

TO: USA COMMERCIAL MORTGAGE COMPANY UNSECURED CREDITORS

FROM: COUNSEL FOR USA COMMERCIAL MORTGAGE COMPANY UNSECURED CREDITORS COMMITTEE

REPORT ON AUCTION – NOVEMBER 9, 2006

On November 8, 2006, Judge Riegle signed the Order (A) Scheduling an Auction for the Sale of Certain Assets; (B) appointing SPCP Group, LLC as Lead Bidder; and (C) Approving Bid Procedures and Protections. A copy of the order is posted to this website. Please review the order for specifics.

In general, the Order approves the Bid Procedures. SPCP Group, LLC is the “stalking horse bidder”. Debtors are soliciting qualified bidders to submit competing (higher and better) bids to be considered by the Court at the auction.

The auction is scheduled at the United States Bankruptcy Court for the District of Nevada, on December 7, 2006 at 9:30 a.m., and shall be conducted pursuant to the terms set forth in the Bid Procedures. The auction is for substantially all of the assets of the FTD Fund (primarily its interests in a portfolio of loans) and certain assets of USACM (primarily those used to conduct its loan servicing business).

Any party wishing to bid for the Assets must comply with the Bid Procedures, including (i) satisfying the Preliminary Qualification set forth in the Bid Procedures and (ii) submitting a Qualified Bid to the Debtors and the Committees pursuant to the terms set forth in the Bid Procedures on or before 4:00 p.m. prevailing Pacific Time on November 30, 2006.

The order authorizes the Debtors to pay to the stalking horse bidder a break up fee in the amount of \$1.5 million and an expense reimbursement. The expense reimbursement payable to stalking horse bidder is limited to a maximum amount of actual and reasonable expenses incurred up to \$500,000. The expense reimbursement shall be payable to stalking horse bidder, unless otherwise waived by stalking horse bidder in writing on or prior to February 16, 2007.

Overbids may be allocated between the FTD Fund and the USACM estate based on an agreement to be filed with the court. In general, that same allocation would cover allocation of the Expense reimbursement or the break up fee.