

Confidential Report

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

	Placer 1	Placer 2
Principal	\$31,500,000.00	\$6,500,000.00
Interest	10,602,642.10	2,827,244.06
Default Interest	6,381,782.45	709,038.34
Late Fees on Interest ¹		141,362.20
Late Fees on Principal	1,575,000.00	325,000.00
Other Fees		
Total	\$50,589,556.66	\$10,502,644.60

Foreclosure Sale. The foreclosure sale has been noticed for April 9, 2008 at 10:00 o'clock a.m. at the main entrance of the City Hall Annex, 316 Vernon Street, Roseville, California. This is about two weeks later than we originally estimated, due in part to publication requirements. A copy of the sale notice is attached.

Bid at Foreclosure. Absent bidding by a third party, the Trust will credit bid the Placer 1 debt at the foreclosure sale. The bid amount will be the Trust's estimate of the current market value of the Property, less unpaid taxes. The difference between the

¹ The Trust reviewed the late fee calculations this month, resulting in higher amounts than the prior reports indicated.

Confidential Report

Trust's credit bid and the balance due will be asserted against the guarantors – Tom Hantges and Joe Milanowski. The Trust does not now anticipate bidding an amount in excess of the unpaid principal balance of the Placer 1 Loan, in order to avoid Lender recognition of interest income.

Post-Foreclosure – Title. After discussions with the foreclosure trustee, the Trust believes that the Placer 1 Lenders will take title to the Property in proportion to their interests in the Loan, effectively as co-tenants. Each Lender with a positive loan balance will be identified as a co-owner. In addition, each Lender with a negative loan balance, in other words, a lender that owes more Prepaid Interest than the amount owed on the Placer 1 Loan, will be identified as an owner solely for the purpose of recouping Prepaid Interest from proceeds due to the Lender upon sale, unless such Prepaid interest is recouped pursuant to the USACM plan of reorganization from some other investment of the respective Lender.

Post Foreclosure – Decision Making. After the conclusion of the foreclosure sale and vesting of title to the Property in the Lenders, the Trust as servicer intends to file an action in Placer County, California, seeking three things:

- the appointment of a receiver for the Property, with power to operate the Property, borrow money, pay carrying costs to the extent of available funds, and market the Property;
- authority for the receiver to sell the Property in a partition action and distribute the proceeds pursuant to the receivership court's order; and
- recognition of the Trust's claims as servicing agent, including repayment of last year's servicer advance.

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. Some of you have asked whether this case should be filed in bankruptcy court. Among other reasons, the Trust believes that a state court in the county where the Property is located would be best suited to supervise the receivership.

Certain direct lenders have proposed that an unofficial 5 member oversight group be nominated by Lenders to advise the receiver and the court on pertinent decisions. Some of the names being circulated for that group include:

- A representative of the Kehl family, which has over \$2 million invested in Placer 1;

Confidential Report

- Larry Rieger, who with his wife invested \$200,000 in Placer 1;
- Roy Hibdon, an engineer in Reno, who invested \$50,000 in Placer 1;
- A representative of Debt Acquisition Company of America in San Diego, which owns about \$160,000 in Placer 1; and
- A representative of Sierra Liquidity Fund, LLC, which owns about \$1,625,000 in Placer 1.

Selection of a Receiver. As we previously advised you, neither the Trustee nor DSI intends to seek appointment as the receiver. We asked for suggestions for the proposed receiver. We have received an expression of interest from Riley Bower, Inc., affiliated with Sierra Liquidity Fund, as well as from Howard Justus of Debt Acquisition Company of America, to act as receiver. We attach those letters for your information. At this time, the Trust is not taking a position on who should be the receiver. Other proposals may be forthcoming and will be forwarded to each of you with our next communication, or they may be submitted to the receivership court.

Receivership Funding. 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, as will its outside professionals, and the carrying costs of the Property, such as real estate taxes and insurance, must be addressed. The most logical way to pay these expenses is by a loan to the receivership, approved by the receivership court, either from other Placer 1 lenders or from a third party. That loan would be repaid before the co-owners are paid.

Lender Addresses. For purposes of the deed after foreclosure, notice of the receivership action, and communication from the receiver, it is very important that the Trust have accurate address information for all Lenders. If you received this letter at an incorrect address, please advise the undersigned of your correct address as soon as possible.

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.

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:

Confidential Report

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