



October 26, 2007

To: **Beneficial Interest Holders in the 3685 San Fernando Road Partners, L.P. Loan (the "San Fernando Loan")**

RE: **Request for Consent to Payoff of the San Fernando Loan**

To The Holders of Beneficial Interests In The San Fernando Loan:

Compass FP Corp. (together with Compass Financial Partners LLC, "CFP") requests that the beneficial interest holders in the San Fernando Loan (the "Direct Lenders") consent to the below terms of a discounted payoff of the San Fernando Loan, as negotiated and proposed by the borrower (the "Borrower"), the potential acquirer of the property (the "Buyer") and CFP. Assuming the Borrower fulfills its commitments, on or about December 15, 2007, the Borrower will pay the Direct Lenders and CFP a lump sum payment of \$7,600,000.00 in full satisfaction of its obligations under the San Fernando Loan which will result in a *pari passu* recovery for Direct Lenders and CFP of 68.6% of the total amounts due and owing, as follows:

- Direct Lenders will receive \$6,344,240.48, representing 68.6% of the unpaid principal balance and accrued non-default interest of the San Fernando Loan, less servicing fees accrued after February 16, 2007 and reimbursement of servicer advances. A line-by-line itemization of the unpaid principal balance and non-default interest accrued under the San Fernando Loan documents through December 15, 2007 is set forth below.
- CFP will receive \$1,277,844.94, representing 68.1% of its outstanding default interest, late charges and other fees (the "Compass Fees"). A line-by-line itemization of the total Compass Fees due and owing under the San Fernando Loan documents through December 15, 2007 is set forth below. CFP will also receive its servicing fees accrued on and after February 16, 2007 in the amount of \$125,259.44, and reimbursement of its actual and necessary servicer advances of \$57,348.75, as itemized below.

**WHY CONSENT:** CFP recommends the Direct Lenders consent to this request. Based on CFP's market research, the costs and delay involved in an alternative resolution, and the overall deteriorating condition of the real estate market, CFP believes this proposal presents the best opportunity for maximum recovery on the San Fernando Loan. The San Fernando Loan has been in default since June 1, 2006. CFP has worked diligently with the Borrower to achieve this proposed resolution. The Borrower has been in contract to sell the collateral securing the San Fernando Loan (the "Property") for \$8,165,000 since July 2007 to a tax credit Buyer who is working with the City of Glendale to change the current entitlement of the Property to an affordable housing project. The Borrower has made two prior diminutive offers that CFP has vehemently rejected. In the initial offer, the Borrower would have repaid up to \$6,200,000, which would have enabled the Borrower to "walk away" with nearly \$2,000,000. Pursuant to the second offer, the Borrower would have repaid \$6,930,200, but would have retained for its own account a \$816,000 "brokerage fee."

After ongoing negotiations, CFP is pleased to announce the current proposal, pursuant to which the Direct Lenders and CFP will receive a lump sum payment of \$7,600,000 in exchange for a release of



the mortgage on the Property and the Borrower's personal guaranty. CFP believes this is the highest and best offer the Borrower will be able to bring to the table. If the Borrower fulfills its commitments and pays off on or about December 15, 2007, the Direct Lenders and CFP will receive a *pari passu* recovery of 68.6% of all amounts due and owing.

Yesterday, the Borrower informed CFP that the deadline to commit to the proposed transaction is **October 31, 2007**. The time sensitivity of the current proposal is attributable to the fact that the Borrower failed to inform the Buyer of CFP's rejection of its initial two proposals. If a commitment is not received by the Buyer by October 31, 2007, the deal will fall apart because the Buyer will lose its entitlement to the tax credits and walk away from its current contract with the Borrower. CFP has thus been working diligently in order to obtain the approval of the Direct Lenders for the current proposal by October 31, 2007.

In July 2007, CFP received an appraisal which indicated that the value of the Property in its current state is approximately \$6,870,000. CFP therefore believes that the current proposal represents the highest and best offer the Borrower will be able to propose, and strongly encourages all Direct Lenders to consent.

CFP has received unsolicited inquiries from other prospective purchasers of the Property in the event that CFP and the Direct Lenders were to acquire title after foreclosure. One such offer came from a national development company in the amount of \$9,750,000. It is worth noting that this offer is contingent upon receiving entitlements for a higher density project. This type of entitlement process can take up to 18 months to achieve and can only begin after CFP has successfully foreclosed on the property. Furthermore, the Borrower has already indicated that it will file for bankruptcy if this current proposal falls through. Hence, pursuing this alternative path would likely require CFP to lift the automatic stay in the Borrower's chapter 11 case, successfully pursue a foreclosure on the Property, and receive entitlements from the local government for a higher density project, a total process which would delay the resolution of this loan for a minimum of two years.

Direct Lenders have previously received non-default interest payments totaling \$663,194.45, equal to 9% of the unpaid principal balance. Therefore, if the Borrower fulfills its commitments under the current proposal, the total return to Direct Lenders would be 92.6% of their original investment, or \$6,802,741.32. A line-by-line itemization of amounts currently due and owing the Direct Lenders and CFP, as well as the total recoveries for Direct Lenders and CFP if the proposed settlement is consummated, are set forth below:



<b>San Fernando – 12/15/07 Balance</b>		
Unpaid Principal Balance =	\$	7,350,000.00
Outstanding Non-Default Interest =	\$	1,668,354.26
<b>CURRENT TOTAL</b>		
<b>OUTSTANDING TO INVESTORS=</b>	<b>\$</b>	<b>9,018,354.26</b>
<b>San Fernando – 12/15/07 Proposed Payoff</b>		
Return of Principal Amount =	\$	6,139,546.87
Non-Default Interest to be Paid =	\$	0
Non-Default Interest Already Received =	\$	663,194.45
<b>PROPOSED TOTAL RETURN OF INVESTMENT =</b>	<b>\$</b>	<b>6,802,741.32</b>
<b>CFP Breakdown</b>		
Servicing Fees through 2/16/07	\$	103,937.75
Default Interest	\$	884,778.65
Late Fees	\$	520,804.59
Extension Fee	\$	183,750.00
Exit Fee	\$	183,750.00
<b>TOTAL COMPASS FEES OUTSTANDING</b>	<b>\$</b>	<b>1,877,020.99</b>
<b>CFP Servicer Advances &amp; Servicing Fees from 2/16/07</b>		
Servicing Fees from 2/16/07	\$	125,259.44
Legal Fees	\$	24,822.55
Foreclosure trustee Fees	\$	24,116.24
Appraisal	\$	6,000.00
Conference Call Costs	\$	250.00
Expedited Postage Delivery	\$	2,160.00
<b>TOTAL</b>	<b>\$</b>	<b>182,608.19</b>

**WHAT “DO NOT CONSENT” WILL MEAN:** Unless CFP receives the consent of each of the Direct Lenders to the Borrower’s proposal, the settlement will not be approved. Absent such consent, an Event of Default will remain uncured and CFP will continue with the foreclosure process in order to collect on the proceeds of the sale of the Property securing the San Fernando Loan. As set forth in the Loan Status Report sent by CFP to the Direct Lenders in June, CFP has initiated non-judicial foreclosure process under California law.

CFP reaffirms its belief that the current proposal is the best option for maximizing recoveries to Direct Lenders in a timely fashion. In the event CFP continues with the foreclosure process, it will continue to assess Direct Lenders their pro rata share of the costs and professional fees incurred in connection



therewith, pursuant to the terms of the Loan Servicing Agreements (the “LSAs”). Under the LSAs these assessments will be immediately due and payable by Direct Lenders to CFP. The Borrower has already communicated to CFP that it intends to file for chapter 11 bankruptcy protection to provide it with an opportunity to reorganize the project. Under such circumstances, CFP would initially be unable to pursue collection efforts due to the automatic stay in bankruptcy. CFP would either pursue its claim against the debtor’s estate in the bankruptcy court or seek relief from the automatic stay in order to proceed with the foreclosure. The actions above would greatly delay the frecovery of the loan.

Through the proposed payoff, the result in a *pari passu* recovery is 68.6% of total amounts currently due and owing, and a return to you of 92.6% of your original investment.

CFP believes this proposed payoff results in the best chance for a maximum recovery to the Direct Lenders in the most time effective manner, and therefore urges you to consent.

**HOW TO CONSENT:** To consent, you do not need to do anything. If you do not consent, you must submit such vote to CFP in writing by mail, or email, so that CFP is in receipt of such vote no later than 5:00 p.m. Eastern Time, October 31, 2007.

**CONFERENCE CALL:** A conference call with the Direct Lenders to discuss this Request for Consent will be held on **Tuesday, October 30, 2007 at 12:00 p.m. Pacific Time**. Direct Lenders in this Loan may participate by calling (800) 943-2431. 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.



Tuesday, October 30, 2007

## INVESTOR CONFERENCE CALL

3:00pm EDT

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**Meeting called by:** Compass Financial Partners LLC

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**Moderator:** Boris Piskun

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**Participants:** Direct Lenders holding a beneficial interest in one or more of the loans itemized in the agenda below

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### AGENDA ITEMS

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Topic	Presenter	Time
✓ <b>3685 San Fernando</b> Dial-in number: 800-943-2431	<b>Boris Piskun</b>	<b>3:00 pm EDT</b>

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**To participate please have:**

- Vesting Name
- Account ID

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**Please read:**

- Request for Unconditional Consent Letter

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### OTHER INFORMATION

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**Special notes:** We will be hosting a conference call concerning a request for consent to a payoff of the 3685 San Fernando Loan. We encourage direct lenders to submit questions in advance of the call. Only questions or topics from direct lenders who hold current, valid positions in the loans scheduled to be discussed by Compass will be addressed. Compass reserves the right to choose which questions to address on any given call. Please submit by:

Email to: [info@compassloans.net](mailto:info@compassloans.net)

Fax to: 646-417-6475

**Resources:** Website: [www.compassloans.net](http://www.compassloans.net)