

Yesterday after we issued our *Lenders' Analysis of the New Loan Servicing Scheme*, Donna Cangelosi elected to respond. Since Donna has chosen to single me out for attack, I will respond personally. First, since this site is committed to "straight talk", first I'll include Donna's message:

> From: "Donna Cangelosi" <dcangelosi@gmail.com>
> Date: 2007/06/07 Thu PM 08:04:59 EST
> To: "Donna Cangelosi" <dcangelosi@gmail.com>
> Subject: In response to post on the DL Committee Web site
>
> In response to the Direct Lenders post today. The interesting thing is the
> authors are the committee members that let our money get stolen twice, once
> by M&H, then by the attorneys. It is interesting that these very committee
> members did not fight for our prepaid interest. These are the committee
> members that agreed to a plan that gave up our contract rights. These are
> the committee members that I warned about Compass's plans to claim default
> interest/late fees in front of us. These are the committee members that I
> begged to please stop the Compass sale, as they had the power to say the
> Compass deal was not good for the DLs. It was these members and their
> attorneys who permitted the language in the confirmation order to say
> default interest can be collected from the collateral or borrower, even
> though we brought it to their attention and urged them to join our
> objections. These are the committee members that have all along said I
> was over reacting and emotional. Really?
>
> This is the website that has sponsored Compass's communications.
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> If Ned Homfeld really had the Direct Lenders interest at heart, why didn't
> he contact me to try to get his questions answered, instead of trying to
> create havoc amongst the Direct Lenders. HE DIDN'T EVEN ANALYZE THE
> CURRENT AGREEMENTS WHICH FIXED MOST OF THE PROBLEMS. It is interesting
> that today, I was able to verify he is in communication with Compass. It is
> interesting that he represented to the Direct Lender committee last year
> that he had a loan servicing agreement, but a few weeks ago he represented
> to me he was not bound by a loan servicing agreement. What happened between
> then and now Ned?
>
> It's amazing they would put so much work into mis-analyzing the stale L2L
> agreements, calling for no actions, and completely ignore the facts that
> moment by moment the lenders are getting harmed by Compass's foreclosure
> march and threatening cash calls. Borrower financing is crashing, cross
> defaults are occurring and borrower/lender law suits are being prepared.
> But wait. Wait. We have no plan, but let's wait. No, let's wait and
> criticize.
>
> If the LPG did not exist, then we would not be in a position of strength to
> protect ourselves. It is not the Direct Lender committee that has fought for
> your rights - is it?
>
> We'll give a formal response to Ned's miscommunication some time tomorrow.
>
> Donna

First let's straighten out the first misconception. This report was generated, compiled and reviewed by twelve Direct Lenders: two ex-Committee members, two Direct Lenders who are lawyers, two loan captains and six individual Direct Lenders. It is not the work of the now disbanded Committee, nor is the website a Committee website.

It is not our job to defend repeated erroneous accusations against the Committee, the Committee members or their lawyers. The Committee's main job and responsibility was to keep the LSA's intact – something that was accomplished. We couldn't keep Compass from winning the auction; we had no standing to represent diverted principal or prepaid interest. It doesn't matter how many times people are told otherwise, it doesn't make it any truer. It's time to concentrate on the future.

Yes, this website has posted Compass communication that wasn't (at the time) being distributed anywhere else. We also post press coverage, litigation filings, no matter whose "side" they cover.

Although you may choose to attack me personally, Donna, I have not and will not do the same to you. I am a Direct Lender just like you. At the time of filing I had some \$6,000,000 in investments through USA. As it turns out I had about \$400,000 of my principal diverted and about \$300,000 in prepaid interest. And Donna, check your phone records: I haven't (except yesterday to advise you this letter was being issued) spoken to you since January. And as to being "in communication with Compass", one could expect a lender with my level of investment to be in communication with Compass. And I have been – I spoke once with Mark Olson about six weeks ago and with Boris Piskun yesterday after you suggested he call me.

Let's ask this question: Are the contracts we spent hours analyzing "stale"? These contracts were sent to us repeatedly by your loan captains – how stale could they be? To the degree anyone has signed a "stale" version they are none-the-less legally binding contracts as signed. Have you returned any signed "stale" contracts and asked the lender to sign a new and "non-stale" version?

You have chosen to take our analysis as criticism and destructive. Try to modify your thinking and think of the points brought up as things that need to be fixed – we're providing you with valid guidance – don't take it personally – it's not a personal attack. Yes we chose to tell other Direct Lenders what needed fixing as well – after all it's all our best interests to have these contracts fair, proper and correct – and only they can make sure the fixes are made.

We have also encouraged you to fully disclose the ownership (beneficial interests, I guess) in both L2L and FDH and provide meaningful resumes not only for yourself, but for those who you plan to trust with our money. Donna, I admire you and I appreciate the efforts you've made and I don't think (again) you should take this demand for information as a slight against you. I also admire the activist in you. But it's one thing to admire you for shaking the tree; it's another to have the confidence in you to make you the tree. We can only know what kind of tree you will be by the quality of the contracts and your willingness to make the arrangements and those making the arrangements fully transparent.

Ned Homfeld