



## Loan Status Report

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Property Name:	Huntsville
Borrower:	West Hills Park Joint Venture
Guarantor:	Tom Curtis
Guarantor Net Worth:	\$1,700,000.00 (as of 10/03)
Loan Status:	Maturity & Interest Default
Report Date:	July 2, 2007
Current Unpaid Principal Balance ("UPB"):	\$10,475,000.00
Accrued Non-default Interest:	\$994,231.31 (as of 05/31/07)
Current Payoff Balance:	\$14,200,213.81 (as of 5/31/07)
Original Note Date:	04/07/04
Maturity Date:	04/07/06
Lien Position:	First & Second
Loan-to-Value (2006 Hilco appraisal):	389.07%

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Compass Financial Partners LLC ("CFP") remains 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 (the "USACM Loans").

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

On June 20, 2007, Judge Riegler granted CFP's Emergency Motion and ruled from the bench that LPG's attempted termination of Compass on May 18, 2007 was ineffectual, that CFP remains loan servicer and is authorized to continue to act on behalf of the Direct Lenders and negotiate with the borrowers in the USACM Loans pending further order of the Court.

CFP has been working hard to collect the maximum value possible from the USACM Loans it services. 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. The following is the most recent report issued by CFP on the loan described above (the "Huntsville Loan").

### Original Loan Information

The Huntsville Loan was originated in April, 2004 with a maturity date of April, 2006. The Huntsville Loan was originally intended to fund the development of a 38-acre multi-tenant retail site. The property that originally collateralized the Huntsville Loan is a First Deed of Trust on approximately 25.061 acres along the northwest quadrant of the intersection of Interstate 45 and State Highway 30 in Huntsville, Texas (the "Walker County Collateral"). In addition, the Huntsville Loan was secured by a subordinated Deed of Trust on three parcels totaling approximately 50 acres and existing structures



with 112,000 sq. ft. of office/data storage space known as the Westlin Building in Montgomery, Texas (the "Montgomery County Collateral").

### **Current Situation**

On August 17, 2006, the borrower in the Huntsville Loan (the "Borrower") commenced a chapter 11 case with the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). Shortly thereafter, Cross Development, the senior lender with respect to the Montgomery County Collateral, obtained relief from the automatic stay from the Bankruptcy Court and attempted to foreclose upon the Montgomery County Collateral. Although the foreclosure action was initially delayed by virtue of the commencement of USACM's chapter 11 cases, the foreclosure sale was conducted in March 2007. The amount to redeem Cross Development's senior lien on the Montgomery County Collateral at the date of the foreclosure sale was \$16,863,408 and the value of the underlying collateral was appraised at \$12,630,000. Accordingly, in light of the under collateralization of the Direct Lenders' lien on the Montgomery County Collateral, CFP was compelled to let the foreclosure sale take place, and the Direct Lenders' lien on the Montgomery County Collateral was extinguished.

CFP has ordered an updated appraisal on the Walker County Collateral and is currently awaiting its completion. On June 19, 2007, CFP filed a motion to lift the automatic stay in the Borrower's chapter 11 case in order to foreclose upon the Walker County Collateral. A hearing to consider CFP's motion is currently scheduled for July 18, 2007. Once the automatic stay is lifted by the Bankruptcy Court, CFP will move to foreclose upon the Walker County Collateral.

### **Next Step**

As stated above, CFP has recently ordered an appraisal of the Walker County Collateral and is awaiting its completion. A hearing on CFP's motion to lift the automatic stay in the Borrower's chapter 11 case is scheduled to be heard on July 18, 2007. Once the automatic stay is lifted by the Bankruptcy Court, CFP will move to foreclose upon the Walker County Collateral.