

Confidential Report

February 2008

Report to Direct Lenders – Placer County Land Speculators, LLC – 1ST Lien

Dear Direct Lenders:

This letter is written to the holders of the Placer 1 Loan. A copy is being sent to the holders of the Placer 2 Loan for information purposes only.

This letter supplements the prior reports of the USACM Liquidating Trust as servicer of your Loans.

Balances Due from Borrower. No payments have been received from the Borrower, so that the unpaid balances as of the end of January are the same, except that interest, default interest and late fees continue to accrue. For your information, the Note balances as of February 1, 2008 were as follows:

	Placer 1	Placer 2
Principal	\$31,500,000.00	\$6,500,000.00
Interest	\$10,182,918.27	\$2,708,556.00
Default Interest	\$ 6,129,948.16	\$ 679,366.33
Late Fees	\$ 408,618.18	\$ 111,692.55
Total	\$48,221,484.60	\$9,999,614.89

Substitution of Trustee for Foreclosure. Last month we asked the Direct Lenders in the Placer 1 Loan to consent to the substitution of Trustee for foreclosure purposes. No one objected and we deem that consent provided.

Foreclosure Sale. Last month we asked the Direct Lenders in Placer 1 to consent to allow sale of the Property at a foreclosure sale of the Property securing your loan for [redacted] million cash, if such an offer was presented at or before the sale. A number of you declined to consent. While the Trust has not received an indication that a bidder will make an offer at the foreclosure sale, we nevertheless conclude that the Trust does not have consent to accept less than full payment of the principal and interest at the foreclosure sale. Consequently, the foreclosure sale will proceed, and the Trust as servicer will present an opening credit of the Trust's estimate of the current market value of the Property. If there is competitive bidding, the Trust will credit bid up to the unpaid

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principal and non-default interest owed on the Placer 1 Loan. Assuming no bidders, or no one willing to bid the full amount of the unpaid principal and non-default interest, the Trust believes that this will result in the Placer 1 lenders owning the Property by virtue of the foreclosure sale.

Post-Foreclosure Alternatives. The Trust believes that, pursuant to the authority of the Loan Servicing Agreement, it can create an entity to take title to the Property as agent for the Placer 1 lenders, and intends to do so. The Trust intends to form a single member limited liability company, owned by the Trust, whose sole purpose will be to take title to the Property in the name of the Placer 1 Direct Lenders. The interests of the Placer 2 Direct Lenders will be extinguished at the foreclosure sale (unless there is competitive bidding in an amount in excess of the foreclose costs, principal and accrued interest on the Placer 1 Loan, a circumstance that no one thinks is realistic).

After the conclusion of the foreclosure sale, the Trust as servicer intends to file an action in Placer County, California, seeking the appointment of a receiver for the Property. Each Direct Lender in the Placer 1 Loan will be named as a defendant so that the Lenders all have notice of the receivership action and an opportunity to participate in the court process. The Trust will ask the Court to give the Receiver power to operate the Property, borrow money, pay carrying costs to the extent of available funds, market the Property and sell it with court approval at an appropriate time.

Neither the Trust nor DSI proposes to serve as a receiver because the Trust is owed servicing fees, as well as the servicer advance, and foreclosure costs incurred as servicer of the loan. Consequently, a disinterested third party must be obtained to be presented to the state court as proposed receiver. We invite you to consider who should be the receiver, and we will take suggestions and bring them to the attention of the Court in the anticipated receivership action.

The receiver can do nothing with the Property without a source of funding. The receivership will cost money, the receiver will need to be compensated, and the carrying costs of the Property, such as real estate taxes, must be addressed. We invite you to consider how best to fund those expenses, presumably in a loan obtained by the receiver with priority over repayment to your interests as post-foreclosure owners of the Property.

Some of you may ask why the Property should not be deeded to a limited liability company where the Direct Lenders are members. The Trust has investigated such a structure, and determined that it would involve the offer to purchase or sell securities because the ownership interests in the LLC would be securities governed by applicable

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federal and state law. No one can sell you a security unless the security is either registered with the applicable federal and state securities regulators, or there is an exemption from the registration requirements. There is no securities registration exemption that appears to be applicable in this circumstance. Even if there was an exemption to the federal and state registration requirements, anyone forming such a limited liability company would need to provide you with a prospectus or offering memorandum that provides you complete information concerning the proposed investment, control, expenses, risks and other relevant information. This significant expense is beyond the scope of the Trust's obligation to service the Loan. Further, there are a number of questions that must be addressed, such as who should control the entity, how decisions should be made, what lender approval should be required before borrowing or sale of the Property, etc., none of which over 300 Direct Lenders have reached consensus on.

The Trust has been advised that there is a limited liability company that purports to speak on behalf of certain direct lenders, and may be the assignee of certain Direct Lender interests. The Trust does not believe it would be appropriate to deed the Property to that entity any more than it would be appropriate to deed the Property to some other group of Direct Lenders. All Direct Lender interests must be represented, and no Direct Lender can be compelled to participate in a limited liability company or other structure.

Other lenders have asked whether the Trust could continue to own the Property as agent for the Lenders and manage it under a management agreement or an amendment to the existing Loan Servicing Agreement. The Trust does not believe it has authority from you to manage the Property under the existing LSA. If the Trust believed that there was consensus over what such a management agreement should look like, and who the manager should be, then the Trust could seek approval from the over 300 Direct Lenders on the agreement. Because there is no such consensus, trying to negotiate and circulate a management agreement for your consideration, revision, and eventually execution, is a task that the Trust believes is outside the scope of its authority, when the interests of all the creditor beneficiaries of USACM are considered.

Your Alternatives. The Trust is not asking you to take any action at this time. The Trust is not opposed to a discussion of new alternatives, in the event that we have overlooked a possibility, or failed to appreciate a relevant consideration. We welcome your comments and questions.

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For More Information. As always, if you have any questions about your statement or about the Loans, please feel free to contact the Trust at the following contact information:

USACM Liquidating Trust

Geoffrey L. Berman, Trustee
Matthew P. Sorenson
Email: gberman@dsi.biz
msorenson@dsi.biz
Development Specialists, Inc.
333 South Grand Avenue, Suite 4070
Los Angeles, CA 90071-1544
Facsimile: (213) 617-2718
Telephone: (213) 617-2717

Lewis And Roca LLP

Rob Charles
Susan M. Freeman
Email: RCharles@LRLaw.com
3993 Howard Hughes Parkway, Suite 600
Las Vegas, Nevada 89169-5996
Facsimile: (702) 949-8321
Telephone: (702) 949-8320
Attorneys for the USACM Liquidating
Trust