



October 9, 2007

Re: Summary of October 1-2, 2007 District Court Hearing

Dear Direct Lenders:

At a hearing conducted on October 1-2, 2007 concerning the conduct of Donna M. Cangelosi, Judge Robert C. Jones of the U.S. District Court for the District of Nevada ruled that Compass had shown a likelihood of success on the merits in demonstrating that Ms. Cangelosi violated federal securities laws and Nevada consumer trade laws by improperly soliciting direct lenders' interests in deeds of trust for her management company (FDH Management Company) and entering into servicing agreements with her servicing company (Lender2Lender) without registration or other compliance with securities laws and for, among other things, her own personal gain. In her testimony before the Court, Ms. Cangelosi admitted that she lied under oath in her deposition about her education, admitting that she does not, in fact, possess a college degree or a mathematics education from N.Y.U.

Judge Jones held Ms. Cangelosi in contempt of court for violations of multiple orders of the U.S. Bankruptcy Court for the District of Nevada in connection with her efforts to terminate and replace Compass with a loan servicer affiliated with herself. Because of the above findings, Judge Jones determined that Ms. Cangelosi has "unclean hands" and ruled that the issue of monetary sanctions against Ms. Cangelosi will be addressed at trial in the matter.

Judge Jones also ruled that he will enter a preliminary injunction in the lawsuits relating to the efforts of Ms. Cangelosi, the "Lenders Protection Group," and the LLCs formed by Ms. Cangelosi to terminate Compass as loan servicer, providing that, consistent with the order previously entered by Bankruptcy Judge Riegle in the USA Commercial Mortgage chapter 11 cases, Ms. Cangelosi's May 18, 2007 termination letters were without effect and Compass remains the sole servicer of the loans that were the subject of those letters with continuing authority to negotiate with the borrowers on payoff of defaulted loans. Additionally, in response to suggestions by the Court, Compass has volunteered to put in place a Nevada-licensed subservicer. The details of the preliminary injunction were set forth in the summary of the September 10, 2007 hearing posted by Compass on its website, www.compassloans.net.

In order to give the Direct Lenders who were not in attendance at the October 1-2 hearing an accurate and complete accounting of what transpired at the hearing, **Compass will post the full transcript of the hearing (including the cross-examination of Ms. Cangelosi and Judge Jones' statements concerning her conduct and ultimate findings and ruling) on its website as soon as the transcript is available.** As always, please email any questions or concerns to info@compassloans.net.