

Stephanie Studebaker

From: Stephanie Studebaker
Sent: Thursday, February 12, 2009 11:37 PM
To: M.Vivienne.Popperl@usdoj.gov
Subject: Meeting with Kevin Padrick and Principals

Hello Vivienne,

I am sorry to have missed your phone call today. I feel I have a responsibility to report back to you about the meeting I told you we were going to have with Kevin.

The meeting began with a feeling of huge distrust between the principals in this case and Obsidian. I am not sure how much you know, so I will briefly describe the situation as I saw it.

Obsidian was referred to Lane Lyons by a man named Bill Smith, colleague of the principals. Kevin gave the principals a sales presentation. The principals asked Susan Ford about hiring Obsidian. She expressed that it might be a good idea. Terry said he could work with Obsidian. All agreed to contract them with the understanding that they were working for Summit. Principals turned over as much information as possible to Obsidian at that time. Obsidian was supposed to get back to Summit the first week of January. No such plan was ever presented to Summit. Prior to today, the principals of Summit have not seen or heard from Kevin since his sales presentation and have not seen or heard from his colleagues since soon after they left with the information.

Kevin expressed that they have been working on this since day one. He said they have been stopping and going at the direction of Summit attorneys and the creditors committee. He said they tried to move forward with their work, but were stopped immediately by Summit attorneys. Kevin expressed that since then they have been asked to do work and asked to stop on several occasions. We are not sure whose direction exactly he has been under, but it has not been the principals or Terry Vance. Kevin spoke with Summit attorneys and the creditors committee. Kevin said that unless otherwise directed, he is supposed to speak with Summit's attorneys and this is why they did not communicate with the principals.

The communication today was good, but the principals were not able to see the presentation and still do not have an understanding of Obsidian's plan. The principals did provide Kevin with the start of the spreadsheet that is used in the presentation. Kevin told us that he has expanded on that. However, we ran out of time today to see their plan and spreadsheet. I am going to email Kevin to request a copy of the updated spreadsheet for the principals to review.

Judge Dunn said that I could express the concerns and/or questions to you. They are as follows...

1. A small number of entities/properties the principals have interests in may have negative results to the value if they are assigned carte blanche. Kevin says he has the same concerns and has repeatedly told the creditors and other attorneys involved that there are some issues. Assignment will put creditors at risk of losing a portion or all of the value. Additionally, assignment will also put innocent partners at risk of losing a portion of or all of their investments in those entities/properties and possibly open it up to additional costly litigation. The principals want the trustee, whomever it is, to find solutions to these issues. They are willing to enter into agreements to secure those interests for the creditors in a way that doesn't put the investment at peril for the creditors and innocent partners.

2. There are properties the principals believe have no equity value above and beyond the third party debt for which the loan was obtained 100% by an innocent partner in the property. The innocent partners are agreeing to take over payments (and have been making payments for the last couple months) to keep them out of foreclosure, but they either want the principals' interest deeded to them or a guarantee that a third party (trustee) will

approve a sale if they can find a buyer. The motivation of the innocent partners is only to protect their own credit. The principals don't want to injure these other partners more than they already have. If it is determined that there is no value and the trustee is unwilling to make the principals share of the payments, move forward, and allow a transfer of these properties to give the innocent partners a chance to save their credit. The principals would like a timely assessment of these properties and decisions so that these partners can move on and minimal energy is spent on properties that will not bring value to the creditors.

3. The principals think they can bring value to the liquidation of the assets. They would like to have an ear to address their concerns. Possibly an advisory board consisting of the trustee and folks from the creditors committee for which discussion would be limited just to matters of liquidating property to the maximum benefit of the creditors.

4. The principals would like to keep costs down as would everyone else. Kevin said that if he is named trustee, he will receive 1% of the money they receive, but he will be able to contract his company at an hourly rate to do the work. We are still not sure what that cost would be, but how is this monitored when the same person acting as trustee is also in the position to profit from the contract.

There was some dislike between Terry Vance and Kevin Padrick. Nobody knows what this is about. However, Terry Vance has been working very hard to understand the matter and make things happen, but his hands have been tied. He told us today that he was willing to put his name in as trustee. The principals are comfortable with the communication and assistance they have received from Terry. The principals believe that Obsidian could be the right company to help get money to the creditors quickly. Obsidian also has the blessing of the creditors committee. It was my impression the court and the creditors would like this resolved as soon as possible. Terry Vance has the best on hand knowledge of the matter. Kevin Padrick seems like he could be the most experienced person with matters that have such complexities. It seems like the attorneys may be causing a clog in the system. Both Terry Vance and Kevin Padrick have been on since the very beginning. It was my impression that Judge Dunn and others in the courtroom respected both individuals. I believe that the dislike between the men has occurred due to lack of communication. If the court were to name Terry Vance as trustee and Terry would contract to work with Obsidian at the direction of the court, I think this issue would be resolved because there would be a direct line of communication. This would lead to a spirit of cooperation between all parties and with a spirit of cooperation there is the most likely chance that the creditors will receive the most money in the quickest fashion. My concern with another trustee is that they would need to start over gaining the knowledge and trust Terry Vance has already gained with the principals. The principals want to move on and make progress. They are frustrated with the lack of progress.

On a personal note, I have seen these principals go above and beyond to help with this situation with no monetary reward. They are all very good men who mean well. The issues faced by Summit do not change the fact that these men, especially my dad, are men of integrity. They care deeply for their family, community, friends, employees, partners (innocent parties) and clients (the exchangers). It is with great conviction that I say to you that you will find them to be your ally in resolving these issues. The principals will do their best to make it right because that is who they are.

Thank you very much for your time,
Stephanie Studebaker