



### Summary of August 6, 2007 District Court Hearing

On August 6, 2007, a hearing was conducted in the U.S. District Court for the District of Nevada before Judge Robert C. Jones. At the hearing, Judge Jones considered three matters:

- Bankruptcy Judge Linda Riegler's recommendation of the withdrawal of the reference;
- Donna Cangelosi's Request to have the Injunction Order against her (and the "LPG") entered by Judge Riegler declared void, or to require Compass to move again for a new preliminary injunction before Judge Jones ; and
- Compass's request to conduct foreclosure sales with respect to the loans commonly referred to as "Anchor B" and "6425 Gess."

#### Withdrawal of the Reference

After hearing argument from both sides, and acknowledging that he may send certain core bankruptcy issues to Judge Riegler for an advisory opinion, Judge Jones accepted jurisdiction over Ms. Cangelosi's complaint against Compass. Accordingly, the merits of Ms. Cangelosi's Complaint, any counterclaims and cross-claims to be filed by Compass against Ms. Cangelosi and others, and Compass' adversary proceeding against Ms. Cangelosi and the LPG will be resolved by Judge Jones in the U.S. District Court in Las Vegas, Nevada.

#### Ms. Cangelosi's Request Concerning the Existing Injunction against her and the LPG

Ms. Cangelosi's attorney, Alan Smith, asked Judge Jones to dissolve the existing Injunction entered against Ms. Cangelosi and the LPG by Judge Riegler. The existing Injunction against Ms. Cangelosi and the LPG provides that:

- Ms. Cangelosi's purported termination of Compass by letter of May 18, 2007 was ineffectual;
- the Direct Lenders are prohibited from contacting borrowers to suggest to them that Compass is not the servicer for the loans, and;
- Compass remains the servicer in all loans pending further order of the Court.

Judge Jones denied Mr. Smith's request and ruled that the existing Injunction is in force. To the extent that Ms. Cangelosi and the LPG seek to have it dissolved, the burden is on them to file a motion. Judge Jones ruled that any such motion filed will be heard on August 27,



2007. He ruled that at the same hearing, he will rule on any motion filed by Compass against Ms. Cangelosi and the LPG for contempt of court for failure to comply with the Injunction.

Compass' Request to Foreclose on Anchor B and 6425 Gess Loans

Judge Jones adjourned the hearing to consider Compass' request to foreclose on the Anchor B and 6425 Gess loans to August 27, 2007.