

Compass Financial Partners, LLC (“CFP”) has been working hard to collect the maximum value possible from each loan it now services from the USA Commercial Mortgage Company (“USACM”) portfolio. CFP will provide information to the Direct Lenders about the status of their loans and the actions being taken by the Borrowers and CFP to get the loans repaid. The following is the most recent report issued by CFP on this loan.

## **LOAN STATUS REPORT**

**Loan Name:** Gramercy Court Condos

**Unpaid Principal Balance (UPB):** \$34,884,500 (original loan commitment: \$37,250,000)

**Accrued Interest Outstanding:** \$4,771,395.83 (as of March 31, 2007)

**Report Date:** April 17, 2007

**CFP Loan Status:** Interest and Maturity Default – the Borrower has been served with Notices of Default for failure to pay the interest required by the Loan Agreement, and for failure to repay the loan in full as of the effective Maturity Date. Any action related to this default condition is stayed by the U.S. Bankruptcy Court as a result of a voluntary Chapter 11 bankruptcy petition filed by the Borrower on the project.

**Borrower:** The Borrower is an entity called Gramercy Court, Ltd. by Treetop Management, Inc., GP. It is solely owned and controlled by Tracy D. Suttles, who also currently owns nearly 6,000 apartment units in the state of Texas. Suttles has four outstanding loans serviced by CFP including Shamrock Tower, LP; Anchor B, LLC; and, 6425 Gess, Ltd. The Borrower contributed more than \$3.7 million in equity for acquisition and entitlements to the Gramercy loan.

**Guarantees:** The loan is personally guaranteed by Suttles with an indicated net worth of approximately \$108 million as of January 25, 2005. CFP and USACM/Mesirow have requested updated financial statements from Suttles on several occasions over the last 12 months and Suttles has been non-responsive.

**Current Situation:** This loan originated in June 2004 and had an original maturity date of December 30, 2005. The maturity was extended to June 30, 2006. The project was originally intended to be a 206-unit condominium project in two five-story buildings with a parking garage. The units were to be sold for sales prices ranging from \$150,000 to nearly \$500,000 per unit. At the time the loan was originated, the Borrower claimed to have the first building approximately 50% pre-sold with 52 units under contract. When the loan was extended, the Borrower claimed to have the first building approximately 80% pre-sold with 82 units under contract. The original exit strategy for the loan was to repay it with proceeds from unit sales.

Subsequent to the origination date, the Borrower received several advances on the loan up to the current Unpaid Principal Balance, but did not receive the full funding anticipated from USACM. The advances funded an interest reserve and

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the Borrower kept its interest payments current up until March 10, 2006, just prior to the USACM bankruptcy filing. The Borrower made no subsequent effort to pay interest from its own funds. The Borrower also informed USACM of a financial problem with the project's general contractor, resulting in the contractor placing a mechanic's lien of approximately \$2 million on the project. The Borrower had anticipated additional loan advances that would have been used to keep current with the contractor.

Commensurate with the USACM bankruptcy filing, USACM reported that this loan was non-performing because of outstanding unpaid interest. The U.S. Bankruptcy Court ruled that USACM was not authorized to release collateral on any non-performing loan unless the loan was brought current prior to seeking a full or partial release. The Borrower claimed to have 140 units under contract and requested USACM provide partial releases of collateral for these units to enable the proceeds of such sales to pay off the general contractor, secure a release of the mechanic's lien, and bring the loan current. USACM advised the Borrower that the loan must be brought current before releases could be provided. The Borrower declined to use its own funds or secure separate financing to pay the outstanding interest. The Borrower reported that all 140 unit sales contracts were eventually cancelled, and accordingly, it was compelled to transfer the project from a condominium to an apartment building. To accomplish this goal, the collateral was transferred, subject to the Direct Lenders' lien, from Gramercy Court, Ltd. to 2600 Park Living, Ltd.

USACM held several telephone and face-to-face meetings with the Borrower during the period from April 2006 through February 2007, but none of these meetings were successful in reaching a solution for repayment of the loan. On April 2, 2007, the Borrower filed a voluntary petition for Chapter 11 bankruptcy protection for the project in U.S. Bankruptcy Court in the Southern District of Texas. The Borrower has claimed to CFP that it filed for bankruptcy because the lender that holds a junior loan on this project, Mountain West Mortgage, was going to foreclose on its loan, but CFP has not been presented with any documents that verify such a claim. In its Chapter 11 documents, the Borrower asserted that it was compelled to commence its Chapter 11 cases in light of USACM's refusal to fully fund the loan and refusal to issue partial releases of the collateral to facilitate condominium unit sales.

The value of the project at loan origination was approximately \$51 million, or 73% loan-to-value, based on the total project sellout included in an appraisal prepared by The George Kahle Group dated March 30, 2004. The appraisal done in June 2006 by Hilco in the course of the bankruptcy concluded the collateral had a market value of \$27.1 million on an completed value basis. CFP is not aware or in possession of a more recent appraisal of the project.

**Borrower Next Steps:** The Borrower has filed for Chapter 11 bankruptcy protection to stay any collection or legal actions creditors might take against the entity in order to provide the Borrower time to reorganize and develop a plan for emerging as a viable entity from bankruptcy, or to effect an orderly disposition of the assets to satisfy creditor claims.

**CFP Next Steps:** CFP and its attorneys are taking action in the U.S. Bankruptcy Court for the Southern District of Texas to fully protect the interests of the Direct Lenders in the collateral.

Direct Lenders who have information to contribute or questions not addressed in this report may contact Mark Olson, Director of Investor Relations, for CFP at (702) 734-2400 or via email at [olson@compassloans.net](mailto:olson@compassloans.net).