
Late Charges=	\$114,832.69	Late Charges=	\$115,531.75
<b>TOTAL=</b>	<b>\$250,961.53 (100%)</b>	<b>TOTAL=</b>	<b>\$252,489.28</b>
		Amount to be Paid Immediately =	<b>\$42,081.55</b>
		<b>% of Funds to be Paid Immediately</b>	<b>16.7%</b>

<b>Servicer Advances &amp; Servicing Fees - Land Loan</b>	
Servicing Fees	\$50,590.77
Total Advances Incurred	\$8,439.61
Approximate Legal Fees	\$4,921.05
Appraisal	\$2,042.24
Conference Call Costs	\$0.00
Mail Delivery Costs	\$0.00
Travel	\$1,476.32
<b>TOTAL</b>	<b>\$59,030.38</b>

<sup>11</sup> Includes interest already received aggregating to \$265,108.02.

<sup>12</sup> 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.



<b>Direct Lenders - Phase II Loan</b>			
<b>Total Amounts Due and Owing By Borrower to Direct Lenders</b>	<b>(as of 5/31/2007)</b>	<b>Proposed Recovery</b>	
Unpaid Principal Balance =	\$2,500,000.00	Principal to be Paid =	\$2,500,000.00
Non-Default Interest =	\$391,314.39	Non-Default Interest to be Paid =	\$353,569.06
<b>TOTAL =</b>	<b>\$2,891,314.39 (100%)</b>	<b>TOTAL =</b>	<b>\$2,853,569.06</b>
		Amount to be Paid Immediately =	<b>\$1,203,175.84</b>
		<b>% of Funds to be Paid Immediately</b>	<b>42.2%</b>
		<b>TOTAL PROPOSED RECOVERY OF PRINCIPAL</b>	<b>114.1%<sup>13</sup></b>

<b>Compass - Phase II Loan</b>			
<b>Total Compass Fees</b>	<b>(as of 5/31/2007)</b>	<b>Proposed Recovery</b>	
Default Interest=	\$252,261.65	Default Interest=	\$253,797.32 <sup>14</sup>
Late Charges=	\$154,517.66	Late Charges=	\$155,458.30
<b>TOTAL=</b>	<b>\$406,779.31 (100%)</b>	<b>TOTAL=</b>	<b>\$409,255.62</b>
		Amount to be Paid Immediately =	<b>\$68,209.27</b>
		<b>% of Funds to be Paid Immediately</b>	<b>16.7%</b>

<b>Servicer Advances &amp; Servicing Fees - Phase II Loan</b>	
Servicing Fees	\$112,705.34
Total Advances Incurred	\$11,321.70
Approximate Legal Fees	\$6,601.57
Appraisal	\$2,739.65
Conference Call Costs	\$0.00
Mail Delivery Costs	\$0.00
Travel	\$1,980.47
<b>TOTAL</b>	<b>\$124,027.04</b>

**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 servicer, Windemere Special Assets (“Windemere”), in writing by mail or email so that Compass is in receipt of such vote no later than 5:00

<sup>14</sup> 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.



p.m. Eastern Time, February 20, 2008. Direct Lenders may contact Windemere by email directed to [info@compassloans.net](mailto: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 **February 15, 2008 at 2:00 p.m. Eastern Time**. Direct Lenders in this Loan may participate by calling **(800) 920-2986**. Direct Lenders are advised to have their Participant IDs and Legal Vesting names when they dial in. We encourage Direct Lenders to email their questions about this loan in advance of the conference call to [info@compassloans.net](mailto:info@compassloans.net) so that they may be addressed either on or before the call.