

OBJECTION TO CLAIMS

The USACM Liquidating Trust filed four sets of objections to claims filed against USACM on March 23, 2007. These objections seek to reclassify the claims filed by creditors asserting to be secured, priority or administrative claims as general unsecured claims.

The objections are explained as follows:

1. Objections to claims asserting “secured status” (“Secured Objection”).

The Secured Objection objects to claims that seek to be treated as secured by assets of USACM. The Secured Objection is divided up into 33 omnibus objections. Most of the claimants asserting secured status are Direct Lenders who are under the misimpression that because the loan investments serviced by USACM were secured by collateral of various borrowers, any claim they might have asserted against USACM would also be secured. To the contrary, these claims are not entitled to secured status as the collateral securing their respective advances is the property of each borrower, not USACM as servicer. USACM has no property that serves as collateral for the Direct Lender loans serviced by USACM. Having reviewed lien searches and the books and records of USACM, neither USACM nor the USACM Trust believes that any of the holders of the alleged secured claims were granted a security interest in any property of USACM, or that any such security interest was perfected under applicable law.

This is NOT a request by USACM or the USACM Trust to take any creditor’s collateral. Your loan is collected by the servicing agent for the particular loan.

2. Objections to general claims asserting a “priority status” (“Priority Objection”).

The Priority Objection asserts that there is no basis in the proofs of claim or in the books and records of the Debtors that support a priority status for the claims. Specifically, Section 507 of the Bankruptcy Code establishes ten types of claims that are entitled to priority status. None of the claimants produced any evidence or documentation that they fell within any of those ten categories. The USACM Liquidating Trust did not object to the validity or amount of the alleged priority claims, but it reserved the right to do so.

3. Objection to commission claims asserting priority status (“Commission Objection”).

There are 11 commission claims that aggregate over \$207,000. The claimants are former loan brokers or their assigns. The grounds for the objection is that many of the loans brokered by the USACM brokers involved the solicitation of investments into non-performing loans, possibly in violation of Nevada law. This means the commission claims are not entitled to priority status, and may not be allowable at all as claims against USACM. However, the objection only applies the priority of the commission claims and leaves for another day the allowability of the claims.

4. Objections to claims asserting an “administrative expense status” (“Administrative Expense Objection”).

The Administrative Expense Objection seeks an order denying administrative expense status to three alleged administrative expense claims asserted against USACM that aggregate over \$95,000. Section 503(b) of the Bankruptcy Code states that “[a]fter notice and a hearing, there shall be allowed, administrative expenses . . . including. . . .” Section 503(b) then proceeds to list a number of expenses that qualify for administrative status. None of the administrative expense claims were the subject of notice and a hearing to determine their administrative status. Furthermore, none of the administrative expense claims are the kind of expense that generally qualifies as administrative under section 503(b), and the claimants submitted no evidence in support of their alleged status.

Therefore, if you have received an objection to your claim based on one of the above types of objections, your claim is subject to being disallowed as filed and recategorized as a general unsecured claim. If you choose to do nothing, your claim will be deemed an unsecured claim. Please note that USACM has not yet objected to the amount and/or allowability of your claim, but it may do so at a future date as set forth in its plan of reorganization.

If you have any questions about the foregoing, please contact:

Scott K. Brown
Lewis and Roca LLP
40 N. Central Avenue, Suite 1900
Phoenix, Arizona 85004
Tel. (602) 262-5321
Fax (602) 734-3866