

**Confidential Report**

January 2008

Report to Direct Lenders – Placer County Land Speculators, LLC

Dear Direct Lenders:

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 December are the same, except that interest, default interest and late fees continue to accrue. For your information, the Note balances as of January 1, 2008 were as follows:

	<b>Placer 1</b>	<b>Placer 2</b>
Principal	\$31,500,000.00	\$6,500,000.00
Interest	\$ 9,739,025.98	\$2,583,406.84
Default Interest	\$ 5,863,612.78	\$ 648,079.04
Late Fees	\$ 386,659.92	\$ 105,520.14
<b>Total</b>	\$47,489,298.68	\$9,837,006.02

With your consent, on June 6, 2007, the Trust advanced \$678,649.19 to Placer County to pay the back taxes. This is an advance senior to your loan which bears interest at the prime rate. The Trust has not made any additional advances, either to Placer County for taxes, or to the ownership group for development expenses. In addition, the Trust has incurred legal expense on your behalf attempting to collect the Direct Loan.

**Foreclosure and Substitution of Trustee.** In our December letter, we advised you that the Trust hired Mark Gorton of McDonough, Holland & Allen P.C. in Sacramento to represent the Trust in foreclosing the lien held by the Direct Lenders in the Placer 1 Loan. With Mr. Gorton's assistance, the Trustee retained Alliance Default Services, a division of Alliance Title, in Sacramento, California, to serve as the substitute trustee under the Placer 1 Deed of Trust. A Declaration of Default and Demand for Sale were recorded on December 3 and 4, 2007, the latter at Document No. 2007-0114236, Official Records of Placer County, California. A copy of the Notice of Default is posted on the USACM Trust's website with respect to this loan.

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Some of you have asked why your name is not on the list of beneficiaries attached to the declaration of default. That document is required to identify only the original beneficiaries to the Deed of Trust. The USACM Trust and the foreclosure trustee are aware of and have complete records of the names of each beneficiary from the subsequent amendments to the Deed of Trust as well as assignments reported to USA Commercial Mortgage Company or to the USACM Trust. The interests of all beneficiaries on the Placer 1 Direct Loan will be foreclosed at the foreclosure sale.

The substitute trustee advised that it served the Notice of Default as required by California law.

***Request For Consent.*** To the extent that your consent is required to substitute Alliance Default Services, a division of Alliance Title, as trustee under the Deed of Trust, we hereby request that consent. We will presume that you do consent unless we receive your written disapproval within 10 days of the postmark on the envelope mailing this letter.

The foreclosure sale is anticipated to be scheduled in late March 2008 according to California law. We will advise you when the date, time and location are posted.

**Foreclosure Credit Bid.** We previously advised you about the following appraisals concerning the collateral.

USACM had the Property appraised by Hilco Real Estate Appraisal, LLC during the bankruptcy case. In a report dated July 18, 2006, Hilco valued the two non-contiguous tracts together and determined the market value to be \$25,400,000. Hilco reported the Property contains about 338.3 acres.

A Direct Lender has represented to the USACM Trust (and we have seen a copy of the following appraisal):

According to the appraisal done by Stevers, Jordan & Zieglermeyer on 12/21/04, the market as-is-value with no entitlements was \$33,830,000 for the 338-acre parcel secured under the PV loan. He reported a hypothetical value of \$67,660,000 upon final approval of Placer Vineyards Specific Plan, which was approved by the Planning Commission in July 2007.<sup>1</sup>

An appraiser engaged by Lisa M. Poulin, trustee of USA Investment Partners, LLC, provided an appraisal of the property undertaken in the summer of 2007. We were provided a copy with the understanding that we could not disseminate its contents. Based

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<sup>1</sup> A copy of portions of this appraisal has been provided to the USACM Trust.

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upon that appraisal, and as we reported during the November 2007 lender conference call, we see a value range for the Property of between [redacted] and [redacted] million, if the owner of the Property had the time and the resources to hold the Property until the market recovers. This appraisal was prepared before the liquidity crisis in lending markets fully presented itself to the Markets.

In rough terms, the real property taxes on the Property have historically accrued for all of the parcels at about \$350,000 per year. The past due amount owed to the Placer Vineyards Development Group, LLC (the “Ownership Group”) for its prior billings is at least \$264,805, payable in \$50,000 quarterly installments, which have been delinquent since October 1, 2007. The Ownership Group continues to incur development expenses and bill this Property on a pro-rata basis. The most recent billing received was an invoice dated November 9, 2007 for the 2008 capital call requirement in the amount of \$52,718.04, due December 15, 2007, late as of January 15, 2008. If you assume that the capital call later this year will be the same amount, then the total capital call from the Ownership Group for 2008 will be \$210,872.20.

The Ownership Group has requested a tolling of all owners’ obligations and an extension of the Term of the Development Agreement with Placer County due to the filing of lawsuits challenging the Board of Supervisors’ approval of the Placer Vineyards project and the uncertainty created by such pending litigation. Those lawsuits were all filed on or around the Effective Date of the Development Agreement, approximately August 16, 2007. The Ownership Group intends to meet with the County to review and develop a potential list of actions and planning activities desired by the Developers and acceptable to the County, including the County’s staffing and costs that would be required to be funded by the Ownership Group in connection with the request for tolling. Further, the Ownership Group is committed to fund the County’s costs to defend the litigation, pursuant to the Development Agreement and the Developers’ Indemnification Agreement with the County for the project. Accordingly, there are significant, on-going costs associated with holding the Property.

If the Deed of Trust is foreclosed and the Property taken back by the Direct Lenders through a credit bid at the foreclosure sale, then the Direct Lenders must either hold title to the Property as tenants in common, seek the partition of the Property and a sale through a California lawsuit, or agree to hold the Property in a legal entity to maximize its resale value. As explained below, we are working on a proposal to you for an entity to hold the Property post-foreclosure, but the mechanics of forming the entity, creating a structure for lender input and management, as well as the costs associated with this process, have not been worked out.

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**Request for Consent.** With this information in mind, the Trust requests your authority to accept a cash bid of [redacted] (or more) at the foreclosure sale. Such a bid would obtain full repayment of the Direct Lenders' principal, servicer advances, including real estate taxes and legal fees. It avoids the necessity of the Direct Lenders incurring additional expense to own and resell the property after foreclosure. We advise you that we will deem you to have accepted this proposal unless we receive your written disapproval within 10 days of the postmark on the envelope mailing this letter.

**Upcoming Steps.** As noted above, if the Property is not sold to a third party at the foreclosure sale, we are working on a proposed legal entity for the Direct Lenders to take the Property back at the foreclosure sale, hold it, pay the carrying costs, and resell the property in due course. Those alternatives are being discussed and we will forward a proposal to you with a suggestion for a meeting via conference call.

**Request for Confidentiality.** The USACM Trust requests your assistance in keeping the proposed credit bid at the foreclosure sale confidential. If potential buyers are aware of the authority the USACM Trust has requested, then they are unlikely to bid even that much at the foreclosure sale. It is in your best interests to keep this information confidential.

**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:

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