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9 Receiver Elli M.A. Mills

10 UNITED STATES DISTRICT COURT
11 DISTRICT OF NEVADA

12 USACM Liquidating Trust,
13 Plaintiff,

CASE NO. 2:08-cv-01276-KJD-RJJ

14 v.

15 Placer County Land Speculators LLC aka
16 Placer County Land Investors LLC, et al.,

17 Defendants.

18 **VERIFIED REPORT OF ELLI M. A. MILLS, RECEIVER, PLACER VINEYARDS**
19 **LAND SPECULATORS [APRIL 2009]**

20 Elli M.A. Mills, the duly appointed receiver in the above-referenced matter, hereby files
21 his third report pursuant to this Court's Order Appointing Receiver filed December 16, 2008,
22 paragraph 14. A true and correct copy of the verified report and account of the receiver's
23 administration during the month of April 2009 is attached hereto.

24 Dated: May 29, 2009

FELDERSTEIN FITZGERALD
WILLOUGHBY & PASCUZZI LLP

25 /s/ Paul J. Pascuzzi
26 PAUL J. PASCUZZI
27 Attorneys for Elli M.A. Mills, Receiver
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**REPORT OF ELLI M. A. MILLS, RECEIVER,
PLACER 1 OWNERS RECEIVERSHIP
APRIL, 2009**

Summary:

In April, 2009, the Receiver pursued securing permission from the Court to obtain the \$250,000 of interim financing and to engage an appraiser. The Court granted the Receiver's requests for both the interim financing and to engage an appraiser.

Just prior to the Court hearing on the Receiver's motion, the Special Servicer agreed to extend interim financing at terms better than the Receiver had originally been offered by Encore Pacific which terms the Receiver had proposed to the Court in its motion. However, after the Court hearing, the Special Servicer had to withdraw its offer because it was not able to obtain approval from its Board of Directors. Unfortunately, by the time the Special Servicer withdrew its offer, the original financing proposal from Encore Pacific was no longer available. Nevertheless, the Receiver and the Special Servicer negotiated a 90-day financing facility for \$100,000 to allow the Receiver time to secure alternative financing. See Interim financing below.

The Receiver negotiated a final engagement agreement with Prime Locations, LLC to appraise the property. In addition, the Receiver attended the monthly meeting of the Placer Vineyards Development Association and met individually with the manager of the Development Association and some of the other land owners.

Court Approval of Receiver's Requests for Interim Financing and Appraisal:

As indicated in the Receiver's March monthly report, the Receiver petitioned the Court to approve the Receiver's request to secure \$250,000 in interim financing and to engage a MAI certified appraiser. The response from the Owners overwhelming supported these requests and on April 21 the Court in a hearing approved the Receiver's requests.

Interim Financing:

During the months of March and April, the Receiver had contacts with a number of financial organizations and with some Owners to explore the prospects of obtaining \$250,000 of interim financing for an 18 month period. As you may recall from prior reports, the purpose of securing these funds was for the Receiver to pay the expenses of the Receivership. These would include obtaining an appraisal for both the appeal to reduce the real estate tax assessment by Placer County and to assist the Receiver in producing information for the Owners to consider in deciding what strategic course of action they wish the Receiver to follow. The information that the Receiver would develop would also include an appraisal of the market value of the property, as well as securing other information regarding the current prospects for sale of the property, the expected costs to hold the property for several years, and the expected future sale price

and prospects.

Prior to submitting a request for interim financing to the Court, the Receiver contacted all Owners to explain the reasons for requesting the authority to secure interim financing and seeking the Owners' input and comments. The Owners' response was overwhelming in support of securing the financing and the information and process that the financing would enable.

The Receiver entertained offers to extend financing from various organizations and individuals. The most cost effective offer was submitted by Encore Pacific Group which submitted a term sheet for a \$250,000 loan for 18 months with an interest rate of 10%, 2.5 points fees and \$3,500 in closing costs. The Receiver submitted a request to the Court for authorization to secure financing at these rates and conditions, or better.

Days before the scheduled Court hearing on the Receiver's motion, the Special Servicer offered to extend the financing at 9% interest with no points and with out of pocket closings costs not to exceed \$1,500. As a condition for advance this loan, the Special Servicer requested that the Receiver agree that the funds the Servicer advanced for the payment of past due real estate taxes would be repaid upon a sale or significant refinancing of the property before any distributions to the Owners. The Receiver agreed to this request because such obligations would have priority over distributions to the Owners. At the Court hearing on the Receiver's motion, counsel for the Special Servicer indicated to the Court that it would extend the funds requested. The Court approved the Receiver's motion.

After the court hearing, the Special Servicer indicated to the Receiver that it wanted to obtain approval from its Board of Directors prior to extending this loan. The Board met eight days after the Court hearing and did not approve the request to extend the loan.

Upon receiving this notice, the Receiver contacted Encore Pacific to see if they would extend the loan under their original terms. However, Encore Pacific informed the Receiver that its financing was no longer available. Thus, the Receiver was left without financing. The Receiver then contacted the Special Servicer and described its predicament. The Receiver prevailed upon the Special Servicer to extend a \$100,000 loan to the Receivership for 90 days, renewable for an additional 90 days, to allow the Receivership to function. This loan was extended to the Receivership on May 7th.

The Receiver has contacted a number of financing organizations to secure the \$250,000 funding authorized by the Court and has found that the market for this type of financing has changed and that the Receivership will have to pay upwards of 15% interest rate plus 2.5 – 3 points, and possibly up to \$3,500 closing costs to secure this financing. The Receiver is currently exploring alternatives, but will return to the Court to seek additional authority to secure the \$250,000 of interim financing at the current market rates.

MAI Appraisal:

The Receiver engaged Prime Locations, LLC to conduct a MAI appraisal of the

Receivership real property as of three dates: January 1, 2008, the date of valuation for the 2008 real estate tax assessment; December 31, 2008, the date of recording of the foreclosure deed and the date that Placer County is statutorily required to reassess the property; and May, 2009, to reflect the current market value of the property.

The Receiver spoke with Mr. Joe W. Milkes, MBA, MAI, CCIM, the senior appraiser for Prime Locations, several times by telephone in April and May and was able to provide contact information and sources for his work, and met with him in Roseville on May 18th, while he was conducting his inspection of the property and developing information for the appraisal.

As of the writing of this report to you, the Receiver has received the appraisal for January 1, 2008, and expects to receive the appraisals for the other dates in the next two weeks. The appraised value for January 1, 2008 was \$15,000,000 for the property. It is expected that the value for December 31, 2008 will be lower. For reference, the total principal of the first mortgage loans that was extended for this property, by the current Owners, was \$31,500,000.

The Receiver has a meeting scheduled on May 28, 2008, with the Placer County Assessor's appraisers to present them with this appraisal in support of the request for a reduction of the 2008 real estate tax assessment.

Placer Vineyards Development Association:

On April 23, 2009, the Receiver attended the monthly meeting of the Placer Vineyards Development Association, the organization of Placer Vineyards land owners which is pursuing the development plans for the project. There were approximately 20 individuals in attendance. The Placer 1 Owners property is approximately 8.2% of the total development. The development association indicates that the Placer 1 Owners Receivership is currently over \$600,000 in arrears in its contributions to the Development Association. The officers and managers of the Development Association have invited the Receiver to attend all meetings and have been very forthcoming with information about the status of the property.

The Placer Vineyards project has secured almost all approvals required from the government authorities but development is being held up by two lawsuits relating to environment issues. The lawsuits are expected to go to trial this summer and the Association expects to prevail in the lawsuits. In that case, they will be cleared to start construction in about a year from now, after the appeal period of the lawsuits is concluded.

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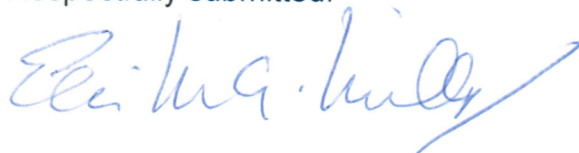
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Financial:

The expenses incurred by the Receivership Estate during the month of April, 2009 were \$3,264.17 fees and expenses for Felderstein Fitzgerald Willoughby & Pascuzzi LLP, the Receiver's Counsel, and \$8,681.01 in fees and expenses for the Receiver, Elli M. A. Mills. There were no revenues received in this month.

May 27, 2009

Respectfully submitted:

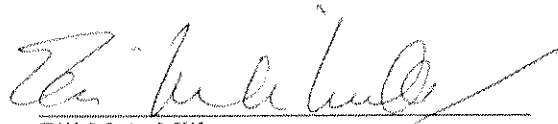


Elli M. A. Mills,
Receiver
Placer 1 Owners
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Reno, NV 89511
775 826-7800

VERIFICATION BY RECEIVER OF RECEIVER'S REPORT

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2 I, Elli M.A. Mills, am the duly-appointed receiver in the above-referenced action, and I
3 have read the foregoing Verified Report of Elli M.A. Mills, Receiver, Placer Vineyards Land
4 Speculators [April 2009] ("Receiver's Report"), and know its contents. The matters stated in the
5 Receiver's Report are true based on my own knowledge or the records regularly maintained by
6 the receivership, except as to those matters stated on information and belief, and as to those
7 matters I believe them to be true.

8 I declare under penalty of perjury that the foregoing is true and correct. Executed on May
9 29, 2009.

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Elli M.A. Mills