



Compass Financial Partners, LLC ("CFP") remains the loan servicer with respect to the portfolio of loans acquired by affiliates of CFP from the chapter 11 estates of USA Commercial Mortgage Company ("USACM") and its debtor affiliates.

On May 18, 2007, certain lenders calling themselves the "Lenders Protection Group" (the "LPG") and its attorney, Alan Smith, unilaterally informed Direct Lenders and Borrowers of its belief that CFP was no longer the loan servicer with respect to the portfolio of loans formerly serviced by USACM. On May 25, 2007, CFP filed an emergency motion for a determination that CFP remained the loan servicer with respect to the USACM portfolio and that LPG's attempted termination of CFP was not effective.

On May 31, 2007, Judge Riegler issued an order from the bench that, pending further order of the Court in connection with consideration of CFP's emergency motion, CFP remains loan servicer and is authorized to continue to act on behalf of the Direct Lenders and negotiate with Borrowers.

Notwithstanding the above, CFP has been working hard to collect the maximum value possible from each loan it now services from the USACM portfolio. CFP will provide updates to the Direct Lenders on the status of their loans and the actions being taken by the Borrowers and CFP to get the loans repaid. This is the most recent report issued by CFP on this loan (the "Loan").

## LOAN STATUS REPORT

**Loan Name:** Anchor B, LLC

**Unpaid Principal Balance (UPB):** \$5,850,000

**Accrued Non-Default Interest Outstanding:** \$1,548,925.19 (as of May 31, 2007)

**Report Date:** June 12, 2007

**Loan Status:** Foreclosure Process Initiated – CFP has served the Borrower with Notices of Default for failure to make interest payments required by the Loan Agreement, and for failure to repay the Loan in full as of the effective Maturity Date.

**Borrower:** The Borrower is an entity called Anchor B, LLC. It is solely owned and controlled by Tracy D. Suttles, an individual who currently owns nearly 6,000 apartment units in the State of Texas, and is the owner of the Sharpstown Mall in Houston, Texas. Suttles has three other outstanding Loans serviced by CFP including: Shamrock Tower LP; 6425 Gess, LLC; and Gramercy Court Condos Ltd. CFP has initiated the foreclosure process in two of the other three Loans, while any foreclosure against the Gramercy Court Condos collateral is currently stayed because the borrower filed for relief under chapter 11 of the U.S. Bankruptcy Code.

**Guarantees:** The Loan is personally guaranteed by Suttles, who has an indicated net worth of approximately \$108 million as of February 27, 2005. CFP and USACM/Mesirow have requested updated financial statements from Suttles on several occasions over the last 14 months and Suttles has been non-responsive.



**Current Situation:** The Loan was originated in May 2005 to finance the purchase and refurbishment of a three-story, 180,000 square foot retail building on 9.9 acres of land (the "Property") located next to, and considered a part of, the Sharpstown Center Regional Mall. The Loan had a Maturity Date of June 6, 2006. The Sharpstown Mall is located approximately 10 miles southwest of Houston's central business district. The Loan is secured by a first deed of trust on the Property, which is located on the northwest corner of Bellaire Boulevard and Southwest Freeway in Houston, Texas.

It was originally anticipated that the Loan would be repaid from the proceeds of a construction loan to be used to complete tenant improvements in the Property. At the time the loan was originated, the Borrower claimed it had negotiated a lease for the entire Property with Steve & Barry's Texas, LLC, an apparel store known for selling quality private-label merchandise at very low prices in an upscale setting. Steve & Barry's was a company started in Michigan in 1985 with 46 stores in 16 states.

As of the date of this report, the Borrower has made no improvements to the Property or any of the refurbishments contemplated at the time of the origination. The Borrower has failed to make principal or interest payments on any of the four Loans serviced by CFP since the spring of 2006. USACM and CFP have held several telephone and/or face-to-face meetings with the Borrower, but none of these meetings were successful in reaching a solution for repayment of the Loan. The Borrower asked for a substantially-discounted payoff, but declined to specify the funding source.

The loan-to-value of the project as stated when the Loan was originated was approximately 75% based on the appraisal prepared by Luedemann & Associates dated February 17, 2004. The appraisal conducted in May 2006 by Hilco Real Estate Appraisal LLC in the course of USACM's bankruptcy concluded the Property had a market value of \$6,030,000 based on a sales comparison approach. CFP has ordered an updated appraisal on the Property.

**Borrower Next Steps:** To date, the Borrower has taken very aggressive actions to protect its other properties at all costs. It is possible the Borrower could petition a State Court for a Temporary Restraining Order preventing a foreclosure sale or file a petition under chapter 11 of the U.S. Bankruptcy Code to stay a foreclosure sale or any other collection or legal actions creditors might take against the Borrower in order to provide it time to reorganize and develop a plan for emerging as a viable entity, or to effectuate an orderly disposition of its assets to satisfy creditor claims. In any such event, CFP will take aggressive action to fully protect the interests of the Direct Lenders and CFP in the collateral.

**CFP Next Steps:** **As set forth above,** CFP has initiated the foreclosure process. The Property is currently scheduled for a foreclosure sale on July 3, 2007. CFP will continue its course of taking aggressive actions against the Borrower and Guarantor to recover the maximum return of capital in this Loan. CFP anticipates the Borrower will continue to aggressively protect its Property and attempt to capitalize upon the uncertainty created by recent actions of the LPG in order to further delay its payment on the Loan. It is worth noting that many of the Guarantor's other assets have been foreclosed upon by other senior lenders.