

ORIGINAL



0000118663

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 11 *Berta Walder, Howard Walder, Harish P. Shah, Madhavi H. Shah and Horizon Partners, LLC*

Arizona Corporation Commission

**DOCKETED**

OCT 6 2010

DOCKETED BY	
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

10 In the matter of:

11

12 **RADICAL BUNNY, L.L.C.**, an Arizona  
 13 limited liability company,

14 **HORIZON PARTNERS, L.L.C.**, an  
 15 Arizona limited liability company,

16 **TOM HIRSCH** (aka **TOMAS N.**  
 17 **HIRSCH**) and **DIANE ROSE HIRSCH**,  
 18 husband and wife;

19 **BERTA FRIEDMAN. WALDER** (aka  
 20 **BUNNY WALDER**, a married person,

21 **HOWARD EVAN WALDER**, a  
 22 married person,

23 **HARISH PANNALAL SHAH** and  
 24 **MADHAVI H. SHAH**, husband and  
 25 wife,  
 26 Respondents.

**DOCKET NO. S-20660A-09-0107**

**RESPONDENTS' LIST OF WITNESSES AND EXHIBITS**

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**I. RESPONDENTS' WITNESSES**

1. Tom Hirsch
2. Berta Friedman Walder
3. Howard Evan Walder
4. Harish Pannalal Shah
5. Dr. Alfred W. Ferry
6. Scott C. Grainger
7. Pramod Patel
8. B.J. Raval
9. Gary Shullaw in the event he is not called by the Arizona Corporation Commission.
10. All witnesses identified by the Securities Division, including those identified witnesses who are not called to testify by the Securities Division, plus all additional witnesses.
11. Respondents reserve the right to call additional witnesses who may be identified between the date of this list and the close of the hearing. This list is subject to amendment and/or supplement at any time prior to or during the hearing.
12. Custodian of Records of any document where foundation is required.
13. Rebuttal and impeachment witnesses.
14. Expert witnesses.

**II. RESPONDENTS' EXHIBITS**

1. Investor Emails (RAD00001-RAD00022).
2. Lawyer Emails (RAD00023-RAD00086).

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- 3. Letter from Christian Hoffmann to Tom Hirsch dated February 28, 2007 (RAD00087-RAD00089).
- 4. Order Confirming Investors Committee's First Amended Plan of Reorganization Date March 12, 2009 (RAD00091-RAD00107).
- 5. The Official Committee Of Investors' First Amended Plan of Reorganization Dated March 12, 2009 (RAD00108-RAD00179).
- 6. Email between Christian Hoffmann and Robert Moya (RAD00090).
- 7. All exhibits identified by the Securities Division, plus all additional exhibits.
- 8. Bankruptcy documents.
- 9. Respondents reserve the right to use additional exhibits that may be collected or identified between the date of this list and the close of the hearing. This list is subject to amendment and/or supplement at any time prior to or during the hearing.
- 10. Custodian of Records of any exhibit where foundation is required.
- 11. Illustrative exhibits.

RESPECTFULLY SUBMITTED this 8<sup>th</sup> day of October, 2010.

LAVELLE & LAVELLE, PLC

By: Michael J. LaVelle

Michael J. LaVelle *by mkl*  
2525 East Camelback Road, Suite 888  
Phoenix, Arizona 85016

*Attorneys for Respondents Tom Hirsch, Diane Rose Hirsch, Berta Walder, Howard Walder, Harish P. Shah, Madhavi H. Shah and Horizon Partners, LLC*

ORIGINAL and 13 COPIES filed this 8<sup>th</sup> day of October, 2010 with:

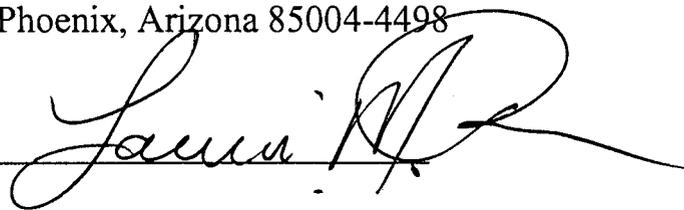
1 ARIZONA CORPORATION COMMISSION  
2 Securities Division  
3 1300 West Washington, Third Floor  
4 Phoenix, Arizona 85007

5 COPY of the foregoing HAND DELIVERD this  
6 6<sup>th</sup> day of October, 2010 to:

7 Lyn Farmer  
8 Chief Administrative Law Judge  
9 ARIZONA CORPORATION COMMISSION  
10 1200 West Washington  
11 Phoenix, Arizona 85007

12 Julie Coleman  
13 ARIZONA CORPORATION COMMISSION  
14 Securities Division  
15 1300 West Washington, Third Floor  
16 Phoenix, Arizona 85007

17 Jordan A. Kroop  
18 Thomas J. Salerno  
19 SQUIRE SANDERS & DEMPSEY, LLP  
20 Two Renaissance Square  
21 40 North Central Avenue, Suite 2700  
22 Phoenix, Arizona 85004-4498



23  
24  
25  
26  
27  
28

# INVESTOR EMAILS

It is very important that you do NOT reply back to ALL on this email because you will be revealing your email and name to other investors.

If you wish to speak to me please just reply to sender ONLY.

I'm offering this information to you as resources. It is entirely your choice if you wish to proceed.

The Arizona Corporation Commission is actively pursuing an investigation against Radical Bunny for possible criminal conduct. Specifically, for soliciting funds with the proper license. I have been asked to pass along the following information to you. Ron Clark is the ACC investigator in charge of this case. His direct line is 602-542-0152. He is asking for Radical Bunny investors to step forward and show him their RB documents. He has promised this information will be confidential until the investigation becomes public. Please request anonymity from him if you wish.

Also, the Arizona Corporation Commission has the power to put Radical Bunny into receivership (an easier and less expensive form of bankruptcy) which would mean that those of us who have already been so financially injured would not have to pay any monies to an attorney to make this happen.

I am absolutely convinced from everything I have seen from being so actively involved in this process that it is imperative that the Radical Bunny management be removed from power. They have personal motivations at this point which do not align with our goal of receiving our principal back.

Also, the Wall Street Journal writer, Jonathan Karp, is asking to speak with people who wish to tell him their story. He is willing to give you confidentiality also. Please discuss this with him prior to giving information if you are concerned. His info is:

The Wall Street Journal

RAD00001

<http://us.mg2.mail.yahoo.com/dc/launch?.zx=1&.rand=1ezme0ft8v7c>

1/24/2009

tel: (323) 658-3814  
fax: (323) 658-3828  
cell: (323) 219-1697  
[jonathan.karp@wsj](mailto:jonathan.karp@wsj)

Thank you, Cathy Baker

Please feel free to email me privately if there is anything you care to discuss.

RAD00002

[Radicalbunnyinvestorsgroup] USA Capital  
📧 catscan1968 <catscan1968@yahoo.com>  
Add Saturday, September 6, 2008 11:43:16 AM  
To: Radicalbunnyinvestorsgroup@yahoogroups.com

RAD00003

mr broke and I have spent more time talking with Rodger Stubbs, the investor who has saved the day at USA Capital.

The most important thing he has told us is they did NOT let a single DIP go thru. They considered it financial suicide.

Instead of the DIP financiers all competing on the terms of the DIP's they have other bridge lenders competing on buying the notes of these builder/borrowers.

Remember the builders are considered unsecured creditors. So even the ones who are owed more money by ML come after us with their claims.

I would like to know if RB has even considered the option of forcing ML into Chapter 7. The USA Capital case really does have more common than not with our own situation.

Right now I'm wishing we had a Rodger Stubbs. The RB investors who are professionals and could help us never believed Hirsch that this was totally safe and so therefore diversified their portfolios. Many of those professionals I've talked to don't consider it worth their time to invest energy in this. They have already just written off the money.

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RAD00004

RE: [Radicalbunnyinvestorsgroup] showing up in court  
© riccopadre <edwardpark@rocketmail.com>  
AddSaturday, July 19, 2008 7:16:50 PM  
To:Radicalbunnyinvestorsgroup@yahoogleroups.com

RAD00005

I vote Brandon Lee as a Co-Chair to to-be committee.  
We may meet at Phoenix downtown public park. (i.e Encanto Park?)

----- Original Message -----

From: brandon lee <[brandonleeds@yahoo.com](mailto:brandonleeds@yahoo.com)>  
To: [radicalbunnyinvestorsgroup@yahoo.com](mailto:radicalbunnyinvestorsgroup@yahoo.com)  
Sent: Saturday, July 19, 2008 6:48:10 PM  
Subject: RE: [Radicalbunnyinvestorsgroup] showing up in court

I think we all need to meet in person to discuss a plan since we do not know which of you are true RB investors.

--- On Sat, 7/19/08, Molly Moon <[mollymoonarts@hotmail.com](mailto:mollymoonarts@hotmail.com)> wrote:

From: Molly Moon <[mollymoonarts@hotmail.com](mailto:mollymoonarts@hotmail.com)>  
Subject: RE: [Radicalbunnyinvestorsgroup] showing up in court  
To: [radicalbunnyinvestorsgroup@yahoo.com](mailto:radicalbunnyinvestorsgroup@yahoo.com)  
Date: Saturday, July 19, 2008, 6:02 PM

Would it serve any positive purpose if we show up in court at the next proceeding, very peacefully, carrying signs and getting the attention of the press? Because the press would love it....?

-----

To: [radicalbunnyinvestorsgroup@yahoo.com](mailto:radicalbunnyinvestorsgroup@yahoo.com)  
From: [rajbabbi@yahoo.com](mailto:rajbabbi@yahoo.com)  
Date: Sun, 20 Jul 2008 00:54:30 +0000  
Subject: [Radicalbunnyinvestorsgroup] Re: What the heck is going on with RB

My attorney's are not representing me in this case; they are representing me to give me information about all that is going on, so that I can decide what to do.

I am not a party to this case as 1 investor who's mom has money in RB and my attorneys say this case is much to big for them to handle because you need securities fraud, bankruptcy, lending workout professionals.

If I filed a lawsuit for frauds then I would become party to this case, but we were just gathering information and my attorneys have said if I want to file lawsuit I should go to large firm or join other investors and go to large firm.

They have said Frank Buke person from Stephoe was one of very best attorney to use for lawsuit in country.

I have been waiting to decide what to do and just getting all information I can, but it looks like all the crap hit the fan today or something bad is going down next week and Catscan wanted to warn everyone.

RECENT ACTIVITY

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New Files 12  
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Guides, news, advice & more.

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for people over 40  
Join people who are staying in shape.

RAD00006

Right now I am not sure what can be done other than what I suggested with calling RB and putting them on notice and getting a new committee in place and then having that committee contact Steptoe Burk or someone else to do intercreditor agreement.

Raj.

--- In Radicalbunnyinvesto rsgroup@yahoo.com, "perr747"  
<perr747@... > wrote:  
>  
> Raj-can you have your attorney in the court Monday? if so it may  
> be beneficial to all of us.  
> --- In Radicalbunnyinvesto rsgroup@yahoo.com, "rajbabbi"  
> rajbabbi@ wrote:  
>>  
>>  
>> Since Catscan is limited under her confidentiality agreement, we  
> can't  
>> get to the exact 'crisis' that is taking place so I guess we have  
> to  
>> speculate a little about what may be happening here.  
>>  
>> It is sounding like RB4 and Tom are trying to decide what happens  
> to the  
>> entire 900 RB investors and the portfolio in a way that is not in  
> the  
>> best interest of the many but maybe to the best interest of the  
> few  
>> (which may be Tom's friends on the Committee or Tom personally or  
> RB4)  
>> or that the post by someone on newtimes who was on Committee or  
> knows  
>> what is going on said that Tom is trying to subordinate the  
> portfolio or  
>> bring in financing or both in a way that is not in best interests  
> of the  
>> RB 900 but himself more than investors.  
>>  
>> At this point there are too many questions about all that has  
> happened  
>> to let this comedy show continue to go on without supervision and  
> it  
>> seems that the investor committee in place is not partial to the  
>> investors but to Tom.  
>>  
>> This is same as why we all wanted Martini out of ML because of  
> conflicts  
>> and Tom has same conflicts here inside RB if not even more.  
>>  
>> These are steps I suggest (this is my opinion)  
>>  
>> 1. Catscan must be protected and if she is threatened or removed  
> off  
>> committee for any reason we should immediately move to put RB in  
>> bankruptcy as its creditors and appoint a trustee and have a new  
>> investor committee elected by Trustee or by vote. Catscan should

RAD00007

> serve  
> > as chair member of this committee  
> >  
> > 2. We must all call RB on Monday morning and let them know the  
> clown and  
> > kool-aid show is over and unless steps are immediately taken to  
> put  
> in a  
> > transparent and impartial investor committee the investors will  
> put  
> RB  
> > in BK do it by force.  
> >  
> > 3. Once the new committee is in place then this committee should  
> hire  
> > outside council to draft a inter-creditor agreement that protects  
> all  
> > the investors. This lawyer needs to be different than Freeman,  
> maybe we  
> > can go back to Steptoe people and have them represent committee  
> they are  
> > not in this case and NO they are not my lawyers either but if not  
> > Steptoe, then someone else as long as they are not involved in  
> this  
> > case.  
> >  
> > Tom messed up here on many items the non accredited investor and  
> no  
> > license, is just to start with as catscan has said but many things  
> were  
> > not done right.  
> >  
> > One important thing is that he took money from 900 people and put  
> it in  
> > a bunch of loans, but didn't think of putting in a agreement that  
> would  
> > show how decisions would be made if something went wrong and it  
> sounds  
> > like he just wants to be in charge to decide everything. This is  
> what a  
> > inter creditor agreement does, ML calls it a management agreement  
> and  
> > has it for its funds. The management agreement in ML opportunity  
> funds  
> > gives ML the right to do pretty much anything it wants to in case  
> of  
> > problems, but Tom and RB4 don't have such sole management rights  
> here.  
> >  
> > The inter-creditor agreement should say that committee will choose  
> > outside servicing company to distribute any payments or principal  
> that  
> > comes back from loans not RB, RB4, or Tom.  
> >  
> > The agreement should also indicate how decisions will be made and  
> would

RAD00008

> > probably be best to say something like if the portfolio has to be  
> > subordinated to DIP financing or some other major issue it would  
> require  
> > a super majority vote by the investor committee or even a 51%  
> majority  
> > approval vote by all the capital. So if if we are \$200M in RB then  
> you  
> > would need \$101M to vote YES and majority of investor committee  
> before  
> > it could happen.  
> >  
> > Inter-creditor agreements are used to dictate what happens when  
> issues  
> > come up and are common place in lending and we should have had one  
> > between the investors in each loan so that if something went wrong  
> and  
> > they didn't like what Tom said they could take vote and majority  
> of  
> > investors not Tom would rule.  
> >  
> > Now that is too late for one on each loan, we need general one  
> between  
> > RB 900 investors that rules how decisions are made.  
> >  
> > Don't forget just like RB is creditor of ML, RB 900 are creditors  
> of RB  
> > and have rights!  
> >  
> > Raj  
> >  
>

-----  
-----  
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RAD00009

RE: [Radicalbunnyinvestorsgroup] a statement that shows we are UNITING  
☺ Molly Moon <mollymoonarts@hotmail.com>

RAD00010

ATT RAJ,

On Monday, I think it best that when WE call RB4 we all use the same "verbage" - that we make the same statement -the same words will be said by everyone...that we are calling because \_\_\_\_\_

In your opinion, what is the best statement/demand and choice of words that we make?

"....."

If we can unite on just this point it will send a message .

Thank you,  
Sherry

Sherry

To: Radicalbunnyinvesto rsgroup@yahoogro [ups.com](http://www.ups.com)  
From: rajbabbi@yahoo.com  
Date: Sun, 20 Jul 2008 01:39:25 +0000  
Subject: [Radicalbunnyinvest orsgroup] Re: trustee, dip,

Your corrections are below:

--- In Radicalbunnyinvesto rsgroup@yahoogro ups.com, "friedmans6" <friedmans6@...> wrote:

- >
- > What is going on today? I guess Im drinking too many Margaritas by the pool.
- >
- > So correct me please.
- >
- > 1. RB as no assets - all the money was put in ML - what good will it do to put them in BK -  
Putting RB in BK is to get control of RB and have a independent trustee or elected investor committee to run the show if Tom @ RB4 are doing things for self benefit vs. benefit of investors.
- >
- > 2. Freeman - what has he done to not trust him. He is representing > all 900 of us. Clarify what he has done to now not believe him. How > many of us here are bankruptcy attorneys? litigators? that can see > something he has done wrong and not for our benefit.  
This has nothing to do with Freeman, as Catscan said, he is running legal side, it's the business side that Tom and RB4 are doing something that was very bad or questionable that Catscan sounded alarm bells. This has to do with business side probably about subordination and other things, not about legal side.
- >
- > 3. A trustee gets paid from the proceeds of RB monies and they are > not cheap. Are you all aware of this.  
Trustee is made of the word TRUST because if you can't trust what is going on it will come back and bite us, having trust that decisions are being made for

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Get coverage of world crises.

Yahoo! Finance  
It's Now Personal  
Guides, news, advice & more.

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With search ads on Yahoo!

RAD00011

the benefit of all is worth the money, but no said put RB in BK and appoint trustee immediately, it was suggested to tell RB4 that if the DON'T allow election of a new investor committee and allow the committee to make decisions and Tom tries to railroad the process then that is when the nuclear option will be used.

>

> 4. Attorneys cost big time. Right now, we are being funded by the money Tom put plus the 100 per person we have sent. If we hire more attorneys are we ready to put up more money. I don't have much left. If RB agrees to allow a new investor committee to be elected and decisions to be made by them then the attorney will only be needed to draft documents such as intercreditor and protection documents for the new Committee the cost would be minimal probably \$10,000 to \$20,000 at most = 900 investors x \$10 to \$22. If they don't listen and force the RB900 to put RB in BK and then get trustee appointed then costs will be higher.

> 5. Some unfinished buildings will sell on pennies to the dollar if they are not finished. So some DIP must be put into them if we are to get a decent return.

Yes this is true, but it should be on terms that the new investor committee and maybe even along with a majority of the investors approve, not just Tom and RB4.

>

> 6. We may need DIP so that ML does not belly up to a 7? Because if that happens, we will get copper pennies.

>

> 7. Everything going on is so transparent that do you think that there is anything that can be covered up? I don't think so. They are trying hard it sounds like with confidentiality agreements for committee members and member who are Tom's personal friends, and if not why did Catscan signal the alarm bells today.

>

> 8. Ok, now clue me in as the Margaritas are potent what has changed in the past 24 hours.

Catscan is on investor committee and she has said something is going on and we need to be alerted that is what has changed and it's significant.

>

> 9. Any accountants in this group that can clarify the DIP

>

> --- In

> Radicalbunnyinvesto rsgroup@yahoogfo ups.com, "catscan1968"

> catscan1968@ wrote:

>>

>> I can't post anymore today. Please try to keep this going. At the very least everyone on the forum needs to call RB on monday and demand to know who gets to decide our fate because right now it's just RB4 and all 900 should have a voice in this!!!!!! !!! And Freeman is just for legal representation. He is not a real estate expert so if the RB4 say do the DIP he will do because he's an attorney not a business strategist.

>>

>> Raj, I don't know anything about the inter-creditor agreement you referred to could you post more please.

>>

>> If Tom was licensed none of us would be in this mess. Because the accreditation process is serious and you need to be worth 1 Mil

RAD00012

> which  
> > most of us wouldn't qualify for. If you were worth a million a  
> > licensed broker would analyze your portfolio and tell you how much  
> > a  
> > percentage you could afford to invest in a risky investment like  
> > this  
> > was. They would be required by law to explain the risks.  
> >  
> > In the beginning I tried to calm you guys down so 900 people  
> > didn't  
> > scatter like sticks in the wind without direction wasting time and  
> > money. So I tried to be positive until I had the facts: Now I have  
> > the facts and I'm telling you we need to do something. The very  
> > first  
> > step would be call and demand that you have a say in this process  
> > and  
> > that the RB4 don't get to decide your fate for you.  
> >  
> > Raj's document might be another good thing. And there are other  
> > things we can do as well.  
> >  
> > This really isn't a joke and the people who are saying they want  
> > to  
> > drink the koolaid should get off the forum and just move on with  
> > their lives. I want my money back and the way we are heading I  
> > don't  
> > think I'll see very much of it if we don't do something.  
> >  
> > Again, think about-haven't I been a calm, reassuring voice since  
> > the  
> > beginning? Why would do a total 180 degree turn? Because I know  
> > facts  
> > you don't and because I'm now extremely worried. You don't have to  
> > be  
> > passive sheep. You can stand up and fight for your rights. It's  
> > your  
> > money.  
> >  
> > Catscan  
> >  
> >  
> >  
> > --- In Radicalbunnyinvesto rsgroup@yahoogro ups.com, "perr747"  
> > <perr747@> wrote:  
> > >  
> > > Raj- I feel you are right on the mark here. We need some  
> > > representation on on the furthererance of any ongoing  
> > > manipulation  
> > > of  
> > > our investments.  
> > > --- In Radicalbunnyinvesto rsgroup@yahoogro ups.com, "rajbabbi"  
> > > <rajbabbi@> wrote:  
> > > >  
> > > >  
> > > > My lawyers were looking into this and it is my opinion that  
> > > > all

RAD00013

> > 900  
> > > investors needs to sign a inter-creditor agreement between  
> them  
> > that  
> > > will rule how decisions are made and who can make them and  
> what  
> > > rights  
> > > everyone has. As we feared, it seems that RB4 and Tom are  
> trying  
> > > to do  
> > > something not proper here in decision making process and  
> > > disenfranchise .  
> > > many of RB investors.  
> > >  
> > > RB 900 should demand that lawyer draft inter-creditor  
> agreement to  
> > > protect rights in decision manking process and if not we  
> should  
> > put  
> > > RB  
> > > > in Bankruptcy and demand a trustee be put in place. Enough  
> > > already  
> > >  
> > > > RB is creditor of ML and RB 900 are creditors of RB and just  
> > > like  
> > > > RB  
> > > > has rights to fight for with ML the RB 900 have rights to  
> > > fight  
> > > for  
> > > > with  
> > > > > RB.  
> > >  
> > > > It only takes 3 creditor who are owed \$10,500 or more to put  
> > > > RB in  
> > > > involuntary Bankruptcy  
> > >  
> > > > Intercreditor Agreements:  
> > >  
> > >  
> > > > Pari passu financings  
> > >  
> > > > Pari passu financings involve co-equal multiple lenders where  
> > > a  
> > > > loan is  
> > > > either originated as a split loan or later split into two or  
> > > > more  
> > > > parts.  
> > > > Each component is represented by a separate promissory note  
> > > > secured  
> > > > by  
> > > > the same mortgage lien. For example, the loan originator may  
> > > > split a  
> > > > promissory note representing a \$100 million loan into a \$50  
> > > > million  
> > > > A-1  
> > > > note and a \$50 million A-2 note. Both the A-1 note and the A-2

RAD00014

> > note  
> > > generally contain identical interest rates and payment terms,  
> and  
> > > the  
> > > security instrument securing the loan secures both notes.  
> > >  
> > > The intercreditor agreement governing the A-1 and A-2  
> noteholders'  
> > > rights typically provides for an equal priority with respect  
> to  
> > > payment  
> > > rights (regarding principal, interest and other amounts,  
> > including,  
> > > for  
> > > example, default interest and prepayment yield maintenance  
> > fees),  
> > > enforcement of security interests and other remedies, and  
> > > allocations of  
> > > losses and expenses.  
> > >  
> > > Although noteholders in pari passu structures enjoy equal  
> > treatment  
> > > concerning their respective rights and obligations (i.e., each  
> > holder  
> > > maintains a priority commensurate with its pro rata ownership  
> > percentage  
> > > of the loan as a whole), the intercreditor agreement delegates  
> > one  
> > of  
> > > them the authority to administer and service the loan in its  
> > entirety.  
> > > The holder of the first component note to be securitized  
> usually  
> > has  
> > > this authority, and the entire loan will be governed by the  
> > related  
> > > pooling and servicing agreement for that deal.  
> > >  
> > > While the servicer in the securitization of the first note has  
> > authority  
> > > in the administration of the loan, many intercreditor  
> agreements  
> > require  
> > > the majority or unanimous approval of the other noteholders  
> before  
> > > certain actions can be taken by the servicer. Such actions may  
> > include:  
> > >  
> > >  
> > > modifications or waivers resulting in the extension of the  
> > maturity  
> > > date, reduction in the interest rate or monthly debt service  
> > payment  
> > > amount and other monetary terms of the loan;  
> > > modifications or waivers resulting in a discounted pay-off of  
> the

RAD00015

1/24/2009

>>> loan;  
>>> foreclosure and/or the institution of any equivalent  
> proceedings;  
>>> any sale of the property or properties securing the loan;  
>>> any replacement or substitution of collateral;  
>>> any attempt to bring the collateral property into compliance  
> with  
>>> environmental laws, rules or regulations;  
>>> any waiver of "due-on-sale" or "due-on-encumbrance "  
>>> clauses;  
>>> any release of the borrower or any guarantor of its  
> obligations  
>> under  
>>> the subject loan documents; and  
>>> any approval of additional indebtedness to be secured by the  
>>> collateral  
>>> property.  
>>>  
>>>  
>>  
>  
>

---

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RE: [Radicalbunnyinvestorsgroup] RB4  
© Molly Moon <mollymoonarts@hotmail.com>  
Add Saturday, July 19, 2008 5:11:46 PM  
To: radicalbunnyinvestorsgroup@yahogroups.com

RAD00017

I think I am getting the message here .

So, how do the 900 of us UNITE ?  
I would think the first thing we need to do is have a plan..

First, Shall we all meet somewhere?  
\_ Second, find a "tort " attorney? do they grow on trees?  
But even before that, we need someone of US to represent all of us initially to that attorney  
Yes?

Any ideas?  
Second, we

---

To: Radicalbunnyinvesto rsgroup@yahoo.com [ups.com](http://www.ups.com)  
From: perr747@yahoo.com  
Date: Sat, 19 Jul 2008 23:55:24 +0000  
Subject: [Radicalbunnyinvest orsgroup] RB4

According to catscan we all need to call Tom Monday and find out who is making the decisions for us. We need to find out who is in control here. The RB4 or us.

---

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[Radicalbunnyinvestorsgroup] Re: I will not be posting too much anymore so this is my view  
✉ rajbabbi <rajbabbi@yahoo.com>  
Add Saturday, July 19, 2008 4:10:07 PM  
To: Radicalbunnyinvestorsgroup@yahoogroups.com

RAD00019

I have sat back and patiently waited for some answers while my financial situation is deteriorating. They have come up with nothing at all that calms me down. The letter Radical Bunny sent out was the final straw for me. I'm not vindictive but I'm sure they will see it that way because anyone who stands up for their rights is vindictive in their blind eyes! I have no idea what they are talking about in that letter when they say "those people might not be investors." I'm an investor goddammit it! And I'm sick of being treated like dirt.

I'm one of the poor schmucks that put almost everything into this. I'm 71 years old. I gave them my whole nestegg and I mortgaged my house because Hirsch and Bunny told me it was safe and outlined why we were bulletproofed from anything happening to our principal. They've done a hell of a job of protecting it!

I'm going to lose my house anyway. There is no way I can pay my bills and I'm too damn old to work! All I have left is my social security and a small pension. But I'll never be broke enough to stand by while they treat me like an annoying little bug they can swat.

I'll find an attorney tomorrow and do whatever I need to so I know Hirsch and Shah aren't going to run off with my money!

If you want in email me privately. I have had enough of this nonsense. Even though I will lose my house I can pay for an attorney to stand up for me. But I need some of you to join in with me to get this done!

Mel Hornstein

--- In [Radicalbunnyinvestorsgroup@yahoo.com](mailto:Radicalbunnyinvestorsgroup@yahoo.com), "rbinvestor81" <rbinvestor81@...> wrote:

- >
- > After reading all of the posts on this forum and another forum and
- > then seeing Radical Bunny's open letter. I find this situation to
- > be
- > totally outrageous.
- >
- > That letter was a thinly veiled threat as someone else said. How
- > dare
- > they do that when they took all of our money. I don't take kindly
- > to
- > being threatening for expressing an opinion.
- >
- > I've been to all the meetings and talked with Radical Bunny
- > management and I have not gotten any answers at all. I find Hirsch
- > to
- > be abrasive at best.
- >
- > I'm going to say what appears to be the white elephant on the
- > forum.
- > Why is no one taking legal action against these bastards?
- >
- > They are probably going to jail for what they did to us. Not having
- > a
- > proper license when you collect 200 million dollars is no small

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RAD00020

crime.

- >
- > I've read enough of this to be sick and tired of the round around
- > they are giving us. I called over there today to volunteer for the
- > committee and I was told no after they posted the faq that
- investors
- > could volunteer.
- >
- > I'm not afraid to say I want to bring legal action against Radical
- > Bunny LLC. If they have to report to a court then we can get
- answers
- > out of them.
- >
- > If you want get something useful done email me privately. I'm going
- > to find an attorney tomorrow morning. We will take them to court
- and
- > make sure they aren't going to run off with our money and also make
- > sure that when they are carted off to jail we have someone to take
- > their place!
- >
- > Email me if you want more information about how we can go forward.
- > Also, I'm not afraid to give my name. The wouldn't dare threaten me
- > to my face they just do it in bold face type!
- >
- > Mel Hornstein
- >

---

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radical bunny

All Hands Meeting

Thursday, July 19, 2007 12:41 PM

From: "b radical" <bradcal@yahoo.com>  
To: OLEONARD@questel.com

Hello Diane,  
I've just left a message on your voice mail box regarding an "all hands on meeting" between our firm, Radical Bunny, LLC and that of Montages Ltd. I've also just email Robert Bomholt regarding the same. Please contact me at your earliest convenience to arrange a meeting between the participants. Again, I prefer to have the meeting at our office at 2222 E Camelback Road, Suite 105 Phoenix 85016.

Thank you,  
Bunny Walker  
Member Manager  
Radical Bunny, LLC  
(602) 682-5150

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Re: Radical Bunny - All Hands Meeting  
From: "radical" <dr\_bradca@yahoo.com>  
To: "Barnhoff, Robert S." <RSB@quarles.com>

Dear Bob,  
I am wondering if there are dates floating around for the "All Hands Meeting" between our firm and that of Mortgage Ltd. We are all available to meet now. Thank you.  
Bunny Walder  
(602) 882-3150

"Barnhoff, Robert S." <RSB@quarles.com> wrote:

Bob,  
We are trying to put together an "all hands meeting" with all parties. Right now we tentatively have set a date and time of Tuesday, July 3 at 1:30 p.m. at the Radical Bunny offices on 22nd Street. Also, anytime Thursday or Friday.  
Thank you for your attention to this matter.

Olene Leonard assistant to Robert S. Barnhoff, Esq.

Olene Leonard  
*Quarles & Brady*  
Olene Leonard  
Quarles & Brady LLP  
One Renaissance Square  
Two North Central Ave  
Phoenix, AZ 85004

Direct Dial: (602) 229-5584  
Direct Fax: (602) 420-5181  
E-mail: oleonard@quarles.com

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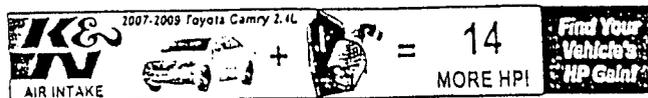
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**RE: Radical Bunny - All Hands Meeting**  
 From: "b radical" <dr\_bradical@yahoo.com>  
 To: "Barnhoft, Robert S." <RSB@queries.com>

Thank you Bob. Looking forward to seeing you this afternoon at the Radical Bunny, LLC office. Bunny Walder

"Barnhoft, Robert S." <RSB@queries.com> wrote:

Bunny, that time works. We will see you at 1:30 today. As soon as we set a time for tomorrow's meeting, we will let you know that as well

Bob  
 Robert S. Barnhoft  
 Queries & Brady LLP  
 Two North Central Avenue  
 Phoenix, Arizona 85004-2391  
 Phone: 602.230.5576  
 Direct Fax: 602.420.5172  
 E-mail: [rbarnhoft@queries.com](mailto:rbarnhoft@queries.com)

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From: b radical (mailto:dr\_bradical@yahoo.com)  
 Sent: Monday, July 23, 2007 5:34 PM  
 To: Barnhoft, Robert S.  
 Subject: RE: Radical Bunny - All Hands Meeting

Hi Bob,  
 I finally got ahold of Tom Hirsch. We would prefer tomorrow's meeting (Tuesday, July 24th) to be here at the Radical Bunny office. Could we schedule to Bunny

"Barnhoft, Robert S." <RSB@queries.com> wrote:

Bunny, your timing is perfect. We have been going back and forth with Mr. Kant to get a meeting scheduled some time next week. I will be in touch with

Sincerely, Bob  
 Robert S. Barnhoft  
 Queries & Brady LLP  
 Two North Central Avenue  
 Phoenix, Arizona 85004-2391  
 Phone: 602.230.5576  
 Direct Fax: 602.420.5172  
 E-mail: [rbarnhoft@queries.com](mailto:rbarnhoft@queries.com)

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From: b radical (mailto:dr\_bradical@yahoo.com)  
 Sent: Thursday, July 19, 2007 12:34 PM  
 To: Barnhoft, Robert S.  
 Subject: Re: Radical Bunny - All Hands Meeting

Dear Bob,  
 I am wondering if there are dates floating around for the "All Hands Meeting" between our firm and that of Mortgages Ltd. We are all available to meet.  
 Thank you,  
 Bunny Walder  
 (602) 882-5150

"Barnhoft, Robert S." <RSB@queries.com> wrote:

Bob,  
 We are trying to put together an "all hands meeting" with all parties.  
 Right now we tentatively have set a date and time of Tuesday, July 3 at 1:30 p.m. at the Radical Bunny offices on 22nd Street. Also, anytime Thursd  
 Thank you for your attention to this matter

Diane I am not assistant to Robert S. Barnhoft. Fax

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RE: Radical Bunny - All Hands Meeting - Sent - Yahoo! Mail

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RE: Radical Bunny - All Hands Meeting

From: b radical <dr\_radical@yahoo.com>

To: "Borholt, Robert S." <RSB@quarles.com>

Hi Bob,  
I finally got ahold of Tom Hirsch. We would prefer tomorrow's meeting (Tuesday, July 24th) to be here at the Radical Bunny office. Could we schedule tomorrow?

"Borholt, Robert S." <RSB@quarles.com> wrote:  
Bunny, your timing is perfect. We have been going back and forth with Mr. Kanti to get a meeting scheduled some time next week. I will be in touch with Sincerely, Bob

Robert S. Borholt  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5578  
Direct Fax: 602.420.5172  
E-mail: rborholt@quarles.com

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From: b radical (mailto:dr\_radical@yahoo.com)  
Sent: Thursday, July 19, 2007 11:34 PM  
To: Borholt, Robert S.  
Subject: Re: Radical Bunny - All Hands Meeting

Dear Bob,  
I am wondering if there are dates floating around for the "All Hands Meeting" between our firm and that of Mortgages Ltd. We are all available to meet on Thursday.  
Thank you  
Bunny Walder  
(602) 882-5150

"Borholt, Robert S." <RSB@quarles.com> wrote:  
Bob,  
We are trying to put together an "all hands meeting" with all parties.  
Right now we tentatively have set a date and time of Tuesday, July 3 at 1:30 p.m. at the Radical Bunny offices on 22nd Street. Also, anytime Thursday.  
Thank you for your attention to this matter.

Diane Leonard assistant to Robert S. Borholt, Esq.

Diane Leonard  
Quarles & Brady  
Diane Leonard  
Quarles & Brady LLP  
One Renaissance Square  
Two North Central Ave  
Phoenix, AZ 85004

Direct Dial: (602) 228-5594  
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||| Diane Leonard assistant to Robert S. Johnson, Esq.  
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 Quarles & Brady LLP  
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Two North Central Ave  
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RE: Meeting with all Parties  
From: "b radical" <dr\_radical@yahoo.com>  
To: "Bernhart, Robert S." <RSB@scottces.com>

Dear Bob,  
That works for all of us. See you on August 13th at 1PM at Mortgages Ltd.  
Thank you,  
Bunny Walder

"Bernhart, Robert S." <RSB@scottces.com> wrote  
Bunny, I think August 13 at 1 pm would work best from our end. Please let us know if that time still works for everyone else and we will put it on our calendar

Bob  
Robert S. Bernhart  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602 250 4578  
Direct Fax: 602 420 3172  
E-mail: rbernhart@quarles.com

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From: b radical (mailto:dr\_radical@yahoo.com)  
Sent: Wednesday, August 01, 2007 9:37 AM  
To: Bernhart, Robert S.; Leonard, Diane  
Subject: Meeting with all Parties

Dear Bob,  
Please note the two days and time Scott Cedes of Mortgages Ltd., can meet  
Thursday, August 9th at 10:00 a.m.  
or  
Monday, August 13th at 1:00 p.m.

Scott Cedes has requested the meeting be conducted at his office located at  
Mortgages Ltd.  
55 East Thomas Road  
Phoenix, Arizona 85012  
(602) 277-5828

Please let me know which day will be convenient for you and the troops at Quarles and Brady.

Thank you,  
Bunny Walder  
Radical Bunny, LLC

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  - Miriam (1)
  - mig id
  - pramod Patel
  - Red Bun (6)
  - radical bunny

Meeting with all Parties

Wednesday, August 1, 2009 9:22 AM

From: "b radical" <@\_bradical@yahoo.com>  
 To: "Robert S. Bernhart" <rsb@Quartes.com>, "Diane Leonard" <dleonard@Quartes.com>

Dear Bob, Please note the two days and time Scott Coles of Mortgages Ltd., can meet:

Thursday, August 9th at 10:00 a.m.  
 or  
 Monday, August 13th at 1:00 p.m.

Scott Coles has requested the meeting be conducted at his office located at  
 Mortgages Ltd  
 55 East Thomas Road  
 Phoenix, Arizona 85012  
 (602) 277-5628

Please let me know which day will be convenient for you and the loops at Quartes and Brady.

Thank you,  
 Bunny Waider  
 Radical Bunny, LLC

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RAD00032

Berta Walder

---

From: "Mike Denning" <mdenning@mtg ltd.com>  
To: <dr\_bradical@yahoo.com>  
Sent: Monday, August 20, 2007 3:32 PM  
Attach: Mortgages Ltd.POM (MP13)\_v1.pdf  
Subject: FW: Document for Tom

Per your request.

Michael Denning, Ph.D.  
President  
Registered Principal  
Mortgages Ltd.  
602.287.3065 602.690.0664 cell  
[mdenning@mtg ltd.com](mailto:mdenning@mtg ltd.com)  
[www.mtg ltd.com](http://www.mtg ltd.com)

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---

From: Mike Denning  
Sent: Monday, August 20, 2007 12:55 PM  
To: mireya\_parra@yahoo.com  
Subject: Document for Tom

Mireya, please give this to Tom.

Thanks,

Michael Denning, Ph.D.  
President  
Registered Principal  
Mortgages Ltd.  
602.287.3065 602.690.0664 cell  
[mdenning@mtg ltd.com](mailto:mdenning@mtg ltd.com)  
[www.mtg ltd.com](http://www.mtg ltd.com)

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1/21/2009.

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- Message on Hol...
- Miriam (1)
- mig lid
- pramod patel
- Rad Bun (8)
- radical bunny

Fwd: FW: Document for Tom  
 From: "b radcal" <bradcal@yahoo.com>  
 To: "Abbas S. Barmeh" <as@quarfos.com>  
 FW: Document for Tom.sml (61 KB)

Tuesday, August 11, 2007 3:11 PM

Note forwarded message attached.

Yahoo! OneSearch Finally, mobile search that gives answers, not web links

Forwarded Message: FW: Document for Tom

Monday, August 10, 2007 1:17 PM

FW: Document for Tom

From: "Mike Denning" <mcdnning@mgld.com>  
 To: bradcal@yahoo.com  
 Mortgages Ltd.POM (MPL)\_v1.pdf (451 KB)

Per your request.

Michael Denning, Ph.D.  
 President  
 Registered Principal  
 Mortgages Ltd.  
 602.287.3065 602.690.0664 cell  
 mcdnning@mgld.com  
 www.mgld.com

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From: Mike Denning  
 Sent: Monday, August 20, 2007 12:55 PM  
 To: 'mireya\_barra@yahoo.com'  
 Subject: Document for Tom

Mireya, please give this to Tom.

Thanks,

Michael Denning, Ph.D.  
 President  
 Registered Principal  
 Mortgages Ltd.  
 602.287.3065 602.690.0664 cell  
 mcdnning@mgld.com  
 www.mgld.com

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RAD00034



Radical Bunny / Mortgages Ltd.

Tuesday, August 28, 2007 2:21 PM

From: "Bornhoft, Robert S." &lt;RSB@quaries.com&gt;

To: kantr@gtlaw.com

Cc: "Shullaw, S. Gary" &lt;SSHULLAW@quaries.com&gt;, "Hoya, P. Robert" &lt;PRM@quaries.com&gt;, "Hoffmann, Chris" &lt;CHoffman@quaries.com&gt;, "b radical" &lt;dr\_bradical@yahoo.com&gt;

Bob, we received the POM form from Mike Denning. Aside from this document and a form of note that was provided at our August 13 meeting, we have not received any documentation from your client. Although the POM may be helpful for creating the investment vehicle for Bunny investors, it does not provide any assistance at all with respect to the other aspects of the transaction structure that we discussed at our meeting.

My understanding from our meeting was that Bunny would create its own investment LLC and that the Bunny LLC would then loan funds to Mtg. Ltd. Assuming this structure is still correct, there will need to be documentation to evidence the loan from Bunny LLC to Mtg. Ltd. and the grant of collateral by Mtg. Ltd. to secure that loan. We have a note form, but no security agreement or other collateral documentation. We thought Mtg. Ltd. was going to provide this documentation. If so, please send it to us ASAP. If not, we will need to create the necessary documentation. At a minimum, I would expect that the collateral documents would include a Loan and Security Agreement and a UCC filing similar to what you would see in a warehouse line secured by an underlying pool of mortgages. In the context of the collateral documents, we also need to understand what protections and/or assurances of loan quality our client will receive. The POM essentially gives absolute discretion to Mtg. Ltd. to make secured loans on any terms that it elects. This may make sense for Mtg. Ltd.'s dealings with its own investors, but if the Bunny LLC is going to loan upwards of \$100,000,000, it should receive some assurances and protections, such as, e.g., a minimum loan to value ratio, reps and warranties re loan quality and adherence to underwriting standards, etc.

Also, Scott indicated that Mtg. Ltd. would provide servicing at no cost. This cannot be done through the LLC as contemplated in the POM because Mtg. Ltd. will not be a manager of, or have any interest in, the Bunny LLC. We need some documentation that evidences the management structure for the loan collateral that the Bunny LLC acquires as security for its loan to Mtg. Ltd. If the collateral interest to the Bunny LLC will be an undivided interest in a pool of loans, I suspect that the management will need to be addressed in a participation agreement. If the collateral interest to the Bunny LLC will be a direct interest in specific loans, then there will need to be a separate servicing agreement. In any event, we need to see the servicing document. The POM essentially gives absolute discretion to Mtg. Ltd. on how to manage any loan assets and gives no meaningful right to an investor to make any management change. (The investor's only real remedy is to request a redemption of its interest, and that remedy cannot work in the context of the loan relationship between the Bunny LLC and Mtg. Ltd.) If Bunny is going to loan upwards of \$100,000,000, it should have some reasonable ability to control the management of its collateral.

These loan and collateral issues need to be resolved in the context of pulling together an overall structure for moving forward. Please provide us with forms from your client ASAP or let us know ASAP if such forms do not exist and need to be created.

Sincerely, Bob Bornhoft

Robert S. Bornhoft  
Quaries & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 802.230.5578  
Direct Fax: 802.420.5172  
E-mail: [bornhoft@quaries.com](mailto:bornhoft@quaries.com)

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RAD00035

**YAHOO!** MAIL  
Classic

Re: Radical Bunny / Mortgages Ltd.

Tuesday, August 28, 2007 3:03 PM

From: "kantr@gtlaw.com" <kantr@gtlaw.com>

To: RSB@quarles.com

Cc: SSHULLAW@quarles.com, PRM@quarles.com, CHoffman@quarles.com,  
dr\_bradical@yahoo.com

Bob, I have absolutely no idea why you think this is the structure. What is contemplated is that the new Bunny LLC would acquire loans originated by Mortgages-Ltd. This structure works perfectly. The LLC is managed by your client and enters into a sub-agreement with Mortgages Ltd. This is very similar to the structure ML has used for many years with great success.

-----  
Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Bornhoft, Robert S. <RSB@quarles.com>

To: Kant, Robert S. (Shid-Phx-CP)

Cc: Shullaw, S. Gary <SSHULLAW@quarles.com>; Moya, P. Robert <PRM@quarles.com>; Hoffmann, Chris <CHoffman@quarles.com>; b radical <dr\_bradical@yahoo.com>

Sent: Tue Aug 28 15:21:22 2007

Subject: Radical Bunny / Mortgages Ltd.

Bob, we received the POM form from Mike Denning. Aside from this document and a form of note that was provided at our August 13 meeting, we have not received any documentation from your client. Although the POM may be helpful for creating the investment vehicle for Bunny investors, it does not provide any assistance at all with respect to the other aspects of the transaction structure that we discussed at our meeting.

My understanding from our meeting was that Bunny would create its own investment LLC and that the Bunny LLC would then loan funds to Mtg. Ltd. Assuming this structure is still correct, there will need to be documentation to evidence the loan from Bunny LLC to Mtg. Ltd. and the grant of collateral by Mtg. Ltd. to secure that loan. We have a note form, but no security agreement or other collateral documentation. We thought Mtg. Ltd. was going to provide this documentation. If so, please send it to us ASAP. If not, we will need to create the necessary documentation. At a minimum, I would expect that the collateral documents would include a Loan and Security Agreement and a UCC filing similar to what you would see in a warehouse line secured by an underlying pool of mortgages. In the context of the collateral documents, we also need to understand what protections and/or assurances of loan quality our client will receive. The POM essentially gives absolute discretion to Mtg. Ltd. to make secured loans on any terms that it elects. This may make sense for Mtg. Ltd's. dealings with its own investors, but if the Bunny LLC is going to loan upwards of \$100,000,000+, it should receive some assurances and protections, such as, e.g., a minimum loan to value ratio, reps and warranties re loan quality and adherence to underwriting standards, etc.

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RAD00036

redemption of its interest, and that remedy cannot work in the context of the loan relationship between the Bunny LLC and Mtg. Ltd.) If Bunny is going to loan upwards of \$100,000,000+, it should have some reasonable ability to control the management of its collateral.

These loan and collateral issues need to be resolved in the context of putting together an overall structure for moving forward. Please provide us with forms from your client ASAP or let us know ASAP if such forms do not exist and need to be created.

Sincerely, Bob Bornhoft

Robert S. Bornhoft  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5576  
Direct Fax: 602.420.5172  
E-mail: [rbornhoft@quarles.com](mailto:rbornhoft@quarles.com)

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RAD00037

**YAHOO!** MAIL  
Classic

RE: Radical Bunny / Mortgages Ltd.

Tuesday, August 28, 2007 3:11 PM

From: "Bornhoft, Robert S." <RSB@quarles.com>

To: kantr@gtlaw.com

Cc: "Shullaw, S. Gary" <SSHULLAW@quarles.com>, "Moya, P. Robert" <PRM@quarles.com>, "Hoffmann, Chris" <CHoffman@quarles.com>, "b radical" <dr\_bradical@yahoo.com>

When you say "acquire loans" what do you mean? -- purchase loans or obtain a collateral interest in the loans? In either event, how are the loans "acquired"? There has to be documentation to evidence the acquisition.

What is the sub-agreement? Can we see a copy.

Robert S. Bornhoft  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5576  
Direct Fax: 602.420.5172  
E-mail: [rbornhoft@quarles.com](mailto:rbornhoft@quarles.com)

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-----Original Message-----

From: [kantr@gtlaw.com](mailto:kantr@gtlaw.com) [mailto:[kantr@gtlaw.com](mailto:kantr@gtlaw.com)]

Sent: Tuesday, August 28, 2007 3:04 PM

To: Bornhoft, Robert S.

Cc: Shullaw, S. Gary; Moya, P. Robert; Hoffmann, Chris;

[dr\\_bradical@yahoo.com](mailto:dr_bradical@yahoo.com)

Subject: Re: Radical Bunny / Mortgages Ltd.

Bob, I have absolutely no idea why you think this is the structure. What is contemplated is that the new Bunny LLC would acquire loans originated by Mortgages Ltd. This structure works perfectly. The LLC is managed by your client and enters into a sub-agreement with Mortgages Ltd. This is very similar to the structure ML has used for many years with great success.

-----  
Sent from my BlackBerry Wireless Handheld ([www.BlackBerry.net](http://www.BlackBerry.net))

RAD00038

----- Original Message -----

From: Bornhoft, Robert S. <RSB@quarles.com>  
To: Kant, Robert S. (Shld-Phx-CP)  
Cc: Shullaw, S. Gary <SSHULLAW@quarles.com>; Moya, P. Robert  
<PRM@quarles.com>; Hoffmann, Chris <CHoffman@quarles.com>; b radical  
<dr\_bradical@yahoo.com>  
Sent: Tue Aug 28 15:21:22 2007  
Subject: Radical Bunny / Mortgages Ltd.

Bob, we received the POM form from Mike Denning. Aside from this document and a form of note that was provided at our August 13 meeting, we have not received any documentation from your client. Although the POM may be helpful for creating the investment vehicle for Bunny investors, it does not provide any assistance at all with respect to the other aspects of the transaction structure that we discussed at our meeting.

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Also, Scott indicated that Mtg. Ltd. would provide servicing at no cost. This cannot be done through the LLC as contemplated in the POM because Mtg. Ltd. will not be a manager of, or have any interest in, the Bunny LLC. We need some documentation that evidences the management structure for the loan collateral that the Bunny LLC acquires as security for its loan to Mtg. Ltd. If the collateral interest to the Bunny LLC will be an undivided interest in a pool of loans, I suspect that the management will need to be addressed in a participation agreement. If the collateral interest to the Bunny LLC will be a direct interest in specific loans, then there will need to be a separate servicing agreement. In any event, we need to see the servicing document. The POM essentially gives absolute discretion to Mtg. Ltd. on how to manage any loan assets and gives no meaningful right to an investor to make any management change. (The investor's only real remedy is to request a

RAD00039

redemption of its interest, and that remedy cannot work in the context of the loan relationship between the Bunny LLC and Mtg. Ltd.) If Bunny is going to loan upwards of \$100,000,000+, it should have some reasonable ability to control the management of its collateral.

These loan and collateral issues need to be resolved in the context of putting together an overall structure for moving forward. Please provide us with forms from your client ASAP or let us know ASAP if such forms do not exist and need to be created.

Sincerely, Bob Bornhoft

Robert S. Bornhoft  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5576  
Direct Fax: 602.420.5172  
E-mail: rbornhoft@quarles.com

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recommending to another party any matters addressed herein.

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From: Bornhoff, Robert S.  
Sent: Tuesday, September 18, 2007 1:43 PM  
To: Moya, P. Robert  
Subject: RE: Bunny

I just spoke with Howard. Tom is out today. He told me that the group still wants to see the proposed document forms for the underlying loan purchase transactions before moving ahead with the POM. I spoke with Verbin last week and he was going to check into getting documents, but I haven't received anything yet. What I discussed with Verbin (and, in general, requested that he provide) was the following:

1. Standard forms for the underlying loan documents (i.e., note, deed of trust, etc.) for the ML loans that will be purchased by Bunny LLC.
2. Conveyance documents showing how the transfer of the loans from ML to Bunny LLC will be completed.
3. If the loans that Bunny acquires will be partial interests, a copy of the form participation agreement that ML will propose to use.
4. Copy of the servicing agreement for ML to service the loans owned (in whole or in part) by Bunny LLC. (This agreement may be combined into the participation agreement if Bunny LLC only acquires participation interests).
5. To the extent not covered by the above documents, any other documents necessary to evidence the agreements of the parties regarding the payment and allocation of payments received on the underlying loans that are purchased by Bunny LLC.
6. Any other documents ML would view as necessary to implement the structure.

Robert S. Bornhoff  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5578  
Direct Fax: 602.420.5172  
E-mail: [rbornhoff@quarles.com](mailto:rbornhoff@quarles.com)

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Forwarded Message: FW: Bunny

Tuesday, September 11, 2007 6:51 AM

FW: Bunny

From: "Moya, P. Robert" <[PRM@quarles.com](mailto:PRM@quarles.com)>  
To: "Bornhoff, Robert S." <[RSB@quarles.com](mailto:RSB@quarles.com)>

FYI.

-----Original Message-----

From: [kantr@gilaw.com](mailto:kantr@gilaw.com) (<mailto:kantr@gilaw.com>)  
Sent: Monday, September 10, 2007 6:19 PM  
To: Moya, P. Robert  
Subject: Bunny

Bob, Hirsch called me today to find out status. Obviously, I did not return the call. Strange.

Sent from my BlackBerry Wireless Handheld ([www.BlackBerry.net](http://www.BlackBerry.net))

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RAD00042

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Forwarded Message: RE: Bunny

Monday, September 10, 2007 7:55 AM

RE: Bunny

From: "Moya, P. Robert" <[PRM@quaries.com](mailto:PRM@quaries.com)>  
To: "Bornhoft, Robert S." <[ASB@quaries.com](mailto:ASB@quaries.com)>

Bob: I agree with your analysis. Please proceed. I need to run to a meeting, but will be available later in the morning.

From: Bornhoft, Robert S.  
Sent: Monday, September 10, 2007 7:54 AM  
To: Moya, P. Robert  
Subject: RE: Bunny

Nor do I. I now agree with Kant, however. If that language is in all of the notes, then I think it supports the right to trade out the notes with assignment of mortgages (although the language is still a bit problematic because it doesn't provide any guidance on what the terms of the new mortgages need to be). The structure, I think, would have to be a payoff of each existing note with the new note evidencing a brand new transaction. I think we have to review the securities and tax ramifications from that basis. I also think there is no point in the client vigorously arguing for another structure. I think they probably should agree to the trade out approach for existing collateral the same way as for new collateral. I am not sure how this all jives with what the client may have told existing investors with respect to their investments. I suspect no one thought they were buying into a note that could be paid off in kind. Let me know your thoughts and I will get back to the Bunny folks this morning.

Bob

Robert S. Bornhoft  
Quaries & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5578  
Direct Fax: 602.420.5172  
E-mail: [rbornhoft@quaries.com](mailto:rbornhoft@quaries.com)

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From: Moya, P. Robert  
Sent: Monday, September 10, 2007 7:32 AM  
To: Bornhoft, Robert S.  
Subject: FW: Bunny

Not sure I understand Mike's comment.

From: Mike Denning (<mailto:mdenning@mtg ltd.com>)  
Sent: Monday, September 10, 2007 7:31 AM  
To: [kantr@gtlaw.com](mailto:kantr@gtlaw.com); Moya, P. Robert  
Subject: RE: Bunny

Too many private agendas.

-----Original Message-----

From: [kantr@gtlaw.com](mailto:kantr@gtlaw.com)  
To: "PRM@quaries.com" <[PRM@quaries.com](mailto:PRM@quaries.com)>  
Sent: 9/8/2007 6:58 AM  
Subject: Re: Bunny

RAD00043

The funny thing is that my client believes your client agrees with my client's approach.

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Moya, P. Robert <PRM@quarles.com>  
To: Kant, Robert S. (Shid-Phx-CP)  
Sent: Sat Sep 08 07:27:08 2007  
Subject: RE: Bunny

Great minds think alike. I was also thinking the principals need to talk. Let me connect with Bornhoft first, then we can arrange a meeting.

-----  
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-----  
From: kantr@glaw.com [mailto:kantr@glaw.com]  
Sent: Saturday, September 08, 2007 6:25 AM  
To: Moya, P. Robert  
Subject: Re: Bunny

This is a problem. ML will not put up additional collateral. Letting the loans pay off will not change the fact that ML does not have to pay in cash and your client will still be operating in a questionable manner. In addition, Hirsh will have to explain to his clients that they will be getting loans rather than cash. ML's suggestion really is the only alternative. Perhaps Hirsh needs yet another conversation with ML.

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Moya, P. Robert <PRM@quarles.com>  
To: Kant, Robert S. (Shid-Phx-CP)  
Sent: Sat Sep 08 07:17:25 2007  
Subject: RE: Bunny

Hi Bob: I have not heard any more about the lawyer migrations.

With respect to Bunny, Tom H. does not like your proposal regarding existing loans and much prefers either of the alternatives we suggested. I need to track down Bornhoft to learn more about his conversation with Tom.

From: kantr@glaw.com [mailto:kantr@glaw.com]  
Sent: Saturday, September 08, 2007 5:51 AM  
To: Moya, P. Robert  
Subject: Bunny

Where are we. What are you hearing about the Snell-Squire losses. This electronic mail transmission and any attachments are confidential and may be privileged. They should be read or retained only by the intended recipient. If you have received this

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transmission in error, please notify the sender immediately and delete the transmission from your system. In addition, in order to comply with Treasury Circular 230, we are required to inform you that unless we have specifically stated to the contrary in writing, any advice we provide in this email or any attachment concerning federal tax issues or submissions is not intended or written to be used, and cannot be used, to avoid federal tax penalties.

Forwarded Message: FW: Bunny Report

Thursday, September 6, 2007 10:55 AM

FW: Bunny Report

From: "Moya, P. Robert" <PRM@quarles.com>  
To: "Bornhoft, Robert S." <RSB@quarles.com>

As I predicted.

-----Original Message-----

From: kantr@gilaw.com [mailto:kantr@gilaw.com]  
Sent: Thursday, September 06, 2007 10:52 AM  
To: Moya, P. Robert  
Subject: Re: Bunny Report

Bob, I am pretty sure that ML is thinking about a roll over strategy under which the current investments will be rolled into the new investment. This will occur as fast as possible. I am certain that ML will not give any guarantee for the new investment. I am also certain that ML will not put up any more collateral for the existing notes. I also do not believe it makes any sense for anyone to wait until the existing notes are repaid. I will get you the exact mechanics for the rollover.

Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Moya, P. Robert <PRM@quarles.com>  
To: Kant, Robert S. (Shld-Phx-CP)  
Sent: Thu Sep 06 11:41:19 2007  
Subject: Bunny Report

Bornhoft spoke with the Bunny principals yesterday. With respect to the investment of new funds, the principals generally were in agreement with the approach I outlined for them based on your input. They stressed, however, that nothing can be finalized until document drafts are circulated and the mechanics of the structure are negotiated.

With respect to funds provided previously to ML, the principals of Bunny believe that a different structure will be necessary. The existing investment is evidenced by notes creating direct obligations of ML to Bunny for the payment of principal and interest at specific rates. This structure for the money presently outstanding has been disclosed to and relied upon by Bunny's investors. Bunny does not want to replace existing obligations of ML with direct loan interests from ML's borrowers in the same manner as for new money, because this would eliminate ML's existing obligations to pay principal and interest under the currently outstanding notes.

Bornhoft and the Bunny principals discussed a couple of options to address this issue, although certainly other options may exist, and we welcome your input. One option would be to use the same structure as for new money, but to overlay the structure with some type of guaranty from ML with respect to its principal and interest obligations under the outstanding notes from ML to Bunny. Another option would be simply to leave the existing notes in place and collateralize them until they are paid off. The Bunny principals believe that most of the outstanding notes from ML have maturities of less than one year from today, so the transition period should be relatively brief.

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RAD00045

Berta Walder

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From: "Moya, P. Robert" <PRM@quarles.com>  
To: "Bornhoft, Robert S." <RSB@quarles.com>  
Sent: Wednesday, September 19, 2007 9:07 AM  
Subject: Fw: Bunny

Bob: FYI.

Sent from my BlackBerry. Please excuse brevity and typos.

----- Original Message -----

From: kantr@gtlaw.com <kantr@gtlaw.com>  
To: Moya, P. Robert  
Cc: mdenning@mtgld.com <mdenning@mtgld.com>; tbrown@mtgld.com <tbrown@mtgld.com>  
Sent: Wed Sep 19 10:37:27 2007  
Subject: Re: Bunny

Bob, if that is Hirsh's view, please have him call Mike Denning. I think our clients need to determine what is to be provided and what is not to be provided.

-----  
Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Moya, P. Robert <PRM@quarles.com>  
To: Kant, Robert S. (Shld-Phx-CP)  
Sent: Wed Sep 19 09:08:06 2007  
Subject: FW: Bunny

Bob: FYI.

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RAD00046

1/21/2009

From: Bornhoft, Robert S.  
Sent: Tuesday, September 18, 2007 1:43 PM  
To: Moya, P. Robert  
Subject: RE: Bunny

I just spoke with Howard. Tom is out today. He told me that the group still wants to see the proposed document forms for the underlying loan purchase transactions before moving ahead with the POM. I spoke with Verbin last week and he was going to check into getting documents, but I haven't received anything yet. What I discussed with Verbin (and, in general, requested that he provide) was the following:

1. Standard forms for the underlying loan documents (i.e., note, deed of trust, etc.) for the ML loans that will be purchased by Bunny LLC.
2. Conveyance documents showing how the transfer of the loans from ML to Bunny LLC will be completed.
3. If the loans that Bunny acquires will be partial interests, a copy of the form participation agreement that ML will propose to use.
4. Copy of the servicing agreement for ML to service the loans owned (in whole or in part) by Bunny LLC. (This agreement may be combined into the participation agreement if Bunny LLC only acquires participation interests).
5. To the extent not covered by the above documents, any other documents necessary to evidence the agreements of the parties regarding the payment and allocation of payments received on the underlying loans that are purchased by Bunny LLC.
6. Any other documents ML would view as necessary to implement the structure.

Robert S. Bornhoft  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5576  
Direct Fax: 602.420.5172  
E-mail: [rbornhoft@quarles.com](mailto:rbornhoft@quarles.com)

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1/21/2009

intended or written to be used, and cannot be used, to avoid federal tax penalties.

RAD00048

1/21/2009

Berta Walder

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From: "Moya, P. Robert" <PRM@quarles.com>  
To: "Bornhoft, Robert S." <RSB@quarles.com>  
Sent: Tuesday, September 11, 2007 6:51 AM  
Subject: FW: Bunny

FYI.

-----Original Message-----

From: kantr@gtlaw.com [mailto:kantr@gtlaw.com]  
Sent: Monday, September 10, 2007 6:19 PM  
To: Moya, P. Robert  
Subject: Bunny

Bob, Hirsch called me today to find out status. Obviously, I did not return the call. Strange.

-----  
Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)  
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</HTML

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1/21/2009

Berta Walder

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From: "Moya, P. Robert" <PRM@quarles.com>  
To: "Bornhoft, Robert S." <RSB@quarles.com>  
Sent: Monday, September 10, 2007 7:55 AM  
Subject: RE: Bunny

Bob: I agree with your analysis. Please proceed. I need to run to a meeting, but will be available later in the morning.

---

From: Bornhoft, Robert S. <BR> Sent: Monday, September 10, 2007 7:54 AM  
To: Moya, P. Robert  
Subject: RE: Bunny

Nor do I. I now agree with Kant, however. If that language is in all of the notes, then I think it supports the right to trade out the notes with assignment of mortgages (although the language is still a bit problematic because it doesn't provide any guidance on what the terms of the new mortgages need to be). The structure, I think, would have to be a payoff of each existing note with the new note evidencing a brand new transaction. I think we have to review the securities and tax ramifications from that basis. I also think there is no point in the client vigorously arguing for another structure. I think they probably should agree to the trade out approach for existing collateral the same way as for new collateral. I am not sure how this all jives with what the client may have told existing investors with respect to their investments. I suspect no one thought they were buying into a note that could be paid off in kind. Let me know your thoughts and I will get back to the Bunny folks this morning.

Bob

Robert S. Bornhoft  
Quarles & Brady LP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5576  
Direct Fax: 602.420.5172  
E-mail: rbornhoft@quarles.com

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From: Moya, P. Robert <BR> Sent: Monday, September 10, 2007 7:32 AM  
To: Bornhoft, Robert S.  
Subject: FW: Bunny

Not sure I understand Mike's comment.

---

From: Mike Denning <mailto:mdenning@mtgltd.com>  
Sent: Monday, September 10, 2007 7:31 AM  
To: kantr@gtlaw.com; Moya, P. Robert  
Subject: RE: Bunny

RAD00050

1/21/2009

Too many private agendas.

-----Original Message-----

From: kantr@gtlaw.com  
To: "PRM@quarles.com" <PRM@quarles.com>  
Sent: 9/8/2007 6:56 AM  
Subject: Re: Bunny

The funny thing is that my client believes your client agrees with my client's approach.

-----  
Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Moya, P. Robert <PRM@quarles.com>  
To: Kant, Robert S. (Shld-Phx-CP)  
Sent: Sat Sep 08 07:27:08 2007  
Subject: Re: Bunny

Great minds think alike. I was also thinking the principals need to talk. Let me connect with Bornhoft first, then we can arrange a meeting.

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From: kantr@gtlaw.com [mailto:kantr@gtlaw.com]  
Sent: Saturday, September 08, 2007 6:25 AM  
To: Moya, P. Robert  
Subject: Re: Bunny

This is a problem. ML will not put up additional collateral. Letting the loans pay off will not change the fact that ML does not have to pay in cash and your client will still be operating in a questionable manner. In addition, Hirsh will have to explain to his clients that they will be getting loans rather than cash. ML's suggestion really is the only alternative. Perhaps Hirsh needs yet another conversation with ML.

-----  
Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

RAD00051

1/21/2009

From: Moya, P. Robert <PRM@quarles.com>  
To: Kant, Robert S. (Shld-Phx-CP)  
Sent: Sat Sep 08 07:17:25 2007  
Subject: RE: =unny

Hi Bob: I have not heard any more about the lawyer migrations.

With respect to Bunny, Tom H. does not like your proposal regarding existing loans and much prefers either of the alternatives we suggested. I need to track down Bornhoft to learn more about his conversation with Tom.

From: kantr@gtlaw.com [<mailto:kantr@gtlaw.com>]  
Sent: =aturday, September 08, 2007 5:51 AM  
To: Moya, P. Robert  
Subject: =unny

Where are we. What are you hearing about the Snell-Squire losses.  
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1/21/2009

Berta Walder

---

From: "Moya, P. Robert" <PRM@quarles.com>  
To: "Bornhoft, Robert S." <RSB@quarles.com>  
Sent: Thursday, September 06, 2007 10:55 AM  
Subject: FW: Bunny Report

As I predicted.

-----Original Message-----

From: kantr@gtlaw.com [mailto:kantr@gtlaw.com]  
Sent: Thursday, September 06, 2007 10:52 AM  
To: Moya, P. Robert  
Subject: Re: Bunny Report

Bob, I am pretty sure that ML is thinking about a roll-over strategy under which the current investments will be rolled into the new investment. This will occur as fast as possible. I am certain that ML will not give any guarantee for the new investment. I am also certain that ML will not put up any more collateral for the existing notes. I also do not believe it makes any sense for anyone to wait until the existing notes are repaid. I will get you the exact mechanics for the rollover.

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Sent from my BlackBerry Wireless Handheld (www.BlackBerry.net)

----- Original Message -----

From: Moya, P. Robert <PRM@quarles.com>  
To: Kant, Robert S. (Shld-Phx-CP)  
Sent: Thu Sep 06 11:41:19 2007  
Subject: Bunny Report

Bornhoft spoke with the Bunny principals yesterday. With respect to the investment of new funds, the principals generally were in agreement with the approach I outlined for them based on your input. They stressed, however, that nothing can be finalized until document drafts are circulated and the mechanics of the structure are negotiated.

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</HTML

RAD00054

1/21/2009



Mortgages Limited Correspondence

Wednesday, September 19, 2007 2:41 PM

From: "Bornholt, Robert S." &lt;RSB@quarles.com&gt;

To: "b radical" &lt;dr\_bradical@yahoo.com&gt;

Fw: Bunny.eml (16KB), FW: Bunny.eml (5KB), RE: Bunny.eml (16KB), FW: Bunny Report.eml (11KB)

Bunny, attached are some of the recent emails. You need to read through the entire chain on each email to get a sense for the discussions. A prevailing theme has been our constant requests for documentation, which so far have gone unanswered. In addition to the attachments, we have made several other email and verbal requests for documents.

Bob

Robert S. Bornholt  
 Quarles & Brady LLP  
 Two North Central Avenue  
 Phoenix, Arizona 85004-2391  
 Phone: 602.230.5578  
 Direct Fax: 602.420.5172  
 E-mail: [rbornholt@quarles.com](mailto:rbornholt@quarles.com)

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Forwarded Message: Fw: Bunny

Wednesday, September 19, 2007 9:07 AM

Fw: Bunny

From: "Moya, P. Robert" <PRM@quarles.com>  
 To: "Bornholt, Robert S." <RSB@quarles.com>

Bob: FYI.

Sent from my BlackBerry. Please excuse brevity and typos.

----- Original Message -----

From: [kantr@qllaw.com](mailto:kantr@qllaw.com) <[kantr@qllaw.com](mailto:kantr@qllaw.com)>  
 To: Moya, P. Robert  
 Cc: [mdenning@mtgld.com](mailto:mdenning@mtgld.com) <[mdenning@mtgld.com](mailto:mdenning@mtgld.com)>; [lbrown@mtgld.com](mailto:lbrown@mtgld.com) <[lbrown@mtgld.com](mailto:lbrown@mtgld.com)>  
 Sent: Wed Sep 19 10:37:27 2007  
 Subject: Re: Bunny

Bob, if that is Hirsh's view, please have him call Mike Denning. I think our clients need to determine what is to be provided and what is not to be provided.

Sent from my BlackBerry Wireless Handheld ([www.BlackBerry.net](http://www.BlackBerry.net))

----- Original Message -----

From: Moya, P. Robert <PRM@quarles.com>  
 To: Kant, Robert S. (Shid-Phx-CP)  
 Sent: Wed Sep 19 09:08:06 2007  
 Subject: FW: Bunny  
 Bob: FYI.

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Hi, Howard Sign Out All-New Mail Help

YAHOO! MAIL

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What's New? Mobile Mail Options

Check Mail! Compose

Search Mail! Search the Web!

Medical Biller Education Info

Radical Bunny, LLC

Friday, October 1, 2007 4:50 PM

Radical Bunny, LLC

From: "radical" <rad@radicalbunny.com>  
To: "Robert S. Bennett" <rsb@quintus.com>

- inbox (135)
- Drafts (60)
- Sent
- Spam (115) (empty)
- Trash (empty)
- My Folders (None)
- Berta Job Sear... (4)
- great emails
- Iron Ladies
- Legal DeConcl... (3)
- Legal Quarries
- Message on Hol...
- Miriam (1)
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- Rad Bun (6)
- radical bunny

Dear Bob,

This email will confirm our conversation this week in which you and the managers at Radical Bunny, LLC agree that due to the impress we are experiencing due to Mr. Kant's refusal to produce a servicing agreement as well as the receipt of an inaccurate POM sent by Mr. Kant, the best course of action is to put all legal review on hold. The managers at Radical Bunny, LLC wish to thank you and Chris, Gary and Bob Mays for your advice, analysis and wisdom. We will notify you as the need occurs to continue with this project.

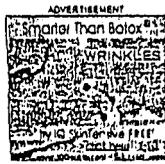
At this time, however, we do wish to begin legal counsel regarding the Radical Bunny, LLC managers in regards to a 'buy-out agreement' between the four member managers Tom Hirsch, Marian Shah, Bunny Walder and Howard Walder. This work will be for the purpose of establishing the 'what ifs' between the four of us should anything occur in which one or more of the partners cannot continue with the firm or wishes to be bought out, etc. Please call me at your earliest convenience to set-up a meeting for this project.

Sincerely,  
Bunny Walder

Be a better Heartthroa Gal better relationship answers from someone who knows.  
Yahoo! Answers - Check it out.

Reply Forward Move

Search Shortcuts  
My Photos  
My Attachments



Check Mail! Compose

Search Mail! Search the Web!

RAD00056



Radical Bunny / Mortgages Ltd.

Monday, October 8, 2007 4:24 PM

From: "Bornholt, Robert S." <RSB@quarles.com>

To: kantr@qclaw.com

Cc: "Moya, P. Robert" <PRM@quarles.com>, "b radical" <bradical@yahoo.com>

Bob, Tom Hirsch has indicated to us that he would like to meet individually with you and Scott Coles to discuss certain aspects of the transaction. I have discussed this with Bob Moya and with the client. Our firm has no objection to your meeting directly with Mr. Hirsch and Mr. Coles to discuss matters relating to the transaction.

Sincerely, Bob Bornholt

Robert S. Bornholt  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5576  
Direct Fax: 602.420.5172  
E-mail: [rbornholt@quarles.com](mailto:rbornholt@quarles.com)

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RAD00057



FW: Baby Bunny POM

Monday, October 29, 2007 9:57 AM

From: "Todd Brown" <tbrown@mtglt.com>

To: dr\_bradical@yahoo.com

#J27931057v3\_PHX\_ - MORTGAGES\_Baby Bunny\_POM.DOC (391KB),  
OV\_Comparison\_#J27931057v2\_PHX\_ - MORTGAGES\_RB1\_POM - #J27931057v3\_PHX\_ - MORTGAGES\_Baby Bunny\_POM.doc (399KB)

Todd Brown  
Senior Vice President of Operations  
Mortgages Ltd.  
Ph: (602) 287-3069  
Fax: (602) 264-9374  
tbrown@mtglt.com  
<http://www.mortgagesltd.com>

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From: kantr@gtlaw.com [mailto:kantr@gtlaw.com]  
Sent: Friday, October 26, 2007 4:00 PM  
To: Scott M Coles; Mike Denning; Todd Brown  
Cc: GarciaB@gtlaw.com  
Subject: FW: Baby Bunny POM

I am attaching clean and marked copies of the POM reflecting the discussions at our meeting yesterday with Tom. In this time frame, I doubt it is perfect but I think it is important to finish this as soon as possible for reasons we have discussed. I do not have Tom's email address. Would one of you forward it to him.

---

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RAD00058



FW: Baby Bunny POM (for client)

Friday, November 2, 2007 11:47 AM

From: "kantr@gtlaw.com" <kantr@gtlaw.com>

To: scoles@mtgilt.com, mdennning@mtgilt.com, tbrown@mtgilt.com, dr\_bradical@yahoo.com

Cc: Garcia8@gtlaw.com

#327931057v4\_PHX\_ - MORTGAGES\_Baby Bunny\_POM.DOC (392KB),  
DV\_Comparison\_#327931057v3\_PHX\_ - MORTGAGES\_Baby Bunny\_POM.#327931057v4\_PHX\_ - MORTGAGES\_Baby Bunny\_POM.doc (380KB)

Here are clean and marked versions of the POM reflecting our discussions yesterday.

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Tax Advice Disclosure: To ensure compliance with requirements imposed by the IRS under Circular 230, we inform you that any U.S. federal tax advice contained in this communication (including any attachments), unless otherwise specifically stated, was not intended or written to be used, and cannot be used, for the purpose of (1) avoiding penalties under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any matters addressed herein.

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RAD00059

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YAHOO! MAIL

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  - Inbox (133)
  - Drafts (80)
  - Sent
  - Spam (115) (Empty)
  - Trash (Empty)
  - My Folders (Hide)
    - Berta Job Sear... (4)
    - great emails
    - Iron Ladies
    - Legal DeConcin... (3)
    - Legal Queries
    - Message on Hol...
    - Miriam (1)
    - mig lid
    - premod pater
    - Rad Bun (8)
    - radical bunny

Options | Real | Back to Mailbox | Delete | Reply | Forward | Move

Send Message Enclosed

**POM for Radical Bunny Investment Fund, LLC aka Baby Bunny**  
 From: "radical" <dr\_radical@yahoo.com>  
 To: "Robert S. Bernhan" <rsb@quintus.com>  
 11/15/2007 11:13 AM

Thursday, November 15, 2007 11:13 AM

Dear Bob,  
 Per our discussion this morning, I have attached the document as prepared by Bob Kant.  
 Bunny

Be a better person! Text or chat with friends inside Yahoo! Mail. See how.

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RAD00060

PRIVATE OFFERING MEMORANDUM  
\_\_\_\_\_, 2007

**BABY BUNNY L.L.C.,**  
an Arizona Limited Liability Company

**\$500,000,000 of Membership Interests**

Baby Bunny L.L.C. (the "Company") was formed by Radical Bunny L.L.C., an Arizona limited liability company (the "Manager"), to acquire all or portions of loans ("Loans") to various persons, corporations, limited liability companies, partnerships, and other entities ("Borrowers") secured by deeds of trust or mortgages on residential, commercial, and industrial real estate. Substantially all the Loans will be secured by real estate located in Arizona. The Manager has the exclusive right to manage the business and affairs of the Company. All of the Loans will be acquired from Mortgages Ltd. (the "Originator"), an unaffiliated mortgage banker, pursuant to a loan origination and servicing agreement.

**Minimum Initial Investment - \$50,000**

The Company is offering, to "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act") up to \$500,000,000 in Membership Interests ("Interests") in the Company (the "Offering"). The Offering will continue until terminated by the Company.

The currently anticipated range of yields on the Interests is from 9% to 11% per annum. There is no assurance that this or any other return will be achieved.

AN INVESTMENT IN THESE SECURITIES IS HIGHLY SPECULATIVE AND INVOLVES SUBSTANTIAL RISKS. SEE "RISK FACTORS," BEGINNING ON PAGE \_\_\_\_.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED OR RECOMMENDED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER REGULATORY AUTHORITY NOR HAS THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY AUTHORITY PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ADEQUACY OR ACCURACY OF THIS PRIVATE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE BEING OFFERED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER, OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT IN ACCORDANCE WITH THE PROVISIONS OF SECTION 4(2) AND RULE 506 OF REGULATION D PROMULGATED THEREUNDER BY THE SECURITIES AND EXCHANGE COMMISSION, AND STATE SECURITIES LAWS. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION, OR EXEMPTION THEREFROM.

	Offering Price	Selling Commissions (1)	Net Proceeds to Company (2)
Minimum per Person (3)	\$ 50,000	\$ -0-	\$ 50,000
Total Offering	\$500,000,000	\$ -0-	\$500,000,000

- (1) The Interests will be offered through Mortgages Ltd. Securities, L.L.C. ("MLS"), an affiliate of the Originator, on a best efforts basis. Neither the Members nor the Company will be required to pay MLS a securities commission.
- (2) The Manager will pay all offering expenses, including legal fees, printing costs, and filing fees, currently estimated at \$50,000.
- (3) The Company and MLS, in their sole discretion, may change or adjust the minimum investment per person, at any time.

## WHO MAY INVEST

### Investor Suitability Requirements

An investment in Interests involves a high degree of risk and is suitable only for persons of substantial financial means that have no need for liquidity in their investments. Interests will be sold only to investors that (1) buy at least \$50,000 of Interests, subject to certain exceptions, in the discretion of the Company and MLS, and (2) represent in writing that they meet the investor suitability requirements established by the Company and required under federal or state law.

The written representations you make will be reviewed to determine your suitability. The Company and MLS may, in their sole and absolute discretion, refuse an offer to purchase Interests in whole or in part if either believes that an investor does not meet the applicable investor suitability requirements, or Interests are otherwise an unsuitable investment for the investor, or for any other reason.

You must represent in writing that you meet, among others, all of the following requirements:

- you have read and fully understand this Memorandum and are basing your decision to invest on the information contained in this Memorandum;
- you have relied only on the information contained in this Memorandum and have not relied on any representations made by any other person;
- except as not required by the Company or MLS, you are an "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act. An accredited investor is an investor that meets any of the following tests:
  - any natural person who has (i) an individual net worth, or joint net worth with his or her spouse, of more than \$1,000,000; or (ii) individual income in excess of \$200,000, or joint income with his or her spouse in excess of \$300,000, in each of the two most recent years and has a reasonable expectation of reaching the same income level in the current year;
  - any corporation, Massachusetts or similar business trust, partnership, or organization described in Section 501(c)(3) of the Internal Revenue Code, not formed for the specific purpose of acquiring Interests, with total assets over \$5,000,000;
  - any trust, with total assets over \$5,000,000, not formed for the specific purpose of acquiring Interests and whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in Interests as described in Rule 506(b)(2)(ii) under the Securities Act;
  - any broker-dealer registered under Section 15 of the Securities Exchange Act of 1934, as amended;
  - any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940;
  - any small business investment company licensed by the Small Business Administration under Section 301(c) or (d) or the Small Business Investment Act of 1958;

## SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Memorandum. Prospective purchasers and their attorneys, accountants, or business advisors should thoroughly review this entire Memorandum prior to the purchase of Interests.

### The Company and the Manager.

The Company is an Arizona limited liability company formed in November 2007.

The manager of the Company (the "Manager") is Radical Bunny LLC, an Arizona limited liability company. The Manager has the exclusive right to manage the business and affairs of the Company in accordance with the operating agreement of the Company (the "Operating Agreement"), a copy of which is attached hereto as Exhibit A.

The principal offices of the Company and the Manager are located at 2222 East Camelback Road, Phoenix, Arizona 85016; telephone (602) 682-5150, and facsimile (602) 682-5156.

### The Originator

Mortgages Ltd. (the "Originator"), an Arizona licensed mortgage banker, will originate, select, and service all Loans in which the Company acquires an interest pursuant to an Origination and Servicing Agreement. Scott M. Coles is the Chairman and Chief Executive Officer of Originator.

### Objectives of the Company.

The Company's primary objectives are (1) to preserve the Company's capital; (2) to provide its Members with monthly cash distributions from interest payments on the loans in which the Company owns an interest; and (3) to return the Members' investments upon the winding up of the Company. The Company cannot assure that these objectives will be met.

### Investments of the Company.

The Company will acquire all, or a portion of loans ("Loans") to various persons, corporations, limited liability companies, partnerships, and other entities ("Borrowers") secured by deeds of trust or mortgages on residential, commercial, and industrial real estate. It is anticipated that all of the Loans will be secured by real estate located in Arizona.

### Securities Offered.

The Company is offering up to \$500,000,000 in Interests (the "Offering"). The Offering will continue until terminated by the Company.

The currently anticipated range of yields on the Interests is from 9% to 11% per annum. There is no assurance that this or any other return will be achieved.

The Interests will be offered through Mortgages Ltd. Securities, L.L.C. ("MLS"), which is an affiliate of the Originator, on a best efforts basis. MLS is a member of the National Association of Securities Dealers ("NASD"). Neither the Members nor the Company will be required to pay MLS a securities commission. *Once an investment has been accepted, it may not be revoked.* Upon the acceptance of a subscription, the investor will be admitted as a Member. The Company and MLS, in their discretion,

#### Interest Rates on the Loans.

The interest rate payable to the Company on each Loan in which the Company acquires an interest will be at a rate determined at the time of the Company's acquisition. Interest payments generally will be due monthly. The Loans will bear fixed interest rates throughout their term.

#### Principal Payments on the Loans.

Some of the Loans will be "interest only" loans while other Loans will be "amortizing" Loans. An interest only Loan has no principal repayment requirements during its term with a balloon of the full principal obligation due upon the Loan's maturity. An amortizing Loan may either have periodic principal payments, such that the principal is repaid in full by such periodic reductions by the Loan's maturity date, or periodic principal reductions that result in a partially reduced principal amount by maturity, requiring a "balloon" payment of less than the original principal amount, such as in the case of a loan with principal payments based on a 20-year amortization but only a three-year term.

#### Security for the Loans.

Each Loan will be secured by a deed of trust or mortgage on residential, commercial, or industrial real estate. The deed of trust or mortgage may be subordinate or subject to one or more existing liens or encumbrances on the real estate. The Company generally will not receive an appraisal of the real estate certified by an independent appraiser.

In certain cases, the only collateral securing the Loan will be the real estate or other property underlying the Loan. In other cases, the Loan will be secured by personal or corporate guarantees or may be secured by one or more items of real or personal property in addition to the property constituting the primary security for the Loan. Nevertheless, the primary security for a Loan in most cases will be the property underlying the Loan. The ability of the Borrower to pay the outstanding balance of a Loan (particularly a non-amortizing Loan) upon maturity will depend primarily upon the Borrower's ability to obtain sufficient funds by the refinancing, sale, or other disposition of the underlying property.

#### Terms of the Loans.

The length of maturity of the Loans generally will range between one and three years although certain Loans may have shorter or longer maturities.

#### Principal Amount of Loans; Loan Advances.

Other than the funding in connection with certain specialized loan programs, each Loan will be in a principal amount equal to the funds advanced at the time the Loan is originated, including any interest reserve; any amounts advanced for costs incurred in connection with the acquisition, financing, or refinancing of the underlying property; and title insurance fees, escrow fees, casualty insurance premiums, and other such items. Except for specialized loan programs, such as delayed funding construction loans and certain revolving loan plans, in which funds may be drawn upon in periodic amounts, the entire principal amount will be funded at the closing of the Loan and will earn interest at the agreed upon rate from such date. Although construction loans may be acquired, the Company will fund a draw to a Borrower under such a Loan for payment to a contractor or subcontractor only after the Originator, on behalf of the Company, has a lien waiver executed by the Borrower, general contractor, or subcontractor, as appropriate, and the Originator, on behalf of the Company, has authorized the release of the funds.

fulfill redemption requests at any time, however, may be affected by the levels of redemption requests received at that time, the amount of cash then held by the Company, the then principal payments on Loans as a result of Loan maturities and prepayments, and the ability of the Manager at that time to sell Loans without a loss to provide funds for redemptions. In fulfilling redemption requests, the Manager, in its sole discretion, may effect such redemption requests with a combination of cash and fractional undivided interests in Loans valued at their unpaid principal balances. The fractional undivided interests may include non-performing Loans held by the Company. Any distribution of non-performing Loans to a redeeming Member must be in the same percentage of the total non-performing Loans that the redeeming Member's interest in the Company bears to the total of all Members' interests in the Company. The Company will have the right, in its sole discretion, to redeem all Interests held by a member to the extent a redemption request would leave the Member with a total balance in the Member's Account of less than \$50,000.

Any requests for redemption prior to the end of the Minimum Investment Period will be satisfied only in the sole discretion of the Company and the payment by the Member of an early withdrawal fee in an amount equal to the greater of 2% of the redemption proceeds or \$5,000 (the "Early Withdrawal Fee"). The Company will subtract the Early Withdrawal Fee from the redeemed proceeds prior to distributing the redeemed proceeds to the electing Member. In exercising its discretion whether or not to honor a redemption request prior to the end of the Minimum Investment Period, the Company may consider, among other factors, the amount of cash held by the Company, the Company's Loan portfolio, and other redemption requests by Members.

A return of a portion of a Member's balance in the Member Account will result in a recalculation of such Member's Participation Percentage in the Company. The Member would then receive distributions attributable to such recalculated Participation Percentage.

#### Voting Rights of the Members.

The Manager will control the operations of the Company. The Members will have the right to vote only on certain matters affecting the Company, including (with the approval of the Manager) the amendment of the Operating Agreement, the removal of the Manager for cause, and the election of a successor Manager. Voting rights are based upon the Participation Percentage held by each Member at the time of the vote. See "Summary of the Operating Agreement."

#### Limited Liability of Members.

Members will not be liable for any debts of the Company beyond the amount of their investment and, in certain circumstances, distributions. See "Summary of Operating Agreement."

#### Term of the Company.

The Company will commence dissolution, winding up, and termination on the earliest of December 31, 2032, the determination of the Manager, or the sale of substantially all its assets. The Company currently anticipates that it will terminate no later than December 31, 2032. See "Summary of the Operating Agreement."

#### Risk Factors.

An investment in Interests is speculative and involves a high degree of risk. See "Risk Factors."

#### Fiscal Year of the Company.

The fiscal year of the Company will be January 1 to December 31.

#### Investment by Tax-Exempt Entities.

A tax-exempt holder of Interests, including IRAs, Keogh Plans, and other qualified retirement plans ("Tax-Exempt Entities"), should understand that its allocable share of the Company's taxable income may result in such Tax-Exempt Entity having unrelated business taxable income ("UBTI") if such income and any other unrelated business income or debt-financed income of the exempt entity exceeds \$1,000 in any year.

#### Characterization of Certain Fees and Expenses.

No opinion has been or will be received with respect to the deductibility of fees paid by the Company. Although the Company believes the amount of fees that will be charged will be reasonable based on the services to be provided, no assurance can be given that the IRS will not seek to treat the fees as constituting an allocation of income or a distribution of capital of the Company, rather than as a capitalizable or deductible expense of the Company. Expenses of organizing the Company and of promoting the sale of Interests must be capitalized by the Company. Although the Company may elect to treat certain organizational expenses (but not offering expenses) as deferred expenses and amortize them over a period of 180 or more months, some of the expenses that will be incurred by the Company will be difficult to classify under the treasury regulations. Accordingly, no opinion has been or will be received regarding the capitalization, deduction, or amortization of the various organizational and offering fees.

#### Potential Dealer Status.

If the Company sells Loans, it could be characterized as a "dealer" with respect to such Loans. In that event, income from the sale of the Loan would be ordinary income. The characterization of the Company as a dealer for federal income tax purposes would have an adverse effect on Tax-Exempt Entities that are Members because any gain resulting from the disposition of Loans would constitute unrelated business income to such Tax-Exempt Entities. Such a characterization also could affect the application of the passive activity rules to taxable investors. Although the Manager does not intend to sell Loans to the extent that such sales could cause the Company to be characterized as a dealer, no opinion will be received regarding the status of the Company as a dealer and no assurance can be given that the Company will not be deemed to be a dealer in Loans.

Investment in the Company by qualified plans may result in the Company's assets being treated as plan assets under ERISA.

The Company's assets may be "plan assets" as such term is used in the U.S. Department of Labor regulations under the Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of the prohibited transaction rules set forth in Section 406 of ERISA and Internal Revenue Code Section 4975.

If an investor is investing through a pension or profit-sharing trust, the investor needs to consider the ERISA Regulations.

In considering an investment in Interests with a portion of the assets of a qualified pension, profit-sharing, or other retirement trust, a fiduciary, taking into account the facts and circumstances of such trust, should consider, among other things, (1) the definition of "plan assets" under ERISA and the labor regulations regarding the definition of "plan assets"; (2) whether the investment satisfies the diversification requirements of Section 404(a) of ERISA; and (3) whether the investment is prudent, considering the nature of an investment in Interests. The fiduciary should also consider the fact that there is not expected to be a market created in which to sell or otherwise dispose of Interests. See "ERISA Aspects of the Offering."

bankers, and other lenders. The Company's competitors may also include Affiliates of the Manager and the Originator. Some of those competitors have greater marketing, financial, and other resources than the Company and the Originator and may have longer and stronger relationships than the Company and the Originator with potential borrowers. Such competition may impede the Company's ability to acquire interests in favorable Loans. Moreover, an increase in the availability of funds for lending may increase competition for Loans and reduce the yields available therefrom.

The risk of the Company's Loans will increase with any increases in their loan-to-value ratios.

The risk of a Loan will increase with any increase in the ratio of the amount of the Loan to the value of the property securing such Loan because the property will possess less protective equity in the event of a default by the Borrower. The Originator will make an assessment of the loan-to-value ratio prior to making or acquiring a Loan. In making its assessment of the value of the property to secure a Loan, the Originator may review any available appraisals of the property by qualified appraisers, the purchase price of the property, recent sales of comparable properties, and a wide variety of other factors. The Originator generally will not retain an independent third party to conduct a formal appraisal, but will rely on its own assessment of the value of a property. It should be noted that appraisals are estimates of value and not a measure of true worth or realizable value. The Originator is not a real estate appraiser, however, and the absence of an independent appraisal removes an independent estimate of value. There can be no assurance that the Originator's estimated values will be comparable or bear any relation to the actual market value of a property or the amount that could be realized upon the refinancing, sale, or other disposition of a property. As a result, the amount realized in connection with the refinancing, sale, or other disposition of the property in the ordinary course of business or at or following a foreclosure sale may not equal the then outstanding balance of the related Loan.

The Company may not have adequate security for certain Loans.

Certain Loans may be made on a nonrecourse basis. In such a case, the Company will be required to rely for its security solely on the value of the underlying property and will not have any right to make any claims for repayment personally against the Borrower. Other Loans may be full recourse loans, may be secured by personal or corporate guarantees, or may be secured by one or more items of real or personal property in addition to the property constituting the primary security for the Loan. Nevertheless, the property underlying the Loan in most cases will be the primary source for repayment of the Loan upon maturity or in the event of a default. The ability of the Borrower to pay the outstanding balance of a Loan (particularly a non-amortizing Loan) at maturity will depend primarily upon the Borrower's ability to obtain sufficient funds by refinancing, sale, or other disposition of the underlying property.

If the Company acquires the property underlying a Loan, there can be no assurance that the amount realized in connection with the sale of the property in the ordinary course of business or at a foreclosure sale will equal the Company's assessment of the value of the property or the then outstanding principal amount of the related Loan.

Balloon payment Loans entail greater risks than amortizing Loans.

The ability of a Borrower to repay the outstanding principal amount of a Loan that does not provide for the payment of all or any part of its principal prior to maturity will depend primarily upon the Borrower's ability to obtain, by refinancing, sale, or other disposition of the underlying property or otherwise, sufficient funds to pay the outstanding principal balance of the Loan at a time when such funds may be difficult to obtain, with the result that the Borrower may default on its obligation to repay the amount of the Loan in accordance with its terms. In addition, a substantial reduction in the value of the property securing a Loan could precipitate or otherwise result in the Borrower's default. Any such default could result in a loss to the Company of all or part of the principal or interest on such Loan.

Joint venture Loans entail special risks.

Although not typical, the Company may enter into joint ventures, partnerships, and loan participations with third parties other than the Originator or its Affiliates for the purpose of acquiring interests in Loans, which entail special risks. Joint ventures, partnerships, and loan participations involve the potential risk of impasse on decision making in situations in which no single party fully controls the Loan with the result that neither the Company nor any other party will be able to exercise full authority with respect to the protection of the investment in the Loan. In addition, although the Company or another party to the transaction often will have the right to purchase the interest of any other party in the Loan, the party seeking to acquire the interest of another party may not have sufficient funds to do so. There also is a risk that the Company will become a tenant in common with its joint venture partners following a foreclosure and that disagreements may arise regarding the disposition of the property.

There will be a lack of geographic diversity of the properties underlying the Loans.

It is anticipated that all of the Loans will be secured by properties located in the state of Arizona, resulting in a geographically concentrated Loan portfolio. Any downturn in the economy or the real estate market in Arizona may reduce the value of the properties securing the Loans and increase the default rate of the Loans. Such circumstances would reduce the return on the Loans.

There will be a concentration of Loans among Borrowers.

The Company's portfolio of Loans can be expected to be to a relatively small number of Borrowers as a result of the amount of funds available to the Company. Therefore, the Company may be subject to an increased degree of risk to the extent that a single Borrower or a small number of Borrowers default with respect to Loans.

Loans may permit prepayments, which could affect the Company's return.

In the event that a Borrower prepays all or a portion of the principal amount of a Loan before its maturity, the amount of interest that the Company will receive in the future may decrease if an appropriate reinvestment is not made, thereby reducing the amount of the return to the Members.

The absence of sinking funds may adversely affect Loans.

No sinking fund generally will be provided by a Borrower for repayment of a Loan. Therefore, the sources for repayment of a specific Loan will depend primarily upon the economic viability of a Borrower or the successful refinancing, sale, or other disposition of the underlying property. No assurance can be given that a Borrower will remain economically viable or that a refinancing, sale, or other disposition can be accomplished at a time when the principal amount of a Loan is required to be paid on terms that will permit its repayment or that a Borrower will have sufficient funds to satisfy its obligation under a Loan from other sources.

The presence or absence of a due on sale clause may affect the ability to sell a property underlying a Loan.

A due on sale clause in a Loan may make the underlying property less marketable, thereby making it more difficult for a Borrower to repay the Loan. The absence of a due on sale provision will enable a Borrower to sell the underlying property subject to the lien of the Company's deed of trust or mortgage, which may subject the Company to the risk that the knowledge, experience, and financial resources of the new purchaser are not equal to that of the original Borrower, thereby affecting the potential successful refinancing, sale, or other disposition of the underlying property or otherwise impairing the chances of repayment of the Loan.

- national, regional, or local economic conditions, including plant closings, industry slowdowns, and unemployment rates;
- customer tastes and preferences;
- retroactive changes in building codes;
- fiscal policies and governmental rules and regulations, including rent, wage, and price controls, zoning and other land use regulations, and environmental controls;
- any costs necessary to bring a property in compliance with the Americans with Disabilities Act of 1990 and the possibility of fines by the federal government or an award of damages in private litigation resulting from noncompliance;
- the treatment for federal and state income tax purposes of income derived from real estate;
- natural disasters and civil disturbances, such as earthquakes, hurricanes, floods, eruptions, or riots, including those that may result in uninsured losses; and
- other factors beyond the control of the Company.

In recent years, the presence of hazardous substances or toxic waste has adversely affected real estate values in certain circumstances and resulted in the imposition of costs and damages to real estate owners and lenders. In addition, certain expenses related to properties, such as property taxes and insurance, tend to increase over time. These and other factors could increase the cost of holding properties or adversely affect the terms and conditions upon which properties underlying Loans may be refinanced, sold, or otherwise disposed of. In addition, all mortgage loans, including the Loans, are subject to loss resulting from the priority of real estate tax liens, mechanic's liens, and materialmen's liens. Therefore, the success of the Company will depend in part upon events beyond its control.

The types and concentrations of properties underlying the Loans in which the Company acquires an interest may subject an investment in Interests to special risks.

The types and concentration of properties underlying the Loans in which the Company acquires interests may subject the Company to special risks in addition to the general real estate risks described above.

*Unimproved Properties.*

Factors affecting the value of unimproved properties include the following:

- the Company will be subject to a greater risk of loss in the event of delinquency or default by a Borrower on a Loan secured by a deed of trust, mortgage, or similar instrument on unimproved real property than if such Loan were secured by a deed of trust, mortgage, or similar instrument on improved real property;
- a Loan secured by unimproved real property involves a particularly high degree of risk since the property generally does not have access to utilities, such as water, sewer, electricity, or cable, and may not be zoned or subdivided for its highest and best use; and
- an unimproved property does not generate income other than as the result of a refinancing, sale, or other disposition and the Borrower's Loan payments generally will be the Company's source of cash flow on the Loan until a sale, refinancing, or other disposal of the property.

*Multifamily Rental Properties.*

Factors affecting the value and operation of a multifamily rental property include the following:

- the physical attributes of the property, such as its age, appearance, and construction quality;
- the types of amenities and services offered at the property;

#### *Retail Properties.*

The success of a retail property depends on a number of factors, including the following:

- the ability to attract and retain tenants, particularly significant tenants that are able to meet their lease obligations;
- the number and type of customers that tenants will be able to attract;
- competition from other retail properties;
- perceptions regarding the safety, convenience, and attractiveness of the property and the surrounding area;
- demographics of the surrounding area;
- the strength and stability of the local, regional, and national economies;
- traffic patterns and access to major thoroughfares;
- the visibility of the property;
- the availability of parking;
- the particular mix of the goods and services offered at the property;
- customer tastes, preferences, and spending patterns; and
- the drawing power of other tenants.

#### *Office Properties.*

Factors affecting the value and operation of an office property include the following:

- the number and quality of the tenants, particularly significant tenants, at the property;
- the physical attributes of the building in relation to competing buildings, including age, condition, and design;
- the location of the property with respect to the central business district or population centers;
- demographic trends within the metropolitan area to move away from or towards the central business district;
- social trends combined with space management trends, which may change towards options, such as telecommuting or "hoteling," to satisfy space needs;
- tax incentives offered to businesses or property owners by municipalities adjacent to or near where the property is located;
- local competitive conditions, such as the supply of office space or the existence or construction of new competitive office buildings;
- vacancy levels;
- the quality of property management;
- access to mass transportation;
- changes in zoning laws;
- competitive factors affecting office properties, including rental rates; and
- amenities offered to tenants, including sophisticated building systems, such as fiber optic cables, satellite communications, or other technological features.

#### *Hospitality Properties.*

Factors affecting the economic performance of a hospitality property include the following:

- the location of the property and its proximity to major population centers or attractions;
- the seasonal nature of business at the property;
- the level of occupancy and room rates relative to those charged by competitors;

### *Industrial Properties.*

The success of an industrial property depends on the following:

- the demand for industrial space occasioned by conditions in a particular industry segment or by the strength of the economy;
- the location and desirability of the property, which may depend on a variety of factors, including the availability of labor services;
- proximity to supply sources and customers;
- accessibility to various modes of transportation and shipping, including railways, roadways, airline terminals, and ports;
- the quality and creditworthiness of individual tenants; and
- environmental risks depending upon the nature of the business conducted at the property.

### *Warehouse, Mini-Warehouse, and Self-Storage Facilities.*

The successful operation of a warehouse, mini-warehouse, or self-storage property depends on a variety of factors, including the following:

- building design;
- competition;
- location and visibility;
- efficient access to the property;
- proximity to potential users, including apartment complexes or commercial users;
- services provided, such as security;
- the property's age, appearance, and improvements; and
- the quality of management.

### *Restaurants and Taverns.*

Factors affecting the economic viability of an individual restaurant, tavern, or other establishment that is part of the food and beverage service industry include the following:

- the cost, quality, and availability of food and beverage products;
- perceptions by prospective customers of safety, convenience, service, and attractiveness;
- competition with the operators of comparable establishments in the area in which the property is located;
- negative publicity resulting from instances of food contamination, food-borne illness, crime, and similar events;
- changes in neighborhood demographics, consumer habits, and traffic patterns;
- the ability to provide or contract for capable management;
- retroactive changes to building codes, similar ordinances, and other legal requirements; and
- in the case of a franchised property, the strength and financial condition of the franchisor, actions and omissions of the franchisor, including management practices that adversely affect the nature of the business or that require renovation, refurbishment, expansion, or other expenditures, and the degree of support the franchisor provides or arranges.

*Churches and Other Religious Facilities.*

Factors affecting a church or other religious facility include the following:

- the level of charitable donations to meet expenses and pay for maintenance and capital expenditures;
- social, political, and economic factors affecting attendance and the willingness of attendees to make donations; and
- local, regional, and national economic conditions affecting donations.

*Parking Lots and Garages.*

Factors affecting the success of a parking lot or garage include the following:

- the number of rentable parking spaces and rates charged;
- the location of the lot or garage and its proximity to places where large numbers of people work, shop, or live;
- the amount of alternative parking spaces in the area;
- the availability of mass transit; and
- perceptions of the safety, convenience, and services of the lot or garage.

A Borrower's bankruptcy may adversely affect payment on its Loan and therefore the return on the Interests.

The United States Bankruptcy Code ("Bankruptcy Code") and state insolvency laws may interfere with or affect a lender's ability to realize upon collateral or to enforce a deficiency judgment. For example, under the Bankruptcy Code, the filing of a petition in bankruptcy by or against a Borrower will stay the sale of the property securing a Loan, as well as the commencement or continuation of a foreclosure action. In addition, if a court determines that the value of the property securing a Loan is less than the principal balance of the Loan it secures, the court may reduce the amount of secured indebtedness to the then-value of the property. Such an action would make the Company, as the lender, a general unsecured creditor for the difference between the then-value of the property securing a Loan and the amount of the related Loan. A bankruptcy court also may take any of the following actions:

- grant a debtor a reasonable time to cure a payment default on a Loan,
- reduce monthly payments due under a Loan,
- permit the debtor to cure a loan default by paying the arrearage over a number of years,
- change the rate of interest due on a Loan, or
- extend or shorten the term to maturity or otherwise alter the Loan's repayment schedule.

Under the Bankruptcy Code, a tenant has the option of assuming or rejecting any unexpired lease. If the tenant rejects the lease, the landlord's claim for breach of the lease would be a general unsecured claim against the tenant unless there is collateral securing the claim. The claim would be limited to the following:

- the unpaid rent under the lease for the periods prior to the bankruptcy petition or any earlier surrender of the leased premises, plus
- an amount equal to the rent under the lease for the greater of one year or 15% (but not more than three years) of the remaining lease term.

on the loan if so ordered by the Bankruptcy Court. The length of time during which the foreclosure is delayed as a result of the bankruptcy, and during which the payments may not be made, is indefinite. In addition, under the Bankruptcy Code, the Bankruptcy Court may render a portion of the loan unsecured if it determines that the value of the real property that secures payment of the loan is less than the balance of the loan and, under other circumstances, may modify or otherwise impair the lien of the lender in connection with the defaulted mortgage or deed of trust. In addition, in certain areas, lenders can lose priority of liens to mechanics' liens, materialmen's liens, and real estate tax liens.

The Originator, on behalf of the Company, will have the right to bid on and purchase the property underlying a Loan at a foreclosure or trustee's sale following a default by the Borrower. If the Originator, on behalf of the Company, is the successful bidder and purchases a property underlying a Loan, the Company's return on such Loan will depend upon the amount of cash or other funds that can be realized by refinancing, selling, or otherwise disposing of the property. There can be no assurance that the Originator, on behalf of the Company, will be able to refinance, sell, or otherwise dispose of such a property on terms favorable to the Company, particularly in the event of unfavorable real estate market conditions. Conditions in real estate loan markets may affect the availability and cost of real estate loans, thereby making real estate financing difficult and costly to obtain and impeding the ability of real estate owners to sell their properties at favorable prices. Such conditions may adversely affect the ability of the Originator, on behalf of the Company, to sell the property securing a Loan in the event that the Originator, on behalf of the Company, deems it in the best interests of the Company to foreclose upon and purchase the property. To the extent that the funds generated by such actions are less than the amounts advanced by the Company for such Loan, the Company may realize a loss of all or part of the principal and interest on the loan. Thus, there can be no assurance that the Company will not experience financial loss upon a default by a Borrower.

The presence of hazardous substances or toxic waste may adversely impact real estate values.

The Company cannot provide any assurance as to the accuracy of any environmental testing conducted on the underlying property in connection with the origination of any Loan. Moreover, the Company cannot guarantee that the results of environmental testing will be accurately evaluated in all cases; that the related Borrowers have implemented or will implement all operations and maintenance plans and other remedial actions recommended by an environmental consultant that conducted the testing at the related real properties; or that any recommended remedial action will fully remediate or otherwise address all the identified adverse environmental conditions and risks.

The presence of hazardous substances or toxic waste may adversely impact property values. These and other factors could adversely affect the terms and conditions upon which a Borrower may sell, refinance, or otherwise dispose of the property and ultimately the Borrower's ability to repay the Loan.

Furthermore, if there are hazardous substances or toxic waste present on a property and an obligor defaults on its obligations under the Loan, the Company, in the event of a foreclosure on such property, may be responsible (depending on certain circumstances) for the costs of clean up of any such waste. The owner's liability for any required remediation generally is unlimited and could exceed the value of the property and/or the total assets of the owner (which could be the Company in the event of a foreclosure or the Borrower prior to a foreclosure). In addition, the presence of hazardous or toxic substances, or the failure to remediate the adverse environmental condition, may adversely affect the owner's or operator's ability to use the affected property. Contamination of the property may give rise to a lien on the property to ensure the costs of cleanup. In some states, this lien has priority over the lien of an existing mortgage. In addition, third parties may seek recovery from owners or operators of real property for personal injury associated with exposure to hazardous substances, including asbestos and lead-based paint. Persons who arrange for the disposal or treatment of hazardous or toxic substances may be liable for the costs of removal or remediation of the substances at the disposal or treatment facility.

Transactions between the Manager, its Affiliates, and the Company may create conflicts of interest.

The Company will be subject to various conflicts of interest arising out of the relations between the Manager, its Affiliates, and the Company. See "Conflicts of Interest."

There is no public market for the Interests, and none is expected to develop.

No public market for Interests currently exists or will result from the Offering. In addition, the Interests are being offered pursuant to exemptions from registration under federal and applicable state securities laws, which will subject the Interests to substantial restrictions on transfer. In addition, the Operating Agreement imposes limitations on the transfer of Interests, subject to limited redemption options. Accordingly, Interests may be transferred only under appropriate exemptions and only if the transferee provides the Company with an opinion of counsel that is satisfactory to the Company to the effect that the proposed transfer is in compliance with appropriate exemptions from the registration requirements of federal and any relevant state securities laws. Consequently, holders of Interests may not be able to liquidate their investment in the event of an emergency or for any other reason, and Interests may not be readily accepted as collateral for a loan. The purchase of Interests, therefore, should be considered only as a long-term investment. See "Restrictions on Transfer."

The Company will not be registered as an investment company under the Investment Company Act of 1940.

The Company will not be registered as an investment company under the Investment Company Act of 1940, but instead intends to conduct its business so as not to become regulated as an investment company under that act. Accordingly, the Company will not be subject to the rules for the protection of investors that require investment companies to have a majority of disinterested directors, that mandate segregation of securities held in custody from the securities of any other person, and that govern the relationship between an investment advisor and an investment company. The management and investment practices of the Company will not be supervised or regulated by any federal or state authority. The Investment Company Act of 1940 exempts entities that are primarily engaged in the business of purchasing or other acquiring mortgages and other liens on, and interests in, real estate. If the Company fails to qualify for this exemption, it would be unable to conduct its business as described in this Memorandum.



Bunny / Mortgages Ltd. Transaction Issues

Wednesday, December 12, 2007 10:25 AM

From: "Bornholt, Robert S." &lt;RSB@quarles.com&gt;

To: tomqirsch@yahoo.com

Cc: "Moya, P. Robert" &lt;PRM@quarles.com&gt;, "bradical" &lt;dr\_bradical@yahoo.com&gt;

Tom, after our discussions of last week and earlier this week, it is clear to me that there is still a great deal of confusion regarding the deal structure between Bunny and ML. The way that the relationship between Bunny and ML is described in the POM and the servicing documents from GT is vastly different from the structure that you described to me. In order to proceed, I think the parties have to reach an agreement on several basic questions, and then they must convey their agreement in clear and unequivocal terms to the attorneys so that the transaction can be drafted properly. I am setting forth below what I believe to be the most important initial questions that the parties must address. (Additional questions will undoubtedly flow from these questions, depending upon what the parties ultimately agree upon.) A more detailed discussion of these questions is set forth below after the bullet points. [Note that my questions below do not address specifics relating to the servicing documents previously circulated by GT. Per our discussions, my understanding is that you want to see if there is a basic agreement on the primary deal points before addressing the servicing issues.]

- Will collateral be provided for existing loans (not new loans) from Bunny to ML?
- Will investments of new money by Bunny with ML be (1) solely through the purchase of loans originated by ML, or (2) a mixture of loan purchases and direct loans from Bunny to ML?
- With respect to the purchase of loans originated by ML and purchased by Bunny, will ML provide any guarantees or assurances with respect to the payment of such loans?
- With respect to direct loans from Bunny to ML, will those loans be secured? If so, what will the collateral be? Specific loans or pools of loans?

Will collateral be provided for existing loans (not new loans) from Bunny to ML? The current loans from Bunny to ML are not collateralized. You may recall that a financing statement was provided by ML, but the financing statement is not sufficient to create or perfect the security interest that presumably was intended when it was provided. If the current loans are to be collateralized, the parties need to agree on the security and enter into suitable security documents. If the current loans are not to be collateralized, then the parties can simply continue the loans as presently structured and roll them into the investment structure for new money once each current loan is paid off.

Will investments of new money by Bunny with ML be (1) solely through the purchase of loans originated by ML, or (2) a mixture of loan purchases and direct loans from Bunny to ML? The POM contemplates that new investments will only be through the purchase of loans originated by ML and sold either in whole or in participated shares to Bunny. In our recent discussions, you indicated that this is not correct. You indicated that there would be a mix of loan purchases and direct loans. If so, we need to understand how the decisions will be made by Bunny and ML as to whether a given investment will be by a loan purchase or by a direct loan.

With respect to the purchase of loans originated by ML and purchased by Bunny, will ML provide any guarantees or assurances with respect to the payment of such loans? The POM contemplates that Bunny will purchase loans originated by ML, and then Bunny will assume ALL risk with respect to the purchased loans. In our recent discussions, you indicated that this is not correct. You indicated that if loans were purchased by Bunny, ML would still have certain obligations to assure a specific return to Bunny within a specific timeframe. For instance, you indicated that if Bunny purchased a loan with a 3 year term, ML would still have to ensure that Bunny received payment within its customary 12 to 18 month payoff period, notwithstanding the longer term for the underlying loan. You also indicated that if a loan purchased by Bunny was to go into default, that ML would guaranty the payment of a fixed return to Bunny:

With respect to direct loans from Bunny to ML, will those loans be secured? If so, what will the collateral be? Specific loans or pools of loans? If there will be direct loans from Bunny to ML of new funds, we again have to face the question of whether those loans will be collateralized. You indicated that these loans would be collateralized - most likely by a pool of ML mortgages. Assuming that this is the business deal, we will need to consider the mechanics for making this work.

If you agree that the above points are appropriate items that must be agreed upon by the parties, please feel free to contact ML directly to discuss and agree upon the business deal as it relates to these points. Note that we will still have to work through the details and mechanics on some of the above points, depending upon what the parties ultimately agree upon.

If you have any questions, please give me a call.

Sincerely, Bob

Robert S. Bornholt  
 Quarles & Brady LLP  
 Two North Central Avenue  
 Phoenix, Arizona 85004-2391  
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RAD00076



Bunny / Mortgages Ltd. Transaction Issues

Wednesday, December 12, 2007 10:25 AM

From: "Bornhoff, Robert S." &lt;RSB@quarles.com&gt;

To: tomghirsch@yahoo.com

Cc: "Moya, P. Robert" &lt;PRM@quarles.com&gt;, "bradical" &lt;dr\_bradical@yahoo.com&gt;

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Will collateral be provided for existing loans (not new loans) from Bunny to ML? The current loans from Bunny to ML are not collateralized. You may recall that a financing statement was provided by ML, but the financing statement is not sufficient to create or perfect the security interest that presumably was intended when it was provided. If the current loans are to be collateralized, the parties need to agree on the security and enter into suitable security documents. If the current loans are not to be collateralized, then the parties can simply continue the loans as presently structured and roll them into the investment structure for new money once each current loan is paid off.

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Sincerely, Bob

Robert S. Bornhoff  
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 Two North Central Avenue  
 Phoenix, Arizona 85004-2391  
 Phone: 602.230.5576  
 Direct Fax: 602.420.5172  
 E-mail: [rbornhoff@quarles.com](mailto:rbornhoff@quarles.com)

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RAD00078



Mortgages Ltd. Securities, L.L.C.  
From: "Erica Jacob" <ejacob@mtgild.com>  
To: dr\_bradical@yahoo.com  
VTL POM - informational only.pdf (4007KB)

Wednesday, March 5, 2008 3:37 PM

I have attached the requested Private Offering Memorandum for our new Value-To-Loan Opportunity Fund 1, L.L.C. Please feel free to call with any questions that you may have.

Thank you.



Erica Jacob  
Senior Securities Operations Specialist

ejacob@mtgild.com  
P: 602.287.3084  
F: 602.287.3076

MortgagesLTD.SECURITIES  
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Phoenix AZ, 85012

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Mortgages Ltd. Securities, L.L.C.

Wednesday, March 5, 2008 3:37 PM

From: "Erica Jacob" <ejacob@mtgld.com>

To: dr\_bradical@yahoo.com

VTL POM - informational only.pdf (4007KB)

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Thank you.



Erica Jacob

Senior Securities Operations Specialist

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The above does not constitute an offer (or solicitation of an offer) to buy or sell any securities. Pass-Through Loan Participations or Opportunity Funds investments contain risks which an investor must evaluate, understand and be willing to bear. Past performance is not indicative of future results. You are advised to consult with appropriate investment, legal, tax and accounting professionals when determining if specific products would be suitable for you.

Unless indicated, the views expressed are the author's and may differ from those of Mortgages Limited Securities, L.L.C. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner.

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RAD00080

**YAHOO!** MAIL  
Classic

Online Access

Wednesday, April 16, 2008 7:02 AM

From: "George Everette" <geverette@mtgld.com>

To: dr\_bradical@yahoo.com

Howard,

I forgot to mention it to you on Monday, but if you need to demo any of our online features in the secure area of our website you can use the following:

Login: testuser

Password: testuser

Let me know if you need anything else.

George



George Everette  
Vice President & CIO

geverette@mtgld.com

P: 602.287.3094

C: 602.686.2350

F: 602.443.3863

Please note our new address as of 3/31 is listed below

MortgagesLTD.  
4455 E Camelback Rd  
Phoenix AZ, 85018

[www.mtgld.com](http://www.mtgld.com)

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RAD00081

<http://us.mc363.mail.yahoo.com/mc/showMessage?fid=Rad%2520Bun&sort=date&order=...> 1/24/2009

**YAHOO!** MAIL  
Classic

Investment Listing

Monday, April 14, 2008 12:05 PM

From: "Christopher J. Olson, CPA" <colson@mtgltd.com>

To: dr\_bradical@yahoo.com

Radical Bunny Mtg Investment Schedule 4-14-08.xls (27KB)

Howard or Bunny,

Attached is an Excel spreadsheet containing the loans owned by Mortgages Ltd., their dollar investment, percent of ownership and total loan value. This is the information you requested last week.

Please let me know if you have any questions or need any additional information.



Christopher J. Olson, CPA  
CFO

colson@mtgltd.com

P: 602.287.3066

C: 602.359.0784

F: 602.443.3864

Please note our new address as of 3/31 is listed below

MortgagesLTD.  
4455 E Camelback Rd  
Phoenix AZ, 85018

[www.mtgltd.com](http://www.mtgltd.com)

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RAD00082

<http://us.mc363.mail.yahoo.com/mc/showMessage?fid=Rad%2520Bun&sort=date&order=...> 1/24/2009

Mortgages Ltd.  
 List of Collateral for Notes with Radical Bunny  
 As of April 14, 2008

Loan No	Borrower Name	Interest Rate	Mtgs Ltd Investment	Pct Ownership	Total Loan Value
389102	Sam Chupurdia and Donna Chupurdia,	12.50%	\$14,877.79	100.00%	\$14,877.79
7514S8	Bharatkumar J. Kapadia and Aruna B. Kapadia	10.50%	330.56	2.36%	14,002.29
794402	300 East Camelback, L.L.C.	12.00%	350,000.00	35.35%	990,000.00
794502	300 East Camelback, L.L.C.	13.00%	26,500.00	9.43%	281,000.00
832705	Central Arizona Land Planners, LLC, an Arizona limited liability	12.75%	10,869.40	0.07%	16,000,000.00
839506	MK Custom Residential Construction, LLC	10.00%	6,148,220.22	82.03%	7,495,000.00
849206	Northern 120, L.L.C.	12.75%	1,972,996.69	19.13%	10,312,000.00
849306	Citrus 278, L.L.C.	12.75%	10,454,548.24	39.83%	26,250,000.00
849606	44th & Camelback Property, LLC an Arizona limited liability company	12.75%	170,668.22	2.93%	5,828,477.31
850206	ABCDW, L.L.C.	13.25%	3,659,031.40	9.15%	40,000,000.00
851106	Osborn III Partners, LLC an Arizona limited liability company	13.00%	8,495,100.94	21.31%	39,872,619.50
852406	44th & Camelback Property, LLC an Arizona limited liability company	13.00%	265,675.09	5.28%	5,031,791.58
852606	Portales Place Property, LLC, an Arizona limited liability company	13.00%	739,840.58	2.31%	32,000,000.00
853106	Foothills Plaza IV, L.L.C.	13.00%	209,684.66	0.81%	25,740,000.00
853705	Cottonwood Parking, Inc.	13.50%	140,000.00	1.90%	7,352,120.00
855102	The Zacher Development Company, LLC	14.75%	7,597,189.72	37.99%	20,000,000.00
856206	Arizona Commercial Land Acquisitions I, LLC, an Arizona limited liability cc	13.00%	316,796.90	2.06%	15,392,000.00
856605	Roosevelt Gateway LLC	14.75%	75,948.35	1.08%	7,000,000.00
856805	VCB Properties, LLC	14.75%	571,987.09	8.92%	6,409,259.00
856905	Central PHX Partners, L.L.C.	13.50%	9,559,190.45	36.40%	26,258,314.00
857005	Central PHX Partners, L.L.C.	13.50%	1,866,116.06	16.99%	10,982,712.00
857106	SOJAC I, LLC	13.00%	16,546.34	0.07%	23,970,000.00
857306	ABCDW, L.L.C.	13.00%	486.85	0.00%	11,000,000.00
857406	Vistoso Partners, L.L.C., an Arizona limited liability company	13.00%	732.95	0.01%	11,000,000.00
857502	The Zacher Development Company, L.L.C.	14.75%	48,329.96	0.41%	11,896,885.00
857605	Tempe Land Company, LLC	14.50%	69,583,216.40	57.78%	120,437,902.38
857802	The Zacher Development Company, L.L.C.	14.75%	1,504,595.44	13.93%	10,799,641.21
858006	Vistoso Partners, L.L.C., an Arizona limited liability company	12.75%	7,201.15	0.06%	12,300,000.00
858305	HH 20, LLC	13.25%	868.05	0.02%	3,670,732.00
858406	Rightpath Limited Development Group, LLC	12.75%	9,345,866.47	18.79%	49,743,000.00
858506	Maryland Way Partners, LLC, an Arizona limited liability company	12.75%	319.26	0.00%	19,882,933.00
858606	Central & Monroe, L.L.C.	12.75%	1,566,351.15	6.80%	23,027,173.00
858701	GMI Financial Group, Inc.	10.00%	5,766,391.28	100.00%	5,766,391.28
858905	University & Ash, LLC	14.50%	1,446,979.60	4.96%	29,169,210.00
859205	Roosevelt Gateway II LLC	13.25%	482.18	0.01%	6,100,000.00
859305	PDG LOS ARCOS, L.L.C.	13.50%	243,071.02	1.04%	23,423,495.00
859506	All State Associates of Pinal XVI; LLC	13.00%	3,576,026.09	17.88%	20,000,000.00
859606	Vanderbilt Farms, L.L.C.	13.50%	10,001.34	0.09%	11,000,000.00
859806	Rightpath Limited Development Group, LLC	12.75%	6,994,488.30	18.69%	37,428,165.00
860206	GP Properties Carefree Cave Creek, L.L.C.	12.25%	1,418.49	0.03%	4,550,000.00
860506	4633 Van Buren, L.L.C.	12.25%	3,375,736.53	34.04%	9,916,570.00
860606	McKinley Lofts, L.L.C.	12.25%	1,629,385.00	12.73%	12,800,000.00
860706	Metropolitan Lofts, LLC	12.25%	5,497,467.37	27.18%	20,229,800.00
860806	City Lofts, L.L.C., an Arizona limited liability company	12.25%	1,543,842.32	12.99%	11,888,000.00
860905	National Retail Development Partners I, LLC	14.75%	2,010.79	0.06%	3,365,862.00
861105	CGSR, LLC	13.25%	1,920,203.65	6.33%	30,350,104.00
861206	ABCDW, L.L.C.	13.00%	1,312.45	0.01%	22,000,000.00
861305	Town Lake Development Partners, LLC	14.50%	5,900,000.00	99.16%	5,950,000.00
861506	All State Associates of Pinal IX, LLC	13.25%	3,692,984.06	20.75%	17,800,000.00
861706	70th Street Property, LLC	12.75%	684.67	0.01%	10,870,000.00
861805	The Zacher Development Company, L.L.C.	14.75%	227,383.00	60.04%	378,693.00
861905	Tempe Land Company, LLC	18.00%	100,000.00	2.22%	4,505,000.00
			<u>\$176,649,954.82</u>		<u>\$888,443,730.34</u>

RAD00083



Meeting at 2:30 on Monday at Quarles & Brady  
From: "Bornhoff, Robert S." <RSB@quarles.com>  
To: "b radical" <dr\_radical@yahoo.com>  
Cc: "Boswell, Susan G." <SBOSWELL@quarles.com>

Friday, June 6, 2008 4:32 PM

Bunny, we have scheduled a meeting with you and the other three principals of Radical Bunny for 2:30 p.m. Monday at our office. We have already spoken with Tom and Howard about having a meeting, but we have not spoken with Harish. Please coordinate with everyone to ensure that all four of you attend. It is imperative that we meet with all four of you to discuss the impact of recent events on the company.

Bob

Robert S. Bornhoff  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 602.230.5576  
Direct Fax: 602.420.5172  
E-mail: [rbornhoff@quarles.com](mailto:rbornhoff@quarles.com)

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RAD00084



Disengagement Letter  
From: "Bornhoff, Robert S." <RSB@quarles.com>  
To: "b radical" <dr\_bradical@yahoo.com>  
Document.pdf (34KB)

Tuesday, June 10, 2008 10:06 AM

Bunny, Tom, Howard and Harish, per our discussion yesterday, our disengagement letter is attached.

Bob

Robert S. Bornhoff  
Quarles & Brady LLP  
Two North Central Avenue  
Phoenix, Arizona 85004-2391  
Phone: 802.230.5578  
Direct Fax: 802.420.5172  
E-mail: [rbornhoff@quarles.com](mailto:rbornhoff@quarles.com)

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RAD00085

Arizona Corporation Commission regarding Radical Bunny

☺ Cathy Baker <catscan1968@yahoo.com>

Add Monday, July 28, 2008 3:15:50 PM

To: Adeel <ebuydirect@yahoo.com>; Amber <coopster2182@yahoo.com>; Barb Mathis <taxbabebarb@cox.net>; Daryl <dabr2628off@aol.com>; Dave <d\_droff@yahoo.com>; John Everest <sublime.one@gmail.com>; Kevin Buckmaster <kbuckmaster@cox.net>; Larry Bullard <lmstilllarry@yahoo.com>; Lois <lbgerb@yahoo.com>; Mercy <mercila390@yahoo.com>; Mirlam <friedman56@yahoo.com>; mom <jabaker@mindspring.com>; Penny <dremen2@yahoo.com>; RB Brandon <brandonleeds@yahoo.com>; RB Committee Cathy Baker <catscan1968@yahoo.com>; RB Committee David Louisxv <david@houseoflouisxv.com>; RB Committee Rick Freeman <rick\_freeman@cox.net>; RB Committee Tom Weikart <fourfutures@yahoo.com>; RB Daryl <DABR2628OFF@aol.com>; RB Investor 4 <desartsun@simplybits.net>; RB Investor Anne Couture <acouture1@cox.net>; RB Investor Bev <beverlycartledge@yahoo.com>; RB Investor Donna <kuokoa5@aol.com>; RB Investor Jerri <JeraDoll@aol.com>; RB Investor John Finn <jfintastlc@yahoo.com>; RB Investor Marla <marla@marlaellerman.com>; RB Investor Marty Rukowskit <higley03@yahoo.com>; RB Investor mrbroke <mrbroke490@yahoo.com>; RB Investor Ned <Arleneandned@aol.com>; RB Investor Ron <ronwolf@cox.net>; RB Investor Satish <rajbabbi@yahoo.com>; RB Investor Vivian <vschillro@yahoo.com>; RB Marty Carter <Jkarcar@gmail.com>; RB Marty Carter <mjcw01@yahoo.com>; RB Mercy Moriarty <ladyluck5152@yahoo.com>; RB Ron Silverman <agmanran@yahoo.com>; RB Sherry <mollymoonarts@hotmail.com>; RB Soyoung Kim <vivianto@yahoo.com>; Richard <alkymist@yahoo.com>; Riley Robertson <17R@cox.net>

RAD00086

JUL-24-2009 19:47

602 282 6528 P. 02/24



One Kansas Square  
Two North Central Avenue  
Phoenix, Arizona 85004-2301  
Tel (602) 229-3336  
Fax (602) 229-3336  
www.quarles.com

Attorneys at Law in  
Phoenix and Tucson, Arizona  
Chicago and New York, Florida  
Chicago, Illinois  
Milwaukee and Madison, Wisconsin

Christian J. Hoffmann, III  
Direct dial: 602-229-3336  
Direct fax: 602-229-3336  
e-mail: choffmann@quarles.com

February 28, 2007

Mr. Tom Hirsch  
Radical Bunny, LLC  
2222 E. Camelback Road  
Suite 105  
Phoenix, AZ 85016

Re: *Agreement For Legal Services*

Dear Tom:

We are pleased that you and your partners have asked our firm to represent Radical Bunny, LLC (the "Company"). This letter will confirm our discussion with the Company regarding its engagement of our firm to represent the Company and will describe the basis on which our firm will provide legal services to the Company.

1. *Client: Scope of Representation.* We will be engaged to represent the Company in connection with its general corporate, securities and mortgage origination/lending law matters (the "Matters"). The Company may limit or expand the scope of our representation from time to time, provided that we must agree to any substantial expansion.

2. *Term of Engagement.* Either the Company or our firm may terminate the engagement at any time for any reason by written notice, subject on our part to applicable rules of professional conduct. If we terminate the engagement, we will take such steps as are reasonably practicable to protect the Company's interests in the above matters.

Unless previously terminated, our representation of the Company will terminate upon our sending it our final statement for services rendered on the Matters. Following such termination, we will keep any otherwise nonpublic information that the Company has supplied to us confidential in accordance with applicable rules of professional conduct. At its request, we will return the Company's papers and property to it promptly upon receipt of payment for outstanding fees and costs. We will retain our own files, including lawyer work product, pertaining to the Matters. All such documents we retain will be transferred to the person responsible for administering our records retention program. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any such

Mr. Tom Hirsch  
February 28, 2007  
Page 2

documents or other materials we retain within a reasonable time after the termination of the engagement.

3. *Fees and Expenses.* Our fees will be based primarily on the billing rate for each attorney and legal assistant devoting time to the matters noted above. Our billing rates for attorneys currently range from \$190 per hour for new associates to \$435 per hour for senior partners, which include me. Time devoted by legal assistants is charged at billing rates ranging from \$120 to \$165 per hour. These billing rates are subject to change from time to time. We may also take other factors into consideration in determining our fees, including the responsibility assumed, the novelty and difficulty of the legal problem involved, particular experience or knowledge provided, time limitation imposed by the client or the transaction, the benefit resulting to the client, and any unforeseen circumstances arising in the course of our representation.

While hourly rates are an important factor, the real issue in providing cost-effective legal services relates more to the efficiency and experience of the lawyers involved and the ultimate cost and value of the project to the client. After we review the documents you have submitted, we will outline the major issues and action items and, to the extent possible, give you an estimate of our fees for the major parts of the project.

We will include on our statements separate charges for performing services, such as photocopying, messenger and delivery service, computerized research, travel, long-distance telephone and telecopy, word processing, and search and filing fees. We will generally not pay fees and expenses of others, such as consultants, appraisers, and local counsel. These charges will be billed directly to the Company.

Statements normally will be rendered monthly for work performed and expenses incurred the previous month. Payment is due promptly upon receipt of our statement. If any statement remains unpaid for more than 90 days, we may cease performing services for the Company until arrangements satisfactory to us have been made for payment of outstanding statements and the payment of future fees and expenses.

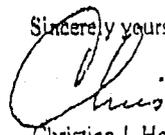
4. *Client Responsibilities.* The Company agrees to cooperate fully with us and to provide promptly all information known or available to it relevant to our representation. The Company also agrees to pay our statements for services and expenses in accordance with Paragraph 3, "Fees and Expenses."

Mr. Tom Hirsch  
February 28, 2007  
Page 3

5. *Conflicts.* As we have discussed, you are aware that our firm represents many other companies and individuals. It is possible that during the time we are representing the Company certain of our present or future clients will have disputes or transactions with the Company. The Company agrees that we may continue to represent or may undertake in the future to represent existing or new clients in any matter that is not substantially related to our work for the Company even if the interests of such clients in those other matters are directly adverse. We agree, however, that your prospective consent to conflicting representation contained in the preceding sentence shall not apply in any instance where, as a result of our representation of the Company, our firm has obtained proprietary or other confidential information of a nonpublic nature, that, if known to such other client, could be used in any such other matter by such client to the Company's material disadvantage. The Company should know that, in similar engagement letters with many of our other clients, we have asked for similar agreements to preserve our ability to represent the Company. We understand that the Company has no subsidiaries and is not a subsidiary of another corporation.

Please indicate your acceptance of the foregoing provisions governing our engagement by signing the enclosed copy of this letter in the space provided below and returning it to me. If you have any questions about these provisions, or if you would like to discuss possible modifications, please call me. Further, if any questions or comments arise during the course of our representation, please contact me so that we may deal with them. Again, we are pleased to have the opportunity to serve the Company.

Sincerely yours,



Christian J. Hoffmann, III  
For the Firm

CJH:cc

AGREED AND ACCEPTED:

RADICAL BUNNY, LLC

By: \_\_\_\_\_  
Tom Hirsch

Its: \_\_\_\_\_

Dated \_\_\_\_\_, 2007

QBPHX2075521.1

RAD00089

TOTAL P.04

IT IS HEREBY ADJUDGED  
and DECREED this is SO  
ORDERED.

The party obtaining this order is responsible for  
noticing it pursuant to Local Rule 9022-1.

Dated: May 20, 2009



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FENNEMORE CRAIG, P.C.  
Cathy L. Reece (005932)  
Keith L. Hendricks (012750)  
3003 N. Central Ave., Suite 2600  
Phoenix, Arizona 85012  
Telephone: (602) 916-5343  
Facsimile: (602) 916-5543  
Email: creece@fclaw.com

*Randolph J. Haines*  
RANDOLPH J. HAINES  
U.S. Bankruptcy Judge

Attorneys for Official Committee  
of Investors

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ARIZONA

In re  
MORTGAGES LTD.,  
Debtor.

Chapter 11  
Case No. 2:08-bk-07465-RJH

**ORDER CONFIRMING INVESTORS  
COMMITTEE'S FIRST AMENDED  
PLAN OF REORGANIZATION DATED  
MARCH 12, 2009**

The hearing on confirmation of the First Amended Plan of Reorganization Dated March 12, 2009 ("Plan")<sup>1</sup> of the Official Committee of Investors (the "Investors Committee"), was held on May 13, 14, 18 and 19, 2009 (the "Confirmation Hearing") before the Honorable Randolph J. Haines, United States Bankruptcy Judge for the District of Arizona (the "Court") in the above captioned case of Mortgages Ltd., the debtor in possession (the "Debtor").

The Court, having considered all the evidence presented and the pleadings filed in support of and in opposition of the Plan, and having considered the record in the case, the arguments, stipulations, representations and statements of counsel at the Confirmation Hearing, hereby makes the following findings of fact and conclusions of law in support of the Court's order confirming the Plan. All such findings of fact shall constitute findings even if stated as conclusions of law, and all such conclusions of law shall constitute conclusions even if stated as findings of fact.

<sup>1</sup> Capitalized terms not defined herein shall be used as defined in the Plan.

1           THIS COURT HEREBY MAKES ITS FINIDNGS OF FACT AND  
2 CONCLUSIONS OF LAW AND ORDERS AS FOLLOWS:

3           1. Confirmation of the Plan is a “core” proceeding under 28 U.S.C.  
4 § 157(b)(2). The Court is empowered to enter final and dispositive orders concerning the  
5 Plan, the Disclosure Statement and matters related thereto pursuant to 28 U.S.C. § 157(b)  
6 and § 1334.

7           2. On June 20, 2008 (“Petition Date”) an involuntary petition for relief was  
8 filed against the Debtor and on June 24, 2008, the Debtor voluntarily converted the case to  
9 one under Chapter 11 of the Bankruptcy Code.

10          3. On April 3, 2009, the Court entered the “Order Approving Investors  
11 Committee’s Amended Disclosure Statement and Fixing Time for Returning Ballots For  
12 Acceptances or Rejections and Notice of Confirmation Hearing For Investors  
13 Committee’s First Amended Plan of Reorganization Dated March 12, 2009” (the  
14 “Disclosure Statement Order”). The Disclosure Statement Order fixed deadlines for  
15 voting on and filing objections to the Plan and scheduling the Confirmation Hearing. In  
16 accordance with the Disclosure Statement Order, the Investors Committee served by mail  
17 copies of the Solicitation Package on the United States Trustee, the Securities and  
18 Exchange Commission and all the known creditors, investors and equity security holders.  
19 The Court finds that due and proper notice was provided to all interested parties regarding  
20 confirmation of the Plan and that the opportunity for any party in interest to object to  
21 confirmation was adequate and appropriate to all parties affected by the Plan.

22          4. The solicitation in favor of the Plan was carried out in good faith.

23          5. In accordance with the Disclosure Statement Order, the Ballot Report was  
24 filed on May 8, 2009 and was presented to the Court at the Confirmation Hearing. The  
25 Ballot Report is accepted and approved by the Court as properly classifying and counting  
26 the acceptances and rejections of the Plan and any objections to the Ballot Report are  
27 overruled.

28          6. As set forth in the Ballot Report, holders of several impaired Classes,

1 including Class 5 and Class 11A, cast timely ballots by the requisite majorities to accept  
2 the Plan in both dollars and numbers. The Investors Committee asked for confirmation to  
3 proceed under Section 1129(a) and (b) of the Bankruptcy Code. At the Confirmation  
4 Hearing, as reflected below, additional holders of Classes changed their votes and  
5 accepted the Plan so that by the end of the Confirmation Hearing all objections were  
6 either withdrawn or overruled and every Class voted to accept the Plan or was deemed to  
7 have accepted the Plan, except for Class 12 and Class 13 which rejected or was deemed to  
8 have rejected the Plan.

9       7. This Plan complies with applicable provisions of the Bankruptcy Code,  
10 thereby satisfying Section 1129(a)(1).

11       8. The Proponents of the Plan have complied with the applicable provisions of  
12 the Bankruptcy Code and other relevant law thereby satisfying Section 1129(a)(2).

13       9. The Plan has been proposed in good faith and not by an means forbidden by  
14 law thereby satisfying Section 1129(a)(3).

15       10. Payments made or promised to be made by Debtor for services or costs and  
16 expenses in connection with the case or the Plan have been disclosed to the Court, and  
17 will not be paid until approved by the Court, thereby satisfying Section 1129(a)(4).

18       11. The Plan and Disclosure Statement identify all persons appointed to serve as  
19 board members or liquidating trustee under the Plan, thereby satisfying Section  
20 1129(a)(5).

21       12. No governmental regulatory commission has jurisdiction over the rates  
22 charged by the Debtor, and therefore the requirements of Section 1129(a)(6) are not  
23 applicable to the Plan.

24       13. Each holder of a claim or interest of such class has accepted the Plan, or will  
25 receive or retain under the Plan on account of such claim or interest property of a value, as  
26 of the Effective Date of the Plan, that is not less than the amount such holder would  
27 receive under a chapter 7 liquidation thereby satisfying Section 1129(a)(7).

28       14. Section 1129(a)(9) is satisfied because, except to the extent that the holder

1 of a particular claim has agreed to a different treatment of such claim, the Plan provides  
2 that such holder of a priority claim will receive payment on account of such Allowed  
3 Claim on the later of the Effective Date or the date on which the Claim is Allowed.

4 15. At least one impaired class of Claims, determined without including any  
5 acceptance of the Plan by any insider holding a claim of such class, has accepted the Plan  
6 thereby satisfying Section 1129(a)(10).

7 16. The Plan is feasible and Section 1129(a)(11) has been satisfied.

8 17. The Plan does not discriminate unfairly among creditors or classes, and the  
9 designation of classes under the Plan is based upon the substantial similarity of all claims  
10 in each such class, is reasonable, was arrived at in good faith, and was not made for the  
11 purpose of affecting the vote in any such class, or for any improper purpose thereby  
12 satisfying Sections 1122 and 1123.

13 18. All fees payable under Section 1930 of Title 28 of the United States Code,  
14 as determined by the Court at the hearing on confirmation of the Plan, have been paid or  
15 the Plan provides for the payment of all such fees on the Effective Date of the Plan, and  
16 thereby satisfying Section 1129(a)(12).

17 19. The Debtor has no obligations for payment or continuation of retiree  
18 benefits under Section 1129(a)(13).

19 20. With respect to any rejecting class, the Plan does not discriminate unfairly  
20 and is fair and equitable with respect to each class of claims or interests that is impaired  
21 under and has not accepted the Plan, thereby satisfying the requirements of Section  
22 1129(b).

23 21. The Court finds that the transfer of the MP Fund fractional interests in the  
24 ML Loan Documents, including the ML Notes and ML Deeds of Trust, to the applicable  
25 Loan LLCs is not a change of business purpose under the MP Fund operating agreements  
26 and does not require any further vote of the MP Fund Investors in any MP Fund. The  
27 Court further finds that, among other things, based upon the balloting of the MP Fund  
28 Investors as reflected in the Ballot Report and based upon the terms of the Plan, the

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1 Debtor will be replaced as the manager of each of the MP Funds on the Effective Date and  
2 ML Manager LLC shall be deemed to be the new manager of each MP Fund. The Court  
3 further finds that the MP Funds may transfer such fractional interests to the applicable  
4 Loan LLC.

5           BASED ON THE FOREGOING, IT IS ORDERED, ADJUDGED, DECREED AS  
6 FOLLOWS:

7           A. All of the applicable requirements of Section 1129(a) have been satisfied or  
8 do not apply with respect to the Plan except for 1129(a)(8), and the Plan complies with the  
9 confirmation requirements of Section 1129(b).

10           B. The Plan, as modified hereby or on the record at the Confirmation Hearing,  
11 is hereby confirmed. All objections to confirmation of the Plan that have not been  
12 withdrawn, waived or settled shall be, and hereby are, overruled on the merits.

13           C. The Radical Bunny "Motion Under Bankruptcy Rule 3013 To Determine  
14 Proper Classification and Treatment of Rev-Op Investors Claims" and the Radical Bunny  
15 "Motion Under Bankruptcy Rule 3013 to Determine If Classification and Treatment of  
16 Claims in Classes 9, 11C, 11D and 11E is Appropriate" are denied for the reasons set  
17 forth on record at the Confirmation Hearing.

18           D. Pursuant to Section 1146(a), the issuance, transfer or exchange of notes or  
19 equity securities under the Plan, the creation of any mortgage, deed of trust or other  
20 security, the making or assignment of any lease or sublease or the making or delivery of  
21 any deed or other instrument of transfer under, in furtherance of, or in connection with the  
22 Plan, including any deeds, bills of sale or assignment executed in connection with any of  
23 the transactions contemplated under the Plan shall not be subject to any stamp, real estate  
24 transfer, speculative builder, transaction privilege, mortgage recording or other similar  
25 tax. All filing or recording officers, wherever located and by whomever appointed, are  
26 hereby directed to accept for filing or recording, and to file to record upon presentation  
27 thereof, all instruments of transfer without payment of any mortgage recording tax, stamp  
28 tax, real estate transfer tax, speculative builder, transaction privilege or other similar tax

1 imposed by federal, state or local law. The Court specifically retains jurisdiction to  
2 enforce the foregoing direction by whatever means within the Court's jurisdiction and  
3 power.

4 E. Pursuant to Section 1145, the offer and sale of the interests in the Loan  
5 LLCs and the issuance of the beneficial interests in the Liquidating Trust under the Plan  
6 satisfy the requirements of Section 1145(a) and the membership interests in the Loan  
7 LLCs and the beneficial interests in the Liquidating Trust are therefore exempt from  
8 registration under the Securities Act and state securities laws.

9 F. The Liquidating Trust established pursuant to the Plan is hereby approved  
10 and the issuance of the beneficial interests is authorized and approved. The Liquidating  
11 Trust Agreement, in substantially the form attached to the Disclosure Statement, is  
12 approved. Kevin O'Halloran is hereby approved and appointed as the Liquidating Trustee,  
13 and Joseph Baldino, David Goldman, Richard Shaw, James Merriman and Jan Sterling are  
14 hereby approved, confirmed and appointed as the initial members of the Trust Board. The  
15 Debtor and Plan Proponent are authorized to take all actions necessary to consummate the  
16 terms of the Liquidating Trust Agreement and to establish the Liquidating Trust, including  
17 the transfer of the Non-Loan Assets to the Liquidating Trust and the issuance of the new  
18 stock in the Reorganized Debtor to the Liquidating Trust. The Debtor, through any  
19 director or officer, and the Liquidating Trustee are authorized to execute any document  
20 necessary to effectuate and implement this Order and this paragraph.

21 G. The ML Manager LLC and the various Loan LLCs established pursuant to  
22 the Plan are hereby approved and the issuance of the membership interests in all the  
23 entities is hereby authorized and approved. Elliott Pollack, Scott Summers, Bruce  
24 Buckley, William Hawkins and Grant Lyon are hereby appointed and approved as the  
25 initial members of the Board of Managers pursuant to the Plan. The Debtor, the Plan  
26 Proponent and the Board of Managers are authorized to take all actions necessary to  
27 consummate the terms of the Plan and to establish the various entities, including but not  
28 limited to, transfer the Debtor's fractional interests and the MP Funds' fractional interests

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1 in the ML Notes, the ML Deeds of Trust and ML Loan Documents to the applicable Loan  
2 LLC pursuant to the Plan, transfer the existing agency agreements, powers of attorney,  
3 servicing agreements, and related contracts between Investors or MP Funds and the  
4 Debtor to the ML Manager LLC. The Debtor, through any director or officer, and the  
5 Board of Manager, through any manager authorized by the Board, are authorized to  
6 execute any document necessary to effectuate and implement this Order, the Plan and this  
7 paragraph. On the Effective Date, the Operating Agreement of each MP Fund shall be  
8 amended and restated substantially in the form attached to the Disclosure Statement, and  
9 the ML Manager LLC shall become the new Manager for each MP Fund.

10 H. The proposed Exit Financing is approved and the Liquidating Trust, the ML  
11 Manager LLC, the MP Funds, and the various Loan LLCs are authorized to enter into Exit  
12 Financing and take all actions necessary to effectuate such Exit Financing, including but  
13 not limited to, executing the necessary loan documents to implement Exit Financing,  
14 entering into an interborrower agreement, and pledging their assets. Such Exit Financing  
15 may be with Universal Equity Group and Strategic Capital Group, or its nominee or  
16 assigns, or with a substitute, replacement lender on more favorable terms in the sole  
17 discretion of the Plan Proponent without further order of the Court.

18 I. The Plan Proponent, Liquidating Trustee, ML Manager LLC, Reorganized  
19 Debtor, and Debtor are authorized, empowered and directed, without further order of the  
20 Court, to execute and deliver any instrument, security agreement, deed of trust, or other  
21 document and to perform any act that may be necessary, desirable or required for the  
22 consummation of the Plan.

23 J. The Court will retain jurisdiction for certain purposes as provided for in the  
24 Plan. The Court's retention of jurisdiction shall not, and does not, affect the finality of the  
25 Confirmation Order.

26 K. Pursuant to the Plan, from and after the Effective Date, the Liquidating  
27 Trustee, as to the Causes of Actions and Avoidance Actions relating to the Liquidating  
28 Trust, and the ML Manager LLC and/or Loan LLCs, as to the Causes of Action and

1 Avoidance Actions relating to the Loan LLCs and/or ML Manager LLC and the ML  
2 Notes and ML Loan Documents, shall be the successor of and the representative of the  
3 Estate pursuant to, among other things, Section 1123(b)(3)(B) of the Bankruptcy Code.  
4 Such Causes of Actions and Avoidance Actions shall vest in the Liquidating Trust, or as  
5 applicable the ML Manager LLC and/or the Loan LLCs, as the successor and the  
6 representative of the Estate.

7 L. The Maricopa County Treasurer filed an objection citing the incorrect  
8 interest rate for Class 2 Secured Tax Claims. Page 18 of the Plan is hereby modified to  
9 provide for the statutory rate of 16% per annum from the Petition Date until paid.

10 M. Pursuant to the agreement of the Plan Proponent and the Unsecured  
11 Creditors Committee, page 28 of the Plan is modified to include the following sentence on  
12 line14: "The unsecured claims listed on BR 133-135 of the Investors Committee's Trial  
13 Exhibits, excluding all Insider claims, are deemed Allowed in the amounts set forth in  
14 such Exhibit or in such creditor's timely filed proof of claim."

15 N. Pursuant to the agreement of the Plan Proponent, RBLLC and the  
16 Unsecured Creditors Committee, the following paragraph will be added to page 26 of the  
17 Plan: "The Debtor's estate owns interests in three of the MP Funds, MP122009, LLC,  
18 MP062011 LLC, and MP 122030 LLC (the "Debtor's MP Fund Interests"). The Debtor's  
19 MP Fund Interests shall be included in the RBLLC Loan Collateral treated as secured  
20 under Class 7 of the Plan; provided, however, that in the event the General Unsecured  
21 Creditors of Class 11A do not receive the \$2 Million priority payment from other sources  
22 following the later of: (1) payoff of the Exit Financing under the Plan, or (2) eighteen (18)  
23 months following the Effective Date, then the Class 11A General Unsecured Creditors  
24 shall be entitled to receive 50% of any funds arising from or distributed on account of the  
25 Debtor's MP Fund Interests on or after Confirmation until the Class 11A creditors have  
26 received on account of their Class 11A interests a total from all sources of \$2 Million.  
27 Class 11A shall be deemed to have a collateral secured interest in the Debtor's MP Fund  
28 Interests, which is deemed valid, perfected and pari passu with the RBLLC Class 7

1 security interests, until Class 11A has received a total of \$2 Million from all sources under  
2 the Plan. If Class 11A creditors receive amounts from the Debtor's MP Fund Interests  
3 pursuant to this paragraph, then following payments to Class 11A creditors on account of  
4 their Class 11A interests from all sources totaling \$2 Million, RBLLC Class 7 shall be  
5 subrogated for all purposes to the rights of Class 11A to receive the \$2 Million priority  
6 payment from the Liquidating Trust to the extent of the amounts paid to Class 11A from  
7 the Debtor's MP Fund Interests."

8 O. Arizona Bank & Trust ("AB&T") holds claims in Class 5 and Class 11A.  
9 Page 20 beginning on line 14 of the Plan concerning AB&T's Secured Claim in Class 5  
10 will be modified to provide for (1) payment of monthly interest at the rate of 7.25% per  
11 annum commencing within thirty (30) days of the Effective Date, and thereafter, on the  
12 first day of each month (the "Monthly Payments"); (2) the maturity date of the loan  
13 documents evidencing AB&T's Secured Claim will be extended to January 1, 2013 if not  
14 paid sooner by the sale or refinancing of the AB&T's collateral, as described in the Deed  
15 of Trust made for the benefit of AB&T (the "DOT"); (3) the agreed Secured Claim  
16 amount of \$6,482,596.27 for which AB&T will retain its liens pursuant to the DOT; (4)  
17 the DOT shall stay in place and in the event of a default under the DOT, the loan  
18 documents or any other agreement related thereto, including but not limited to, the failure  
19 to pay the Monthly Payment by the fifth day of each month or the failure to pay the full  
20 amount on or before January 1, 2013, AB&T will be able to immediately pursue its  
21 remedies under the DOT and applicable State law without further order of the Bankruptcy  
22 Court. The existing loan documents will be modified to reflect these changes. AB&T  
23 shall have an Unsecured Claim in Class 11A for \$2,010,652.78, which is the amount of its  
24 second note. On the Effective Date AB&T will receive a release from any and all  
25 Avoidance Actions and Causes of Action which the Estate may have against it. The  
26 Investors Committee has also agreed that if its Plan has not been confirmed or become  
27 effective prior to September 1, 2009, then the Investors Committee will not oppose a stay  
28 relief motion brought by AB&T. The Liquidating Trust shall actively market the sale of

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1 the AB&T collateral, timely pay all real estate taxes related the AB&T collateral, pay any  
2 and all unpaid real estate taxes, including any penalties related thereto, related to the  
3 AB&T collateral that have accrued prior to the Effective Date, and once a year at the  
4 request of AB&T order and pay for an appraisal of the AB&T collateral and share such  
5 appraisal with AB&T. Failure to comply with any of these provisions shall be deemed to  
6 be an event of default and AB&T will be able to immediately pursue its remedies under  
7 the DOT and applicable State law without further order of the Bankruptcy Court.

8 P. Pursuant to the agreement of the Plan Proponent and Gold Creek, the  
9 general contractor on the Chateaux on Central, which is owned by the Debtor, page 21 of  
10 the Plan is modified to reflect that (1) the Liquidating Trust will have 60 days after the  
11 Effective Date to review the validity of the mechanics liens of Gold Creek. If the  
12 Liquidating Trust agrees or does not object then the liens will be deemed valid. If the  
13 Liquidating Trust objects then the parties agree to binding arbitration of the validity of the  
14 liens. (2) If the liens are valid then Gold Creek retains its lien for \$3,046,126.71 and  
15 interest will accrue on that amount from the Effective Date of the Plan at 7.5% per annum.  
16 (3) The Trust will pay the debt on the sale or refinance of the Chateaux or the maturity  
17 date of 2 years from the Effective Date, which ever is earlier. (4) In the event that the  
18 debt has not been paid by the maturity date then Gold Creek may file a foreclosure action  
19 and the Liquidating Trust will not oppose such action.

20 Q. Pursuant to the agreement of the Plan Proponent and the MKG objectors and  
21 the Dijkman objector, the Plan is modified on page 53, line 9-11 to read: "No former or  
22 current officer, director or employee or agent, attorney, accountant, affiliate or Insider of  
23 Debtor is released from or indemnified for any liability for any actions or omissions prior  
24 to the Effective Date (the "Non-Released Parties")." Also the Plan is modified on page 54,  
25 line 17-19 to insert the following phrase after ML Loans "(excluding any interest in the  
26 ML Loans held by the Non-Released Parties)," and after the phrase Investors "(excluding  
27 any Investor who is a Non-Released Party)."

28 R. VTL Committee and the Investors Committee have reached a settlement of

1 the issues concerning the challenge to the VTL Fund security interest in the MP Funds  
2 assets. Option A on page 24 of the Plan shall be modified to reflect the terms set forth on  
3 Exhibit A which was attached to the Investors Committee's Confirmation Brief. The  
4 settlement is hereby approved and shall be implemented as provided in the Plan and in  
5 this Order.

6 S. Pursuant to the agreement of the Plan Proponent and certain materialman  
7 and mechanic lien holders of Borrowers, the Plan is modified to add the following  
8 paragraph: "Nothing in the Plan determines in what forum a lien priority dispute between  
9 a materialman or mechanic lien claimant of a Borrower of the Debtor and the Debtor will  
10 be litigated. Further, on or after the Effective Date of the Plan, nothing in the Plan or this  
11 Order shall act as an injunction or channeling order limiting or restricting the ability of  
12 any materialman or mechanic lien claimant of a Borrower of the Debtor from proceeding  
13 in a court of competent jurisdiction to adjudicate a lien priority dispute with respect to  
14 property owned by a Borrower of the Debtor."

15 T. Pursuant to the agreement of Plan Proponent and RBLLC, the modification  
16 to Section 3.6(g) of the Plan set forth in the Investors Committee's Confirmation Brief  
17 and the objection to RBLLC's proofs of claim are withdrawn. The Plan is modified to  
18 provide for only one Board seat for RBLLC, which shall be on the Board of Managers for  
19 the ML Manager LLC. The Plan shall be modified to include a new Section 7.6 as  
20 follows: "All Investors shall be deemed to have an Allowed Investor Damage Claim. As  
21 for the Non-Revolving Opportunity Pass-Through Investors and the MP Funds and the  
22 MP Fund Investors, upon written notification by the Liquidating Trustee to the RBLLC  
23 representative and Investors representative to be selected by the Trust Board of the  
24 availability of at least \$500,000 in funds for distribution to beneficiaries of the Liquidating  
25 Trust beyond those funds required for distribution on account of the Allowed Claims of  
26 General Unsecured Creditors, RBLCC representative and the Investor representative shall  
27 have 60 days to bring a contested matter or adversary proceeding in the Bankruptcy Court  
28 to subordinate the Allowed Investors Damage Claims of the Non-Revolving Opportunity

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1 Pass-Through Investors or the MP Funds or MP Funds Investors under Section 510(b) or  
2 the Class 11B RLLC Unsecured Claim under Section 510(b) or (c). To the extent that a  
3 contested matter or an adversary proceeding is brought and allowed to proceed seeking  
4 such subordination, RLLC and the Plan Proponent agree that the litigation shall first be  
5 mediated before a Bankruptcy Judge in the District of Arizona and if not settled shall be  
6 litigated before the Bankruptcy Court. The Liquidating Trust shall reserve and provide  
7 funds for such litigation, up to \$100,000 each for the RLLC representative and the  
8 Investor representative to pursue or defend such litigation.”

9 U. Pursuant to the agreement of the Plan Proponent and Sheldon Sternberg, the  
10 Plan is modified as follows:

11 1. Delete from Section 4.11 of the Plan, page 37, lines 23 and 24, the  
12 phrase “and will be deemed modified to conform with the terms of the operating  
13 agreements of the ML Manager and each Loan LLC.”

14 2. Insert in Section 4.06, page 36, line 6, at the end of the sentence after  
15 Loan LLCs the phrase “and Pass-Through Investors who retained their fractional interests  
16 in the ML Loans.”

17 3. Insert in Section 4.13, page 39, line 6 before the last sentence:  
18 “Before such distributions are made, Pass-Through Investors who retain their fractional  
19 interests in the ML Loans shall be assessed their proportionate share of costs and expenses  
20 of serving and collecting the ML Loans in a fair, equitable and nondiscriminatory manner  
21 and shall be reimbursed in the same manner as the other Investors.

22 V. Pursuant to the agreement of the Grace Entities and the Plan Proponent, the  
23 following is added as a modification to the Plan:

24 ADR Procedures for Grace Entity Claims

25 For purposes of this section of the Order and the Alternative Dispute  
26 Resolution Procedures (“ADR Procedures”) with the Grace Entities, the following  
27 terms shall have the indicated defined meanings. Other capitalized words and  
28 phrases shall have the meanings set forth in the Plan.

1. “Grace Entities” means Central & Monroe, LLC; Osborn III  
Partners, LLC; 44th & Camelback Property, LLC; 70th Street Property, LLC; and

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Portales Place Property, LLC.

2. "Grace Guarantors" means all guarantors of any loan made by ML to any of the the Grace Entities.

3. "Grace Investors" means all Investors who hold a participating or beneficial interest in one or more ML Loans to the Grace Entities as of the Effective Date.

4. "Grace ADR" means the alternative dispute resolution procedure described herein.

5. "Grace Dispute" means all Claims and Causes of Action against ML held by one or more of the Grace Entities, and all Claims and Causes of Action against the Grace Entities and/or the Grace Guarantors held by ML or the ML Investors, including but not limited to any and all Claims and Causes of Action that have been or may be asserted by and between the aforementioned parties, all Claims and Causes of Action arising under the loan documents entered into by and between ML and the Grace Entities, all guarantees in connection therewith, all counterclaims in connection therewith, any Claims or Causes of Action arising out of or related in any way to ML's failure to timely and fully fund its loans to the Grace Entities, and all Claims and Causes of Action arising out of ML's conduct regarding those loans.

The Grace ADR shall be implemented as follows:

In lieu of litigation in the Bankruptcy Court or any other court or tribunal, the Grace Dispute shall be resolved through the following alternative dispute resolution procedure, defined herein as the "Grace ADR." During the mediation and arbitrations to be conducted hereunder, no litigation or enforcement action (including but not limited to foreclosure actions or trustee's sales) shall be taken against the Grace Entities, the Grace Guarantors, or any property (real or personal) that serves as collateral for any loan made by ML to any of the Grace Entities, and any litigation or other enforcement actions currently pending shall be immediately dismissed or withdrawn as appropriate in light of the parties' agreement to conduct the Grace ADR.

The parties required to participate in the Grace ADR shall be the Grace Entities, the Grace Guarantors, ML, or its successor ML Manager, LLC, and any Loan LLC formed to own an interest in any loan with one or more of the Grace Entities. ML, ML Manager, and any of the Loan LLCs will be deemed to be acting in their interest and in their capacity, if any, as the agent for any and all Grace Investors who retain an ownership in any note or deed of trust issued in connection with any loan between ML and the Grace Entities.

The Grace ADR shall consist of an initial mediation, and shall be followed by binding bifurcated arbitration, as described below, if mediation fails to result in a written settlement agreement mutually acceptable to all of the parties that resolves some or the entirety of the Grace Dispute. The mediator shall be a single individual, who shall be chosen by mutual agreement of the parties, or by the Bankruptcy Court on an expedited basis in the event the parties are unable to agree on who shall serve as mediator.

If mediation is unsuccessful, the arbitrator shall be a single individual, who shall be chosen by mutual agreement of the parties, or by the Bankruptcy Court on

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an expedited basis in the event the parties are unable to agree on who shall serve as arbitrator. If appointed by the Court, the arbitrator shall be a retired or former state court or federal judge.

The first stage of arbitration shall be devoted to the issue of whether ML's loans to the Grace Entities and the parties' intent and conduct was such that the dispute between ML and all of the Grace Entities should be arbitrated in a single arbitration in which the Grace Entities are entitled to assert claims or defenses from one loan in connection with other loans or claims, or whether each of the Grace Entities and their loans are separate and distinct, and thus should be arbitrated separately. The parties have referred to this as the issue of whether the loans are bundled together (the "Bundling Issue"). The parties shall be entitled to present evidence and legal argument regarding their respective positions on the Bundling Issue. After the arbitrator has determined the Bundling Issue, and after giving the parties at least 14 calendar days to prepare for the second portion of the Grace ADR, the arbitrator shall consider and rule on any and all other of the Grace Claims presented, including, without limitation, the obligation of any or all of the Grace Entities to repay any loan; whether there are any defenses to repayment of any loan, and if so, what amount, if any of a loan must be repaid; any damage claims that any or all of the Grace Entities may have against ML that exceed the amount of a loan; whether any or all of the Grace Entities are entitled to an offset against any loan; whether any or all of the Grace Entities have claims against ML relating in any way to ML's failure to fund one or more of the loans to the Grace Entities; whether any or all of the Grace Entities have claims against ML relating in any way to any and all loan commitments and any related agreements or revisions to those commitments or agreements; whether there are any legal or equitable defenses to a trustee's sale; and the amount due, if any, by the Grace Guarantors.

Each of the parties may be represented by counsel at each stage of the Grace ADR. No later than thirty (30) days from the Effective Date, the parties shall have selected a mediator, or applied to the Court for the appointment of a mediator. Within 14 days of appointment, the mediator shall conduct an initial pre-mediation conference with the parties to discuss and determine the future conduct of the mediation, including clarification of the issues and claims involved in the Grace Dispute, a schedule for the mediation conference, and any other preliminary matters. If the parties cannot agree on specific procedures for conducting the mediation, they shall be established by the mediator. The mediation shall conclude, in any event, no later than sixty (60) days from the Effective Date, unless the parties mutually agree in writing to extend the mediation conclusion deadline to a later date, or so ordered by the Court (the "Mediation Period").

At any time following the Mediation Period, any of the parties may issue a written demand for arbitration. The parties shall then have seven (7) days from the sending of that demand to agree on the selection of an arbitrator. Absent an agreement, any party may apply to the Court on an expedited or emergency basis for the appointment of an arbitrator. In connection with such an application, any party may nominate a qualified arbitrator and request that that arbitrator be appointed. The nomination must comply with the qualification requirement set forth above, and the nominating party must determine and avow to the Court that the proposed arbitrator is available, willing to serve, and would not have any ethical conflicts. Within seven (7) days of the selection of the arbitrator, the arbitrator shall conduct a preliminary hearing to discuss and determine the future conduct of the arbitration, including the schedule for the arbitration hearing(s) and any other preliminary matters. If the parties cannot agree on specific procedures for conducting the arbitration, they shall be established by the arbitrator generally

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1 using the rules of Commercial Arbitration as published by the American  
2 Arbitration Association as a guide. The arbitration shall conclude and the  
3 arbitrator shall issue his written decision and award, in any event, no later than  
4 September 1, 2009, by personal electronic service on the parties' respective  
5 counsel, unless the parties mutually agree in writing to extend the arbitration  
6 conclusion deadline to a later date. In reaching his or her decision, the arbitrator  
7 shall apply Arizona law.

8 The arbitrator's final decision and award shall be final and binding on, and  
9 may not be appealed by, all of the parties required to participate in the Grace ADR.  
10 The Bankruptcy Court shall retain jurisdiction to enforce any agreement resulting  
11 from the mediation, or any written decision and award issued by the arbitrator. All  
12 other expenses of the Grace ADR, including required travel and other expenses of  
13 the mediator and arbitrator, and any witness and the cost of any proof produced at  
14 the direct request of the mediator or arbitrator, shall be subject to the award of the  
15 arbitrator. The Grace ADR and Grace Claims shall not include, and the mediator  
16 and arbitrator shall not hear or rule upon, any claims held by any of the Grace  
17 Entities against some or all of the Grace Investors, or otherwise by any of the  
18 parties in the Grace ADR against any third party, all such claims being expressly  
19 reserved.

20 W. Section 4.7 of the Plan is modified on page 36, line 14 to insert the phrase  
21 "except for the fractional interests of Pass-Through Investors who do not within sixty (60)  
22 days after the Effective Date agree to transfer their fractional interests into the applicable  
23 Loan LLC. The transfer shall be voluntary for the Pass-Through Investors, who may agree  
24 to transfer their fractional interests by marking the Ballot or by serving on counsel for the  
25 Investors Committee a written notice stating their agreement to transfer their fractional  
26 interests to the applicable Loan LLC."

27 X. Section 4.12 of the Plan is modified on page 38, line 21 as follows "all  
28 servicing fees, interest spread, default interest, impounds, extension fees and other money  
which were to be received by Debtor relating to the ML Loans, may be transferred to the  
applicable Loan LLCs (and Pass-Through Investors who retain their fractional interests in  
the ML Loans) from which the fees or interest derived, however, the ML Manager LLC as  
manager and as agent, shall have the option, at it sole discretion, to collect all such  
revenues accruing after the Effective Date and use them in the operations of the Loan  
LLCs and the ML Manager LLC, and shall account for them as advances from the  
applicable Loan LLCs (and Pass-Through Investors who retain their fractional interests in  
the ML Loans). As to such revenues accruing before the Effective Date, they shall be

1 collected by the ML Manager and used in the operations of the Loan LLCs only to the  
2 extent that the principal and non-default interest owing on the underlying loan is paid in  
3 full.”

4 Y. The Exculpation provision on page 53, beginning at line 22 and continuing  
5 to page 54, and ending at line 5, shall be deleted in its entirety.

6 Z. Pursuant to the agreement of the Plan Proponent and Tempe Land  
7 Company, the Plan is modified to reflect the following agreement: “As for Borrower  
8 Tempe Land Company (“TLC”), which is a debtor in its own chapter 11 bankruptcy  
9 proceeding in Case No. 2:08-bk-17587 (the “TLC case”), either TLC or the Plan  
10 Proponent may file motions in both the TLC case or the Debtor’s case to determine which  
11 Bankruptcy Court will decide and resolve the matters involving the claims and causes of  
12 action and other issues asserted or which may be asserted by the Debtor’s Estate or the  
13 TLC estate against each other. Each party may make any and all arguments and take any  
14 and all actions concerning such matters but the ultimate decision shall reside with the two  
15 Bankruptcy Courts. Nothing in this Plan or Confirmation Order shall pre-determine what  
16 forum in which the applicable disputes between the Debtor’s Estate or the TLC estate will  
17 be litigated, and nothing in the Plan or Confirmation Order shall have any res judicata or  
18 collateral estoppel effect upon the merits of any claim, claim objection, adversary matter  
19 or other proceeding concerning TLC or Debtor. Further, on or after the Effective Date of  
20 the Plan, nothing in the Plan or Confirmation Order shall act as an injunction or  
21 channeling order as to the forum for litigation of such disputes involving TLC and  
22 Debtor.”

23 AA. On the Effective Date the Equity Interests of Debtor shall be deemed  
24 cancelled and extinguished without further act or action under any applicable agreement,  
25 law, regulation, order or rule. The Debtor, through any officer or director, shall be  
26 authorized to sign the Amended and Restated Articles of the Debtor, as approved by the  
27 Plan Proponent.

28 BB. The modifications and changes to the Plan made in this Order and on the

1 record at the Confirmation Hearing are not materially adverse to any party in interest and  
2 are expressly approved by the Court and shall be incorporated into the Plan.

3 CC. The 10 day stay of a Confirmation Order under Bankruptcy Rule 3020(e) is  
4 hereby waived and shall not be applied to this Order.

5 SO ORDERED AND DATED AND SIGNED ABOVE.

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FENNEMORE CRAIG, P.C.

PHOENIX

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5 Attorneys for Official Committee  
 6 of Investors

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IN THE UNITED STATES BANKRUPTCY COURT  
 FOR THE DISTRICT OF ARIZONA

<p>In re          MORTGAGES LTD.,          Debtor.</p>	<p>Chapter 11          Case No. 2:08-bk-07465-RJH</p>
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**THE OFFICIAL COMMITTEE OF INVESTORS'  
 FIRST AMENDED PLAN OF REORGANIZATION DATED MARCH 12, 2009**

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ARTICLE I

INTRODUCTION

This plan of reorganization as amended (defined herein as the "Plan," including any modifications hereto) is proposed, pursuant to the provisions of 11 U.S.C. § 1101, *et seq.*, by THE OFFICIAL COMMITTEE OF INVESTORS ("Investors Committee"), which is a party in interest in the above-entitled Chapter 11 case of MORTGAGES LTD. ("ML" or the "Debtor"). Investors Committee requests confirmation of the Plan pursuant to 11 U.S.C. § 1129(a) and (b).

ARTICLE II

DEFINITIONS AND RULES OF INTERPRETATION

The terms set forth in this Article II shall have the respective meanings hereinafter set forth. Any capitalized term used but not otherwise defined herein shall have the meaning given to that term in the Bankruptcy Code (as hereinafter defined). Whenever the context requires, such terms include the plural as well as the singular, the masculine gender includes the feminine gender, and the feminine gender includes the masculine gender.

**2.1 Accelerated Recovery** means, as to RBLLC and the Revolving Opportunity Investors' unsecured claims and beneficiary interests in the Liquidating Trust, available payments for distribution from the Liquidating Trust (after repayment of the Exit Financing, payment of the Secured Claims on the Non-Loan Assets, the operating expenses of the Liquidating Trust and the \$2 million priority payment to the Ordinary Course Trade Creditors who hold Class 11A General Unsecured Claims) equal to their pro rata share of total beneficiary interests in the in the Liquidating Trust multiplied by 110%.

**2.2 Administrative Claim** means an Allowed Claim for any cost or expense of administration of the Chapter 11 Case allowed under Sections 503(b) or 507(b) of the Bankruptcy Code and entitled to priority under Section 507(a)(1) of the Bankruptcy Code,

1 including, without limitation: (a) fees payable under 28 U.S.C. §1930; (b) actual and  
2 necessary costs and expenses of preserving the Debtor's Estate or administering the  
3 Chapter 11 Case; (c) all compensation and expenses of Professional Persons to the extent  
4 Allowed by Final Order under Sections 330, 331, or 503 of the Bankruptcy Code; and  
5 expenses of members appointed to a Committee to the extent Allowed by Final Order  
6 under Section 503(b)(3)(F).

7 **2.3 Administrative Claim Bar Date** means the Effective Date plus 20 days or  
8 dates established by the Bankruptcy Court for the filing of Administrative Claims,  
9 including Claims for Professional Fees.

10 **2.4 Allowed** means, with respect to any Claim against, or Interest in, the  
11 Debtor: (a) proof of which, requests for payment of which, or application for allowance of  
12 which, was filed or deemed filed on or before the Bar Date, the Administrative Claim Bar  
13 Date, or the Professional Fee Bar Date, as applicable, for filing proofs of Claim or Interest  
14 or requests for payment for Claims of such type against the Debtor; or (b) a Claim or  
15 Interest that is allowed in any contract, instrument, indenture, or other agreement entered  
16 into in connection with the Plan and as to which no objection to its allowance has been  
17 interposed within the applicable period of limitation fixed by the Plan, the Bankruptcy  
18 Code, the Bankruptcy Rules, or the Bankruptcy Court.

19 **2.5 Arizona Bank Secured Claims** means the Allowed Secured Claims based  
20 on a note or notes to Arizona Bank & Trust as lender, by Debtor, as borrower, which are  
21 determined to be secured by the Liens on property in Fountain Hills and Scottsdale,  
22 Arizona, respectively owned by the Debtor.

23 **2.6 Artemis Secured Claims** means the Allowed Claims based on a promissory  
24 note dated March 7, 2008 executed by the Debtor, as maker, secured by the Liens  
25 consisting of a deed of trust on property owned by the Debtor known as Central &  
26 Highland, located in Phoenix, Arizona.

1           **2.7 Avoidance Actions** means all statutory causes of actions preserved for the  
2 Estate under Sections 510, 542, 543, 544, 545, 547, 548, 549, and 550 of the Bankruptcy  
3 Code against any Person, including but not limited to various parties identified on Exhibit  
4 1 attached hereto and incorporated herein by reference. Failure to list an Avoidance  
5 Action or Cause of Action in the Plan or Disclosure Statement does not constitute a  
6 waiver or release by the Debtor or the Liquidating Trustee, the ML Manager LLC or the  
7 Loan LLCs of such Avoidance Action or Cause of Action.

8           **2.8 Ballot** means the ballot accompanying the Plan and Disclosure Statement on  
9 which Creditors who are entitled to vote on the Plan will indicate their vote to accept or  
10 reject the Plan.

11           **2.9 Bankruptcy Code** means Title 11 of the United States Code, 11 U.S.C.  
12 §§101-1330, as amended from time to time and as applicable to the Chapter 11 Case.

13           **2.10 Bankruptcy Court** means the United States District Court for the District  
14 of Arizona having jurisdiction over the Chapter 11 Case and, to the extent of any  
15 reference made to 28 U.S.C. §157, the bankruptcy unit of such District Court constituted  
16 pursuant to 28 U.S.C. §151.

17           **2.11 Bankruptcy Rules** means, collectively, the Federal Rules of Bankruptcy  
18 Procedure as promulgated under 28 U.S.C. §2075 and any Local Rules of the Bankruptcy  
19 Court, as applicable to the Chapter 11 Case.

20           **2.12 Bar Date** means October 7, 2008 for some Claims and January 6, 2009 for  
21 Investors, the MP Funds, and the VTL Fund and any other applicable date or dates fixed  
22 by the Bankruptcy Court by which Persons asserting a Claim against the Debtor (*except*  
23 Administrative Claims and Claims for Professional Fees) must file a proof of claim or be  
24 forever barred from asserting a Claim against the Debtor or its property, from voting on  
25 the Plan, and from sharing in distributions under the Plan.

26

1           **2.13 Borrower** means the third party borrower under the ML Loans to whom the  
2 Debtor originally made a ML Loan.

3           **2.14 Borrowers' Claims** means the Claims based on the Borrowers' alleged  
4 lender liability and other causes of actions, including the right of recoupment or setoff,  
5 asserted by a Borrower against their respective ML Loan and this Estate or the Investors.

6           **2.15 Business Day** means any day other than a Saturday, Sunday, or legal  
7 holiday (as defined in Bankruptcy Rule 9006) and any other day on which commercial  
8 banks in Phoenix, Arizona are authorized to close.

9           **2.16 Cash** means currency, checks drawn on a bank insured by the Federal  
10 Deposit Insurance Corporation, certified checks, money orders, negotiable instruments,  
11 and wire transfers of immediately available funds.

12           **2.17 Causes of Action** means all rights, claims, torts, liens, liabilities,  
13 obligations, actions, causes of action, avoiding powers, proceedings, debts, contracts,  
14 judgments, offsets, damages and demands whatsoever in law or equity, whether known or  
15 unknown, contingent or otherwise, that the Debtor and its Bankruptcy Estate may have  
16 against any Person, including but not limited to any state or federal cause of action or  
17 claim against various parties identified on Exhibit 1 attached hereto and incorporated  
18 herein by reference. Causes of Action do not include Avoidance Actions. Failure to list a  
19 Cause of Action or Avoidance Action in the Plan or Disclosure Statement does not  
20 constitute a waiver or release by the Debtor or the Liquidating Trustee, ML Manager LLC  
21 or Loan LLCs of such Cause of Action.

22           **2.18 Chapter 11 Case** means the case under Chapter 11 of the Bankruptcy Code  
23 in which Debtor is the debtor and debtor-in-possession, commenced as an involuntary  
24 Chapter 7 case on June 20, 2008, converted to a Chapter 11 case on June 24, 2008, and  
25 pending before the Bankruptcy Court.

26

1           **2.19 Claim** means a claim against a Person or its property as defined in Section  
2 101(5) of the Bankruptcy Code, including, without limitation: (a) any right to payment,  
3 whether or not such right is reduced to judgment, liquidated, unliquidated, fixed,  
4 contingent, mature, unmatured, disputed, undisputed, legal, equitable, secured, or  
5 unsecured, arising at any time before the Effective Date; or (b) any right to an equitable  
6 remedy for breach of performance if such breach gives rise to a right to payment, whether  
7 or not such right to an equitable remedy is reduced to judgment, fixed, contingent,  
8 matured, unmatured, disputed, undisputed, secured, or unsecured.

9           **2.20 Class** means a category of holders of Claims or Interests which are  
10 substantially similar in nature to the Claims or Interests of other holders placed in such  
11 category, as designated in Article III of the Plan.

12           **2.21 Committee** means any one of the following: Investors Committee,  
13 Unofficial Investors Committee, VTL Committee, and the Unsecured Creditor  
14 Committee.

15           **2.22 Confirmation Date** means the date on which the Bankruptcy Court enters  
16 the Confirmation Order.

17           **2.23 Confirmation Hearing** means the hearing held by the Bankruptcy Court to  
18 consider confirmation of the Plan under Section 1129 of the Bankruptcy Code, as such  
19 hearing may be adjourned from time to time.

20           **2.24 Confirmation Order** means the order of the Bankruptcy Court confirming  
21 the Plan in accordance with the Bankruptcy Code.

22           **2.25 Creditor** means any holder of a Claim, whether or not such Claim is an  
23 Allowed Claim, encompassed within the statutory definition set forth in Section 101(10)  
24 of the Bankruptcy Code.

25           **2.26 Cure** means the payment of Cash, or such other property as may be agreed  
26 upon by the parties or ordered by the Bankruptcy Court, with respect to the assumption of

1 an executory contract or unexpired lease pursuant to Section 365(b) of the Bankruptcy  
2 Code or with respect to any other Debt Instrument, in an amount equal to: (a) all unpaid  
3 monetary obligations due under such executory contract or unexpired lease or required to  
4 pay or bring current the Debt Instrument and thereby reinstate the debt and return to the  
5 pre-default conditions, to the extent such obligations are enforceable under the  
6 Bankruptcy Code and applicable non-bankruptcy law; and (b) with respect to any Debt  
7 Instrument, if a Claim arises from the Debtor's failure to perform any nonmonetary  
8 obligation as set forth in Bankruptcy Code Sections 1124(2)(C) and 1124(2)(D), payment  
9 of the dollar payment amount which compensates the holder of such a Claim for any  
10 actual pecuniary loss incurred by such holder as a result of any such failure, in the dollar  
11 amount of the Claim that is established by the Claimant's sworn declaration and  
12 accompanying admissible evidence filed with the Bankruptcy Court and served upon  
13 counsel for Plan Proponent on or before the Objection Date.

14 **2.27 Debt Instrument** means a promissory note, other transferable instrument or  
15 other document evidencing any payment obligation, expressly excluding any RLLC  
16 promissory notes and any obligations to Investors.

17 **2.28 Debtor** means Mortgages Ltd. ("ML"), as debtor and debtor-in-possession  
18 in the Chapter 11 Case, in accordance with Section 1107 and 1108 of the Bankruptcy  
19 Code.

20 **2.29 Disallowed** means, with respect to a particular Claim, all or any portion of a  
21 Claim that has been disallowed by a Final Order.

22 **2.30 Disclosure Statement** means the written disclosure statement relating to the  
23 Plan including, without limitation, all exhibits and schedules to such disclosure statement,  
24 in the form approved by the Bankruptcy Court under Section 1125 of the Bankruptcy  
25 Code and Bankruptcy Rule 3017.

26

1           **2.31 Disputed** means, with respect to Claims or Interests, any Claim or Interest:  
2 (a) that is listed in the Schedules as unliquidated, disputed, or contingent; or (b) as to  
3 which the Debtor or any other party in interest has interposed a timely objection or request  
4 for estimation, or has sought to equitably subordinate or otherwise limit recovery in  
5 accordance with the Bankruptcy Code and the Bankruptcy Rules, or which is otherwise  
6 disputed by the Debtor in accordance with applicable law, such objection, request for  
7 estimation, action to limit recovery or dispute has not been withdrawn or determined by a  
8 Final Order; or (c) that is a contingent Claim.

9           **2.32 Effective Date** means the later of: (a) the first Business Day that is at least  
10 eleven days after the Confirmation Date and on which no stay of the Confirmation Order  
11 is in effect; and (b) the Business Day on which all of the conditions set forth in Section  
12 5.1 of the Plan have been satisfied or waived.

13           **2.33 Equity Interests** means any ownership interest or share in the Debtor at the  
14 Petition Date, whether or not transferable, preferred, voting or denominated "stock" or a  
15 similar security.

16           **2.34 Estate** means the estate for the Debtor created in the Chapter 11 Case in  
17 accordance with Section 541 of the Bankruptcy Code.

18           **2.35 Exit Financing** means the financing provided by a third party lender on the  
19 terms as set forth on Exhibit O to the Disclosure Statement which will be used to  
20 consummate the Plan on the Effective Date pursuant to the terms of the Plan, or financing  
21 on more favorable terms with a substitute lender.

22           **2.36 Final Order** means an order or judgment of the Bankruptcy Court: (a) as to  
23 which the time to appeal, petition for *certiorari*, or move for reargument or rehearing has  
24 expired; or (b) as to which no appeal, petition for *certiorari*, or other proceedings for  
25 reargument or rehearing is pending; or (c) as to which any right to appeal, petition for  
26 *certiorari*, reargue, or rehear has been waived in writing in form and substance

1 satisfactory to the Debtor; or (d) if an appeal, writ of *certiorari*, or reargument or  
2 rehearing has been sought, as to which the highest court to which such order was  
3 appealed, or *certiorari*, reargument or rehearing has determined such appeal, writ of  
4 *certiorari*, reargument, or rehearing, or has denied such appeal, writ of *certiorari*,  
5 reargument, or rehearing, and the time to take any further appeal, petition for *certiorari*, or  
6 move for reargument or rehearing has expired; *provided, however*, that the possibility that  
7 a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any  
8 analogous rule under the Bankruptcy Rules, may be filed with respect to such order does  
9 not prevent such order from being a Final Order.

10       **2.37 General Unsecured Claim** means any Allowed Claim against the Debtor as  
11 of the Petition Date not secured by a charge against or interest in property of the Estate,  
12 and that is not: (a) an Administrative Expense Claim; (b) a Priority Tax Claim; (c) a  
13 Priority Claim; or (d) a Claim for Professional Fees.

14       **2.38 Insider** shall have the meaning set forth in Section 101(31) of the  
15 Bankruptcy Code.

16       **2.39 Investors Committee** means the Official Committee of Investors.

17       **2.40 Investors** means all Persons holding fractional or participating interests in  
18 the ML Loans or in the MP Funds which hold fractional or participating interests in the  
19 ML Loans, whether as a pass-through investor or an investor under the MP Funds,  
20 excluding the Debtor.

21       **2.41 Investors Damages** means the amount of principal plus accrued unpaid  
22 interest through the Order For Relief Date that the Investors do not receive from the Loan  
23 LLC after the ML Notes are paid in full or after reasonable collection efforts are  
24 exhausted by the Loan LLC.

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1           **2.42 Involuntary Chapter 7 Case** means the involuntary petition filed by certain  
2 Borrowers against Debtor on June 20, 2008 which the Debtor converted to a chapter 11  
3 voluntary case which is the subject of this Plan.

4           **2.43 Lease** means the existing lease for premises located at 4455 East Camelback  
5 Road, Phoenix, Arizona, between the Debtor and SM Coles LLC.

6           **2.44 Lien** shall have the meaning set forth in Section 101(37) of the Bankruptcy  
7 Code.

8           **2.45 Liquidating Trust** means the Liquidating Trust established on the Effective  
9 Date pursuant to Article VI of the Plan and the Liquidating Trust Agreement.

10           **2.46 Liquidating Trustee** means the Person to be named by the Plan Proponent  
11 prior to the Confirmation Hearing and approved by the Bankruptcy Court in the  
12 Confirmation Order to manage the Liquidating Trust pursuant to the Plan and the  
13 Liquidating Trust Agreement.

14           **2.47 Liquidating Trust Agreement** means the ML Liquidating Trust Agreement  
15 to be entered into by the Liquidating Trustee before the Confirmation Date setting forth  
16 the terms of the Liquidating Trust which will govern the operations of the Liquidating  
17 Trust, a copy of which in substantially the form to be adopted is attached as Exhibit H to  
18 the Disclosure Statement. The Liquidating Trust Agreement can be amended at any time  
19 before the Confirmation Hearing.

20           **2.48 Liquidation Fund** means that deposit account to be established on or before  
21 the Effective Date to hold funds received from the Non-Loan Assets and recoveries from  
22 Avoidance Actions and Causes of Action for distribution to holders of Allowed Claims  
23 pursuant to the Plan. The Exit Financing and the costs and expenses of the Liquidating  
24 Trust, the Liquidating Trustee, and the Trust Board shall be paid out of the Liquidation  
25 Fund.  
26

1           **2.49 Loan LLCs** means between 47 and 60 separate limited liability companies  
2 to be organized pursuant to the Plan to hold each of the ML Loans pursuant to Article IV  
3 of the Plan. Each limited liability company will be governed in accordance with a  
4 separate operating agreement. The Manager for each Loan LLC shall be the ML Manager  
5 LLC.

6           **2.50 ML Deeds of Trust** means the deeds of trust and other security documents  
7 securing the ML Notes granted by third party Borrowers to the Debtor, which ML Deeds  
8 of Trust will be transferred to the respective separate Loan LLCs pursuant to the Plan.

9           **2.51 ML Loan Documents** means all loan documents that evidence or secure the  
10 ML Loans, including the ML Notes and ML Deeds of Trust, and all related  
11 correspondence and other books and records regarding the ML Loans.

12           **2.52 ML Loans** means the loans evidenced by the ML Notes and ML Deeds of  
13 Trust and ML Loan Documents which will be transferred to separate Loan LLCs pursuant  
14 to the Plan or if the ML Deed of Trust has been foreclosed upon the real property and the  
15 ML Loan Documents will be transferred to the Loan LLC.

16           **2.53 ML Manager LLC** means the new limited liability company to be  
17 organized pursuant to the Plan which will be the non-economic Manager of each of the  
18 Loan LLCs and the MP Funds. The ML Manager LLC will be governed in accordance  
19 with an operating agreement. The Managers of the ML Manager LLC shall be the Board  
20 of Managers pursuant to the Plan and the operating agreement

21           **2.54 ML Notes** means the promissory notes evidencing loans from the Debtor to  
22 third-party Borrowers, which are secured by the ML Deeds of Trust and ML Loan  
23 Documents and which will be transferred to separate Loan LLCs pursuant to the Plan.

24           **2.55 MP Funds** means MP122009 L.L.C., an Arizona limited liability company,  
25 MP062011 L.L.C., an Arizona limited liability company, MP122030 L.L.C., an Arizona  
26 limited liability company, Mortgages Ltd. Opportunity Fund MP12, L.L.C., an Arizona

1 limited liability company, Mortgages Ltd. Opportunity Fund MP13, L.L.C., an Arizona  
2 limited liability company, Mortgages Ltd. Opportunity Fund MP14, L.L.C., an Arizona  
3 limited liability company, Mortgages Ltd. Opportunity Fund MP15, L.L.C., an Arizona  
4 limited liability company, Mortgages Ltd. Opportunity Fund MP16, L.L.C., an Arizona  
5 limited liability company, and Mortgages Ltd. Opportunity Fund MP17, L.L.C., an  
6 Arizona limited liability company.

7       **2.56 MP Funds Investors** means the members of the MP Funds who have  
8 purchased and own membership interests in the respective MP Fund.

9       **2.57 MP Funds Operating Agreements** means all operating agreements and  
10 related contracts between Debtor and MP Funds.

11       **2.58 Non-Loan Assets** means and includes all assets that are not used to make  
12 those payments that are due on the Effective Date of the Plan, and that are not transferred  
13 to one of the ML Manager LLC or the Loan LLCs on the Effective Date of the Plan. Non-  
14 Loan Assets shall specifically include all of the Debtor's interest in real property;  
15 avoidance and third-party claims; Avoidance Actions and Causes of Action; tangible  
16 assets, including, without limitation, computers, intellectual property, furniture, fixtures  
17 and equipment; and employee and related business contracts and customer lists, excluding  
18 existing servicing rights or agency agreements, related to the ML Loans, and excluding  
19 the Debtor's rights, if any, to interest spread, fees, extension fees, default interest and  
20 other interest, fees and charges arising out of or related to the ML Loans or the servicing  
21 rights or agency agreements.

22       **2.59 Objection Date** means the date established by the Bankruptcy Court to file  
23 objections to confirmation of the Plan.

24       **2.60 Order for Relief Date** means June 24, 2008, the date on which the Chapter  
25 11 Case was converted to a Chapter 11 case and the Order for Relief was entered.

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1           **2.61 Ordinary Course Professionals** means professionals employed by the  
2 Debtor during the Bankruptcy and approved by the Court.

3           **2.62 Ordinary Course Trade Creditors** means the General Unsecured  
4 Creditors of Debtor who hold Allowed Unsecured Claims who are not RBLLC, Investors,  
5 Borrowers or VTL Fund Investors or the VTL Fund.

6           **2.63 Pass-Through Investors** means the non-MP Funds Investors, other than  
7 the Debtor, that hold a direct fractional or participating interest in the ML Loans whether  
8 through Revolving Opportunity Loan Programs, Capital Opportunity Loan programs,  
9 Annual Opportunity Loan Programs, Opportunity Plus Loan Programs, Performance Plus  
10 Loan Programs, or other similar programs established by the Debtor.

11           **2.64 Person** means any individual, corporation, partnership, joint venture,  
12 association, joint stock company, trust, unincorporated association or organization,  
13 governmental agency, or associated political subdivision.

14           **2.65 Petition Date** means June 20, 2008, the date on which the Involuntary  
15 Chapter 7 Case was filed.

16           **2.66 Plan** means this Plan of Reorganization, either in its present form or as it  
17 may be amended, supplemented or modified from time to time, including all its annexed  
18 exhibits and schedules.

19           **2.67 Plan Proponent** means the Investors Committee.

20           **2.68 Priority Non-Tax Claim** means any Allowed Claim (or portions of such  
21 Claim) entitled to priority under Section 507(a) of the Bankruptcy Code other than  
22 Priority Tax Claims, Administrative Expense Claims, and Claims for Professional Fees.

23           **2.69 Priority Tax Claim** means any Allowed Claim of a governmental unit  
24 entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

25           **2.70 Pro Rata** means a proportionate share, such that the ratio of the  
26 consideration distributed on account of an Allowed Claim in a Class to the amount of such

1 Allowed Claim is the same as the ratio of the amount of the consideration distributed on  
2 account of all Allowed Claims in such Class to the amount of all Allowed Claims in such  
3 Class.

4 **2.71 Professional Fee Bar Date** means the Administrative Claims Bar Date.

5 **2.72 Professional Fees** means the Administrative Claims for compensation and  
6 reimbursement of expenses submitted in accordance with Sections 330, 331, or 503(b) of  
7 the Bankruptcy Code of Professional Persons not otherwise satisfied in accordance with  
8 other provisions of the Plan.

9 **2.73 Professional Persons** means any professional employed in the Chapter 11  
10 Case pursuant to Section 327 or Section 1103 of the Bankruptcy Code, or any professional  
11 or other entity seeking compensation or reimbursement of expenses in connection with the  
12 Chapter 11 Case pursuant to Sections 503(b)(3)(F) and (b)(4) of the Bankruptcy Code.  
13 Professional persons shall specifically include, but not be limited to, professionals  
14 employed by: (a) the Debtor, including Ordinary Course Professionals; (b) the Investors  
15 Committee; (c) the Unofficial Investors Committee; (d) the VTL Committee; (e) the  
16 Unsecured Creditor Committee; and (f) RBLLC.

17 **2.74 RBLLC** means Radical Bunny LLC.

18 **2.75 RBLLC Loan Collateral** means all of the Debtor's fractional interests in  
19 the ML Loans and the ML Loan Documents.

20 **2.76 RBLLC Non-Loan Collateral** means all of the Debtor's right, title and  
21 interest in (whether complete or partial) in real property known as Central & Highland,  
22 Chateaux on Central, a 40-acre Troon parcel, Mummy Mountain 8, a 21-acre Fountain  
23 Hills parcel, a note receivable for \$5.76 million secured by a lien on the River Run Golf  
24 Course in Eager, Arizona and a note receivable from the SMC Revocable Trust in the face  
25 amount of \$5.5 million.

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1           **2.77 RBLLC Notes** means 99 promissory notes with an aggregate principal  
2 amount of \$197,232,785.05 executed by the Debtor in favor of RBLLC.

3           **2.78 RBLLC Secured Claims** means the Claims of RBLLC evidenced by the  
4 RBLLC Notes and secured by the RBLLC Loan Collateral.

5           **2.79 Reinstated or Reinstatement** means: (a) leaving unaltered the legal,  
6 equitable and contractual rights of the holder of a Claim so as to leave such Claim  
7 unimpaired in accordance with Section 1124 of the Bankruptcy Code; or (b)  
8 notwithstanding any contractual provision or applicable law that entitles the holder of a  
9 Claim to demand or receive accelerated payment of such Claim after the occurrence of a  
10 default: (i) Cure any such default that occurred before or after the Petition Date, other than  
11 a default of the kind specified in Section 365(b)(2) of the Bankruptcy Code; (ii) if a Claim  
12 arises from a Debtor's failure to perform any nonmonetary obligation as set forth in  
13 Bankruptcy Code Sections 1124(2)(C) or 1124(2)(D), payment of the dollar amount  
14 which compensates the holder of such a Claim for any actual pecuniary loss incurred by  
15 such holder as a result of any such failure, in the dollar amount of the Claim that is  
16 established by the Claimant's sworn declaration and accompanying admissible evidence  
17 filed with the Bankruptcy Court and served upon the undersigned counsel for the Plan  
18 Proponent on or before the Objection Date; (iii) reinstating the maturity of such Claim as  
19 such maturity existed before such default; and (iv) not otherwise altering the legal,  
20 equitable or contractual rights to which such Claim entitles the holder of such Claim;  
21 provided, however, that any contractual right that does not pertain to the payment when  
22 due of principal and interest on the obligation on which such Claim is based, including,  
23 but not limited to, financial covenant ratios, negative pledge covenants, covenants or  
24 restrictions on merger or consolidation, and affirmative covenants regarding corporate  
25 existence or prohibiting certain transactions or actions contemplated by this Plan, or

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1 conditioning such transactions or actions on certain factors, shall not be required in order  
2 to accomplish Reinstatement.

3       **2.80 Reorganized Debtor** means the reorganized Mortgages Ltd, an Arizona  
4 corporation, which shall be renamed ML Servicing Co., Inc, as restructured and  
5 reconstituted pursuant to the Plan as described in Article IV below and the amended and  
6 restated articles and bylaws which are attached as Exhibit I to the Disclosure Statement;  
7 provided however, that the Plan Proponent may elect prior to the Confirmation Hearing to  
8 not continue such entity in operation or as a servicing agent under the Plan as described in  
9 Article IV below, in which case it shall be renamed ML Holding Co., Inc.

10       **2.81 Revolving Opportunity Investors** means the Investors that subscribed to  
11 and entered into the Revolving Opportunity Loan Program with the Debtor.

12       **2.82 Schedules** means the respective schedules of assets and liabilities, the lists  
13 of holders of interests, and the statements of financial affairs filed by the Debtor under  
14 Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists,  
15 and statements may have been or may be supplemented or amended from time to time. A  
16 copy of the Schedules is attached as Exhibit C to the Disclosure Statement.

17       **2.83 Secured Claim** means any Allowed Claim, to the extent reflected in the  
18 Schedules or a proof of claim as a Secured Claim, which is secured by a lien on collateral  
19 to the extent of the value of such Collateral, as determined in accordance with Section  
20 506(a) of the Bankruptcy Code, or, if such Claim is subject to setoff under Section 553 of  
21 the Bankruptcy Code, to the extent of such setoff.

22       **2.84 Secured Tax Claim** means any Allowed Claim of any state or local  
23 governmental unit or associated political subdivision that is secured by a lien on property  
24 of the Estate by operation of applicable law including, without limitation, every Claim for  
25 unpaid real, personal property, or *ad valorem* taxes.

26



1           **3.2 Treatment of Administrative Claims.** Allowed Administrative Claims  
2 will be paid, in full satisfaction of such Claim: (a) a single Cash payment in the Allowed  
3 amount of the Claim on the Effective Date from the Exit Financing; (b) in the ordinary  
4 course of business as said Claim matures; or (c) upon such other less favorable terms as  
5 may be agreed upon in writing by the holder of such Claim and the Plan Proponent, or as  
6 ordered by the Bankruptcy Court. To the extent not otherwise paid on or before the  
7 Effective Date, Allowed Administrative Claims may be paid from the Exit Financing as  
8 such Allowed Administrative Claims are allowed and approved by the Bankruptcy Court  
9 by Final Order.

10           **3.3 Deadline for Filing Administrative Claims.** All requests for payment of  
11 Administrative Claims, including for Professional Fees, shall be filed by the  
12 Administrative Claims Bar Date. If Administrative Claims are not timely filed in  
13 accordance with the Plan, they will be forever barred and will not be assertable in any  
14 manner against the Debtor or the Estate; *provided, however,* that no such request for  
15 payment shall be required with respect to Administrative Claims that have been paid  
16 previously or with respect to Administrative Claims for expenses incurred in the ordinary  
17 course of business, unless a dispute exists as to any such expenses, or unless the  
18 provisions of the Bankruptcy Code require approval or allowance by the Bankruptcy  
19 Court as a precondition to payments being made on any such expense.

20           **3.4 Treatment of Priority Tax Claims.** Each holder of an Allowed Priority  
21 Tax Claim will be paid, consistent with § 1129(a)(9)(C) of the Bankruptcy Code and in  
22 full satisfaction of such holder's Priority Tax Claim: (i) the amount of such holder's  
23 Priority Tax Claim, with simple interest at the rate of six percent (6%) per annum (or such  
24 other rate as the Bankruptcy Court may determine at the Confirmation Hearing is  
25 appropriate), in deferred Cash payments over a period of five (5) years from the Order for  
26 Relief Date, to be paid in equal quarterly installments of principal and interest from the

1 Liquidation Fund, provided that: (a) the Liquidating Trust may prepay the balance of any  
2 such Priority Tax Claim at any time without penalty from the Exit Financing or the  
3 Liquidation Fund; and (b) the treatment of Priority Tax Claims shall not be less favorable  
4 than the most favored nonpriority unsecured claim provided for by the Plan; or (ii) such  
5 other treatment as may be agreed upon in writing by such holder and the Plan Proponent,  
6 as appropriate or ordered by the Bankruptcy Court.

7 **3.5 Elimination of Claim.** To the extent there are no amounts owing on the  
8 Effective Date for any Priority Non-Tax Claims and/or any Priority Tax Claims, such  
9 treatment as set forth above will be deemed automatically eliminated from the Plan.

10 **3.6 Classification and Treatment of Claims and Interests That Are**  
11 **Classified.** For purposes of voting, distributions, and all confirmation matters, except as  
12 otherwise provided herein, all Allowed Claims and Interests shall be classified and treated  
13 as follows:

14 (a) *Class 1: Priority Non-Tax Claims.* Each holder of a Priority Non-  
15 Tax Claim that is an Allowed Claim shall be paid by the Liquidating Trust in full  
16 within sixty (60) days after the Effective Date of the Plan out of the Exit Financing.  
17 Class 1 is unimpaired under the Plan and, therefore, holders of Allowed Priority  
18 Non-Tax Claims shall not be entitled to vote on the Plan and, instead, shall be  
19 deemed to have accepted the Plan.

20 (b) *Class 2: Secured Tax Claims.* Each holder of an Allowed Secured  
21 Tax Claims will be paid, consistent with § 1129(a)(9)(D) of the Bankruptcy Code  
22 and in full satisfaction of such holder's Secured Tax Claims: (i) the amount of such  
23 holder's Secured Tax Claims, with simple interest at the rate of six percent (6%)  
24 per annum (or such other rate as the Bankruptcy Court may determine at the  
25 Confirmation Hearing is appropriate), in deferred Cash payments over a period of  
26 five (5) years from the Order for Relief Date, to be paid in equal quarterly

1 installments of principal and interest from the Liquidation Fund, provided that: (a)  
2 the Liquidating Trust may prepay the balance of any such Secured Tax Claim at  
3 any time without penalty from the Exit Financing or Liquidation Fund; and (b) the  
4 treatment of Secured Tax Claims shall not be less favorable than the most favored  
5 nonpriority unsecured claim provided for by the Plan; or (ii) such other treatment  
6 as may be agreed upon in writing by such holder and the Plan Proponent, as  
7 appropriate or ordered by the Bankruptcy Court. Class 2 is unimpaired by the  
8 Plan; consequently, all holders of Allowed Claims in Class 2 are deemed to have  
9 accepted the Plan and are not entitled to vote on the Plan.

10 (c) *Class 3: Stratera Claims.* The holder of the Class 3 Stratera Claims,  
11 which are superpriority Administrative Claims and Secured Claims, will be paid in  
12 full on the Effective Date from the proceeds of the Exit Financing, except that the  
13 Stratera DIP Financing secured by the Debtor's interest in the Centerpoint Notes  
14 and Deed of Trust might be paid in full earlier from financing obtained by Tempe  
15 Land Company in its own chapter 11 bankruptcy proceeding, in which case that  
16 portion of Stratera's Claim will be considered satisfied and the security interest  
17 released. Accordingly, the Class 3 Stratera Claims are unimpaired by the Plan, are  
18 deemed to have accepted the Plan and are not entitled to vote on the Plan.

19 (d) *Class 4: Artemis Secured Claim.* The Class 4 Artemis Secured Claim  
20 will be Cured, Reinstated and paid in full on the Effective Date from the proceeds  
21 of refinancing or sale of the collateral. Accordingly, the Class 4 Artemis Secured  
22 Claim is unimpaired by the Plan, is deemed to have accepted the Plan and is not  
23 entitled to vote on the Plan.

24 In the alternative, the Class 4 Artemis Secured Claim will retain its lien  
25 against its collateral. From the Effective Date interest will accrue at the non-default  
26 contract rate of interest set forth in the Artemis note and will be paid annually on

1 the anniversary of the Effective Date. No default interest, late fees or other charges  
2 because of the default that occurred prior to the Effective Date shall be allowed.  
3 The Class 4 Artemis Secured Claim will be paid solely from and to the extent of  
4 the proceeds of the sale of the collateral or from the proceeds of refinancing, or if  
5 not paid sooner on the maturity date which shall be 5 years from the Effective  
6 Date. Accordingly, if not paid on the Effective Date, the Class 4 Artemis Secured  
7 Claim is impaired pursuant to the Plan. A vote will be solicited from this Class but  
8 counted only if impaired.

9 (e) *Class 5: Arizona Bank Secured Claim.* The Class 5 Arizona Bank  
10 Secured Claim will be Cured, Reinstated and paid in full on the Effective Date  
11 from the sale of the collateral. Accordingly, the Class 5 Arizona Bank Secured  
12 Claim is unimpaired by the Plan, is deemed to have accepted the Plan and is not  
13 entitled to vote on the Plan.

14 In the alternative, the Class 5 Arizona Bank Secured Claim will retain its  
15 lien against its collateral for the amount of its Allowed Secured Claim. From the  
16 Effective Date interest will accrue at the non-default contract rate of interest set  
17 forth in the Arizona Bank note(s) on the Allowed Secured Claim and will be paid  
18 annually on the anniversary of the Effective Date. No default interest, late fees or  
19 other charges because of the default that occurred prior to the Effective Date shall  
20 be allowed. The Class 5 Arizona Bank Secured Claim will be paid solely from and  
21 to the extent of the proceeds of the sale of the collateral or from the proceeds of  
22 refinancing, or if not paid sooner on the maturity date which shall be 5 years from  
23 the Effective Date. Accordingly, if not paid on the Effective Date, the Class 5  
24 Arizona Bank Secured Claim is impaired pursuant to the Plan. A vote will be  
25 solicited from this Class but counted only if impaired. To the extent Arizona  
26 Bank's Secured Claim is determined not to include the \$2 million Note then

1 Arizona Bank will have a Class 11A General Unsecured Claim and shall be paid its  
2 Unsecured Claim as set forth in Class 11A below.

3 (f) *Class 6: Mechanics Liens Claims and Other Miscellaneous Secured*  
4 *Claims.* The holder of the Class 6 Mechanics Liens Claims against Debtor's assets  
5 and Other Miscellaneous Secured Claims will retain their liens on the collateral in  
6 the same order of priority as existed on the Petition Date and will be paid from the  
7 proceeds of the sale of their collateral or from refinancing as the collateral is sold  
8 or refinanced. Accordingly, the Class 6 Mechanics Liens Claims and Other  
9 Miscellaneous Secured Claims are unimpaired by the Plan, are deemed to have  
10 accepted the Plan and are not entitled to vote on the Plan. To the extent any  
11 Mechanics Lien Claim is determined not to have a lien on the alleged collateral,  
12 then to the extent it is awarded an Allowed General Unsecured Claim it shall be  
13 treated as a Class 11A General Unsecured Claim.

14 (g) *Class 7: RLLC Secured Claims.* RLLC will be deemed to be a  
15 secured creditor with valid and perfected security interests and liens in the RLLC  
16 Loan Collateral for the amount of the unpaid principal and interest of the Debtor's  
17 fractional interest in the ML Notes as of the Petition Date. On the Effective Date,  
18 the Debtor's fractional interest in ML Notes and ML Deeds of Trust shall be  
19 transferred to the applicable Loan LLCs in exchanged for a membership interest in  
20 the Loan LLCs proportional to the fractional interest of the Debtor in the ML  
21 Loans and the membership interests shall be issued to RLLC in partial  
22 satisfaction of its RLLC Notes. RLLC will be deemed to have no liens in the  
23 RLLC Non-Loan Collateral. On the Effective Date, as described in Article VI  
24 below, the RLLC Non-Loan Collateral will be transferred to the Liquidation  
25 Trust or retained in the Reorganized Debtor free and clear of any alleged liens of  
26 RLLC. RLLC will have a Class 11B General Unsecured Claim, and will be a

1 beneficiary of the Liquidating Trust to the extent that the unpaid obligations under  
2 the RLLC Notes are not exchanged for a membership interest in a Loan LLC and  
3 for the amount of principal owed on the ML Loans (plus accrued and unpaid  
4 interest through the Petition Date) that RLLC does not receive from the Loan  
5 LLC after the ML Notes are paid in full or after reasonable collection efforts have  
6 been exhausted by the Loan LLC. In addition, as set forth in Article IV below in  
7 more detail, RLLC's Class 11B Unsecured Claim and beneficiary interest in the  
8 Liquidating Trust shall be entitled to receive an Accelerated Recovery in the  
9 amount of \$25 million from the Liquidating Trust along with the Revolving  
10 Opportunity Investor's Class 11F Unsecured Claims and beneficiary interests'  
11 Accelerated Recovery in the amount of \$10 million until RLLC and the  
12 Revolving Opportunity Investors receive an Accelerated Recovery which totals  
13 \$35 million at which time they shall return to their then pro rata share of the  
14 Liquidating Trust. Any potential Avoidance Action held by the Estate against  
15 RLLC shall be deemed settled and resolved on the Effective Date. The Class 7  
16 RLLC Secured Claims are impaired pursuant to the Plan.

17 (h) *Class 8: MP Funds and MP Funds Investors' Claims.* The MP Funds  
18 will receive new interests under the Plan as follows:

19 On the Effective Date, each of the MP Funds will transfer its fractional  
20 interests in each of the ML Loans and exchange those interests for membership  
21 interests in the applicable Loan LLC that holds the applicable ML Loan. The new  
22 membership interests given to the MP Fund shall be proportional to the fractional  
23 interest of the MP Funds in each of the ML Loans. The MP Funds will continue to  
24 exist after the Effective Date and the MP Fund Investors shall continue to hold  
25 their membership interests in the MP Funds. The Operating Agreement for each  
26 MP Fund will be amended and restated as described in Article VI below and the

1           Manager for each MP Fund will be replaced with a new Manager, the ML Manager  
2           LLC. The decision by the MP Fund Investor shall be made by checking a box in  
3           the Class 8 Ballot to “agree” to remove Mortgages Ltd. as the Manager and to  
4           modify the Operating Agreement as set forth in the Plan. Each MP Fund shall  
5           distribute proceeds of the principal and interest payments which it received from  
6           the Loan LLCs to the MP Fund Investors.

7           MP Funds will also have a Class 11C Unsecured Claim and will be  
8           beneficiaries of the Liquidating Trust to the extent of the Investors Damages. The  
9           Class 11C Unsecured Claims and beneficiary interests shall be paid on a pro rata  
10          basis with the other beneficiaries in the Liquidating Trust, subject to the priority  
11          payment of the Exit Financing, the operating expenses of the Liquidating Trust, the  
12          Secured Claims on the Non-Loan Assets, the \$2 million Ordinary Course Trade  
13          Creditor Priority, and the Accelerated Recovery of RBLLC and the Revolving  
14          Opportunity Investors. The MP Fund Investors shall receive and be paid their  
15          Investors Damages through the MP Fund Unsecured Claim in the Liquidating Trust  
16          and shall not have an individual beneficiary interest in the Liquidating Trust. Any  
17          distribution which the MP Funds receive as beneficiaries of the Liquidating Trust  
18          shall be distributed by the MP Funds to their MP Fund Investors.

19          Any potential Avoidance Action held by the Estate against MP Funds or any  
20          MP Fund Investor who have investments with the MP Funds as of the Petition Date  
21          (except for such Claims by Insiders) shall be deemed settled and resolved on the  
22          Effective Date. The ownership of the fractional interests in ML Notes by the MP  
23          Funds shall be deemed settled and resolved in favor of the MP Funds upon  
24          confirmation of the Plan.

25          The Class 8 MP Funds and MP Fund Investors Claims are impaired under  
26          the Plan. The Plan Proponent will be asking the MP Fund Investors be allowed to

1 vote in their respective MP Fund so that their vote can be counted in place of the  
2 MP Fund's Manager's vote, since the MP Fund Managers are the Debtor.

3 (i) *Class 9: VTL Fund and VTL Fund Investors Claims.* The VTL Fund  
4 Investors shall have a choice of treatment. The VTL Fund investors may choose to  
5 be treated in subsection (A) below or in subsection (B) below.

6 (A) The VTL Fund Loans to the MP Funds will be modified by (1) a  
7 reduction of the interest rate to 0% per annum; (2) the debt and the liens will be  
8 reallocated and spread pro rata across all MP Funds as originally contemplated by  
9 the Debtor and the accompanying fractional interest in a Note will also be  
10 reallocated to the MP Fund with the debt; (3) the principal on the VTL Loan will  
11 be repaid at the rate of 10% of the actual principal received by the MP Funds net of  
12 Exit Financing as principal payments each year; (4) all payments received post  
13 petition in 2008 and 2009 shall be recharacterized and applied to principal only and  
14 no interest will have been paid or will be due for the same period; (5) when the MP  
15 Fund's fractional interests in the Notes and Deeds of Trust are transferred to the  
16 Loan LLCs in exchange for the issuance of the membership interests in the Loan  
17 LLCs, such transfers shall be free and clear of the VTL Fund lien and such VTL  
18 lien will attach to the MP Funds' new membership interests in the Loan LLCs as a  
19 replacement lien and payments of principal received by the MP Funds will be  
20 subject to subsection 3 above. These terms if accepted by the VTL Fund Investors  
21 will become its treatment.

22 (B) In the event the VTL Fund Investors do not choose to be treated as set  
23 forth in subsection (A) above, then the VTL Fund Claim and the security interest in  
24 the MP Funds assets will be disputed and an adversary proceeding or lawsuit will  
25 be commenced by the Manager, the Plan Proponent or the ML Manager LLC in the  
26 Bankruptcy Court or in another Court of competent jurisdiction to determine

1 whether the VTL Fund has any claim against any MP Fund, secured or otherwise.  
2 In the event such Court determines that VTL Fund does not have a claim against a  
3 certain MP Fund then the VTL Fund shall have a Class 11D General Unsecured  
4 Claim for the applicable amount. In the event such Court determines the VTL Fund  
5 has a valid secured claim against a MP Fund then it shall retain its lien in the MP  
6 Fund's assets and be paid pursuant to the Court's determination. At the election of  
7 the VTL Fund Investors of Class 9, the VTL Fund may stay in place, in which case  
8 the VTL Fund Investors would be permitted to elect a new manager of the VTL  
9 Fund and amend and restate their Operating Agreement. The VTL Fund and the  
10 VTL Fund Investors shall have a Class 11D General Unsecured Claim, and will be  
11 a beneficiary of the Liquidating Trust in the event that under Subsection B above a  
12 Court determines that the VTL Fund has no claim against a MP Fund. The Class  
13 11D General Unsecured Claims and beneficiary interests shall be paid on a pro rata  
14 basis with the other beneficiaries of the Liquidating Trust, subject to the priority  
15 payment of the Exit Financing, the operating expenses of the Liquidating trust, the  
16 Secured Claims on the Non-Loan Assets, the \$2 million Ordinary Course Trade  
17 Creditors Priority, and the Accelerated Recovery of RBLLC and the Revolving  
18 Opportunity Investors. The VTL Fund Investors shall receive and be paid their  
19 claims, if any, through the VTL Fund Unsecured Claim in the Liquidating Trust  
20 and shall not have an individual beneficiary interest in the Liquidating Trust. Any  
21 distribution which the VTL Fund receives as beneficiaries of the Liquidating Trust  
22 shall be distributed by the VTL Fund to their VTL Fund Investors.

23 The Class 9 VTL Fund and the VTL Fund Investors Claims are impaired  
24 under the Plan.

25 (j) *Class 10A: Non-Revolving Opportunity Pass-Through Investors*  
26 *Claims.* On the Effective Date, holders of Class 10A Non-Revolving Opportunity

1 Pass-Through Investors Claims will transfer their respective fractional interests in  
2 each of the ML Loans and exchange those interests for membership interests in the  
3 applicable Loan LLC that holds the applicable ML Loan. The new membership  
4 interests in the applicable Loan LLC shall be proportional to the fractional interest  
5 in the related ML Loan. The transfer shall be voluntary for the Pass-Through  
6 Investors. This decision to voluntarily transfer the fractional interest in ML Notes  
7 and ML Deeds of Trust shall be made by checking a box in the Class 10A Ballot to  
8 “agree” to the transfer of the interests subject to the restrictions and Exit Financing.  
9 The Agency Agreements and other contracts may be transferred by Debtor to ML  
10 Manager LLC, after review of the federal income tax consequences, at the option  
11 of the Plan Proponent. Holder of Class 10A Non-Revolving Opportunity Pass-  
12 Through Investors Claims will also have a Class 11E General Unsecured Claim  
13 and will be beneficiaries of the Liquidating Trust to the extent of their Investors  
14 Damages. The Class 11E General Unsecured Claims and beneficiary interests shall  
15 be paid on a pro rata basis with the other beneficiaries in the Liquidating Trust,  
16 subject to the priority payment of the Exit Financing, the operating expenses of the  
17 Liquidating Trust, the Secured Claims on the Non-Loan Assets, the \$2 million  
18 Ordinary Course Trade Creditors Priority, and the Accelerated Recovery of  
19 RLLC and the Revolving Opportunity Investors. Any potential Avoidance Action  
20 held by the Estate against the Non-Revolving Opportunity Pass-Through Investors  
21 who have investments with Debtor as of the Petition Date (except for such Claims  
22 by Insiders) shall be deemed settled and resolved on the Effective Date. The Class  
23 10A Non-Revolving Opportunity Pass-Through Investors Claims are impaired  
24 under the Plan and their votes shall be counted separately for voting purposes and  
25 shall be treated as a separate subclass from Class 10B.  
26

1 (k) *Class 10B: Revolving Opportunity Investors Claims.* On the  
2 Effective Date, holders of Class 10B Revolving Opportunity Investors Claims will  
3 transfer their respective fractional interests in each of the ML Loans and exchange  
4 those interests for membership interests in the applicable Loan LLC that holds the  
5 applicable ML Loan. The new membership interests in the applicable Loan LLC  
6 shall be proportional to the fractional interest in the related ML Loan. The transfer  
7 shall be voluntary for the Pass-Through Investors. This decision to voluntarily  
8 transfer the fractional interest in ML Notes and ML Deeds of Trust shall be made  
9 by checking a box in the Class 10B Ballot to “agree” to the transfer of the interests  
10 subject to the restrictions and Exit Financing. The Agency Agreements and other  
11 contracts may be transferred by Debtor to ML Manager LLC, after review of the  
12 federal income tax consequences, at the option of the Plan Proponent. Holder of  
13 Class 10B Revolving Opportunity Investors Claims will also have a Class 11F  
14 General Unsecured Claim and will be beneficiaries of the Liquidating Trust to the  
15 extent of their Investors Damages. In addition, as set forth in Article IV below in  
16 more detail, Revolving Opportunity Investors’ Class 11F Unsecured Claims and  
17 beneficiary interest in the Liquidating Trust shall be entitled to receive an  
18 Accelerated Recovery in the amount of \$10 million from the Liquidating Trust  
19 along with the RBLLC Class 11B Unsecured and beneficiary interests’ Accelerated  
20 Recovery in the amount of \$25 million until RBLLC and the Revolving  
21 Opportunity Investors receive an Accelerated Recovery which totals \$35 million at  
22 which time they shall return to their then pro rata share of the Liquidating Trust.  
23 Any potential Avoidance Action held by the Estate against the Revolving  
24 Opportunity Investors who have investments with Debtor as of the Petition Date  
25 (except for such Claims by Insiders) shall be deemed settled and resolved on the  
26 Effective Date. The Class 10B Revolving Opportunity Investors Claims are

1           impaired under the Plan and their votes shall be counted separately for voting  
2           purposes and shall be treated as a separate subclass from Class 10A.

3           (l)    *Class 11A: General Unsecured Claims.* Holders of Class 11A  
4           General Unsecured Claims will be beneficiaries of the Liquidating Trust to be  
5           established on the Effective Date of the Plan in accordance with the Plan. In  
6           addition, as set forth in Article IV below in more detail, the Ordinary Course Trade  
7           Creditors of the Debtor with a Class 11A General Unsecured Claim shall be  
8           entitled to receive a priority payment of \$2 million of their beneficiary interests in  
9           the Liquidating Trust, after the Liquidating Trust repays the Exit Financing, pays  
10          the Secured Claims on the Non-Loan Assets, and pays its operating expenses, which  
11          shall be prior to payment of any other beneficiary interests, including any  
12          Accelerated Recovery. The remaining beneficiary interests of such Class 11A  
13          creditors shall be paid along with other beneficiary interests of the Class 11B  
14          through Class 11G General Unsecured Claims. Any potential Avoidance Action  
15          held by the Estate against the Ordinary Course Trade Creditors with Class 11A  
16          General Unsecured Claims as of the Petition Date (except for such Claims by  
17          Insiders) shall be deemed settled and resolved on the Effective Date. The Class  
18          11A General Unsecured Claims are impaired under the Plan.

19          (m)   *Class 11B: RLLC Unsecured Claims.* RLLC shall have a Class  
20          11B Unsecured Claim and will be a beneficiary of the Liquidating Trust to be  
21          established on the Effective Date in accordance with the Plan. The treatment of the  
22          Class 11B Unsecured Claim has been set forth in subsection (g) above entitled  
23          Class 7: RLLC Secured Claim and is incorporated herein. The Class 11B RLLC  
24          Unsecured Claim is impaired under the Plan.

25          (n)    *Class 11C: MP Funds and MP Funds Investors Unsecured Claims.*  
26          The MP Funds and MP Fund Investors shall have a Class 11C Unsecured Claim

1 and will be a beneficiary of the Liquidating Trust to be established on the Effective  
2 Date in accordance with the Plan. The treatment of the Class 11C Unsecured Claim  
3 has been set forth in subsection (h) above entitled Class 8: MP Funds and MP  
4 Funds Investors Claims and is incorporated herein. The Class 11C MP Funds and  
5 MP Funds Investors Unsecured Claim are impaired under the Plan.

6 (o) *Class 11D: VTL Fund and VTL Fund Investors Unsecured Claims.*  
7 The VTL Fund and VTL Fund Investors shall have a Class 11D Unsecured Claim  
8 and will be a beneficiary of the Liquidating Trust to be established on the Effective  
9 Date in accordance with the Plan as provided in subsection (i) above. The treatment  
10 of the Class 11D Unsecured Claim has been set forth in subsection (i) above  
11 entitled Class 9: VTL Fund and VTL Fund Investors Claims and is incorporated  
12 herein. The Class 11D VTL Fund and VTL Fund Investors Unsecured Claim are  
13 impaired under the Plan.

14 (p) *Class 11E: Non-Revolving Opportunity Pass-Through Investors*  
15 *Unsecured Claims.* The Non-Revolving Opportunity Pass-Through Investors shall  
16 have a Class 11E Unsecured Claim and will be a beneficiary of the Liquidating  
17 Trust to be established on the Effective Date in accordance with the Plan. The  
18 treatment of the Class 11E Unsecured Claim has been set forth in subsection (j)  
19 above entitled Class 10A: Non-Revolving Opportunity Pass-Through Investors  
20 Claims and is incorporated herein. The Class 11E Non-Revolving Opportunity  
21 Pass-Through Investors Unsecured Claims are impaired under the Plan.

22 (q) *Class 11F: Revolving Opportunity Pass-Through Investors*  
23 *Unsecured Claims.* The Revolving Opportunity Pass-Through Investors shall have  
24 a Class 11F Unsecured Claim and will be a beneficiary of the Liquidating Trust to  
25 be established on the Effective Date in accordance with the Plan. The treatment of  
26 the Class 11F Unsecured Claim has been set forth in subsection (k) above entitled

1 Class 10B: Revolving Opportunity Pass-Through Investors Claims and is  
2 incorporated herein. The Class 11F Revolving Opportunity Pass-Through Investors  
3 Unsecured Claims are impaired under the Plan.

4 (r) *Class 11G: Borrowers' Unsecured Claims.* The Borrowers shall  
5 have Class 11G Unsecured Claims and will be beneficiaries of the Liquidating  
6 Trust to be established on the Effective Date in accordance with the Plan as  
7 provided in subsection (s) below. The Class 11G Unsecured Claims and  
8 beneficiary interests shall be paid on a pro rata basis with the other beneficiaries in  
9 the Liquidating Trust, subject to the priority payment of the Exit Financing, the  
10 operating expenses of the Liquidating Trust, the Secured Claims on the Non-Loan  
11 Assets, the \$2 million Ordinary Course Trade Creditors Priority, and the  
12 Accelerated Recovery of RBLLC and the Revolving Opportunity Investors. The  
13 Class 11G Borrowers' Unsecured Claims are impaired under the Plan. The Class  
14 11G Borrowers Unsecured Claims may be divided into separate subclasses in Class  
15 11G and treated separately for voting purposes.

16 (s) *Class 12: Borrowers' Claims.* The holder of Class 12 Borrowers'  
17 Claims, which has been timely asserted in this Bankruptcy Case through an  
18 adversary proceeding initiated before the Bankruptcy Court and which has been  
19 determined a Final Order, shall be entitled to setoff the amount of its Allowed  
20 Claim against the principal, interest and fees owed on its respective ML Loan. If  
21 the Borrower is not determined to have a right of setoff against the ML Loan but is  
22 determined to have a Claim then such Claim shall receive and be paid as a Class  
23 11G General Unsecured Claim. The Class 12 Borrowers' Claims are impaired by  
24 the Plan and are entitled to vote on the Plan as Class 12 Claims. Class 12  
25 Borrowers may be divided into separate subclasses in Class 12 and treated  
26 separately for voting purposes.

1 (t) *Class 13: Equity Interests.* As of the Effective Date, all Equity  
2 Interests in the Debtor will be canceled and extinguished. Holders of Equity  
3 Interests will receive nothing under the Plan and they are deemed to have rejected  
4 the Plan.

5 **3.7 Classification Rules.** All Claims and Interests are classified under the Plan  
6 as stated in this Article III; *provided, however, that* a Claim or Interest will be deemed  
7 classified in a particular Class only to the extent that the Claim or Interest qualifies within  
8 the description of that Class and otherwise will be deemed classified and treated in (or  
9 treated in a manner that is non-discriminatory) a different Class to the extent that a part of  
10 such Claim or Interest qualifies within the description of such different Class. All Claims  
11 against the Debtor of whatever nature, whether or not scheduled and whether or not  
12 liquidated, unliquidated, absolute or contingent, including all Claims arising from the  
13 rejection of Executory Contracts, and all Interests, whether or not resulting in an Allowed  
14 Claim or Allowed Interest, shall be bound by the provisions of the Plan and are hereby  
15 classified under the Plan as stated in the Plan. As of the Confirmation Hearing, any Class  
16 of Claims which does not contain any Claims will be deemed deleted automatically from  
17 the Plan; and any Class of Claims which does not contain an Allowed Claim (or a Claim  
18 temporarily or provisionally allowed by the Bankruptcy Court for voting purposes) will be  
19 deemed deleted automatically from the Plan with respect to the voting on confirmation of  
20 the Plan.

21 **ARTICLE IV**

22 **MEANS FOR IMPLEMENTATION OF PLAN**

23 **4.1 Creation of Liquidating Trust.** The Debtor's interest in the Non-Loan  
24 Assets will be transferred to the Liquidating Trust as of the Effective Date; provided  
25 however, that Non-Loan Assets may be retained in the Reorganized Debtor if it is more  
26 cost effective due to tax considerations to not transfer such asset to the Liquidating Trust.

1 Such determination will be made by the Plan Proponent prior to the Effective Date. The  
2 Liquidating Trust is more fully described in Article VI of the Plan and in the Liquidating  
3 Trust Agreement. The name of the Liquidating Trust will be the ML Liquidating Trust. A  
4 copy of the ML Liquidating Trust Agreement in substantially the form to be adopted is  
5 attached to the Disclosure Statement as Exhibit H.

6 **4.2 Distributions to General Unsecured Creditors.** Distributions to General  
7 Unsecured Creditors in Classes 11A through 11G, including RBLLC, MP Funds and  
8 Investors to the extent of their Investors Damages, and other holders of Unsecured Claims  
9 will be made by the Liquidating Trust out of the Liquidation Fund in accordance with the  
10 terms of the Plan and the Liquidating Trust Agreement. Sufficient reserves and reasonable  
11 estimations of Claims shall be established and maintain for each distribution so as to  
12 protect the Investors, the MP Funds and Radical Bunny. RBLLC's Class 11B Unsecured  
13 Claim and beneficiary interest in the Liquidating Trust shall be entitled to receive an  
14 Accelerated Recovery in the amount of \$25 million from the Liquidating Trust along with  
15 the Revolving Opportunity Investor's Class 11F Unsecured Claims and beneficiary  
16 interests' Accelerated Recovery in the amount of \$10 million until RBLLC and the  
17 Revolving Opportunity Investors receive an Accelerated Recovery which totals \$35  
18 million at which time they shall return to their then pro rata share of the Liquidating Trust.  
19 For example, assuming the RBLLC and Revolving Opportunity Investor interests make up  
20 30% of the beneficiary interests in the Liquidating Trust, and they receive an Accelerated  
21 Recovery which is 110% of every net dollar that comes into the Liquidating Trust (after  
22 payment of the Exit Financing, the Secured Claims against the Non-Loan Assets, the  
23 operating expenses of the Liquidating Trust and the \$2 million priority payment to the  
24 Ordinary Course Trade Creditors who hold Class 11A General Unsecured Claims) , then  
25 with the Accelerated Recovery they would receive 33% (30% multiplied times 110%) of  
26 the available distribution and the other beneficiary interests in the Liquidating Trust would

1 receive 67% until the total \$35 million is recovered. In addition, the Ordinary Course  
2 Trade Creditors of the Debtor with a Class 11A General Unsecured Claim shall be entitled  
3 to receive a priority payment of \$2 million of their beneficiary interests in the Liquidating  
4 Trust after the Liquidating Trust repays the Exit Financing, the Secured Claims on Non-  
5 Loan Assets and pays its operating expenses, which shall be prior to payment of any other  
6 beneficiary interests including any Accelerated Recovery. The remaining beneficiary  
7 interests of such Class 11A Claims shall be paid along with other beneficiary interests of  
8 the Class 11A through 11G General Unsecured Claims.

9 **4.3 Preservation of Debtor's Claims, Demands, Avoidance Actions And**  
10 **Causes Of Action.** Except as otherwise provided in the Plan, all claims, demand,  
11 Avoidance Actions and Causes of Action held by, through or on behalf of the Debtor  
12 and/or the Estate are hereby preserved in full; and no provision of the Plan shall impair the  
13 rights of the Liquidating Trustee or the ML Manager LLC or Loans LLCs with respect to  
14 any such claims, demands, Avoidance Actions and Causes of Action, to prosecute or  
15 defend against any such preserved claims, demands, Avoidance Actions and Causes of  
16 Action. Attached as Exhibit 1 to the Plan is a list of potential targets, Causes of Actions  
17 and Avoidance Actions. The Exhibit 1 is incorporated by reference herein and made a part  
18 hereof. The Exhibit 1 is a non-exclusive list and has not been fully developed.  
19 Investigations are ongoing. Accordingly, no Person may rely on the fact that the Plan,  
20 Disclosure Statement and accompanying exhibits and schedules do not identify a  
21 particular Person, Avoidance Action or Cause of Action and nothing herein shall  
22 constitute a waiver of any Avoidance Action or Cause of Action by the Debtor, the  
23 Liquidating Trust, the ML Manager LLC or the Loan LLCs. The Debtor for itself and for  
24 the benefit of the Liquidating Trust, the ML Manager LLC and the Loan LLCs expressly  
25 reserve and retain all Avoidance Actions and Causes of Action. Further, the Causes of  
26 Action and Avoidance Actions against Borrowers and Guarantors and other parties

1 relating to the Loans and the Notes and Deeds of Trust will not be transferred to the  
2 Liquidating Trust but shall follow the Notes and Deeds of Trust and shall be brought by  
3 the ML Manager LLC or the Loan LLCs as the Debtor's representative and as the owners  
4 of the Loans.

5       **4.4 Structure and Role of Reorganized Debtor.** On the Effective Date, the  
6 Articles and Bylaws of the Debtor shall be amended and restated in substantially the form  
7 set forth in Exhibit I of the Disclosure Statement. The new Reorganized Debtor will be  
8 renamed ML Servicing Co., Inc. The Existing stock or shares and Equity Interests shall be  
9 extinguished. New stock in Reorganized Debtor shall be issued to the Liquidating Trust.  
10 The old Board of Directors and Officers shall be terminated and a new Board of Directors  
11 shall be appointed and composed of the five Trust Board members appointed for the  
12 Liquidating Trust Board. The names of the new Board of Directors are disclosed in the  
13 Disclosure Statement and shall be confirmed and approved by the Bankruptcy Court in the  
14 Confirmation Order.

15       The Reorganized Debtor may enter into a new servicing agreement with the ML  
16 Manager LLC Board of Managers for the servicing of the Loan LLCs. The form of  
17 servicing agreement will be in substantially the form attached as Exhibit J to the  
18 Disclosure Statement. Such servicing agreement shall not be assignable, transferable or  
19 otherwise sold or disposed of by Reorganized Debtor or the Liquidating Trust. The  
20 amount of the servicing fee shall not exceed the cost of operations, which budget and  
21 amount shall be approved by the ML Manager LLC Board of Managers and the Trust  
22 Board. The initial operating funds for the Reorganized Debtor shall be advanced by the  
23 Liquidating Trust from the Liquidation Funds or advanced as a part of the Exit Financing.

24       In the sole discretion of the Plan Proponent, Plan Proponent may decide prior to the  
25 Confirmation Hearing to enter into a servicing agreement with another licensed  
26 commercial mortgage banker, such as Churchill Commercial Capital, Inc., to service the

1 Loan LLCs. In that event, then the Reorganized Debtor name shall be renamed to ML  
2 Holding Co. Inc. and such entity shall not conduct operations or have employees but shall  
3 merely hold title to certain Non-Loan Assets as determined by the Plan Proponent. In  
4 either event, the Reorganized Debtor shall not survive the existence of the Liquidating  
5 Trust and shall be administratively dissolved prior to the termination of the Liquidating  
6 Trust.

7 It is possible that the Reorganized Debtor if it continues to be a servicing entity for  
8 the Loan LLCs may hire former employees of Debtor, however all such terms of  
9 employment and compensation shall be disclosed prior to the Confirmation Hearing, and  
10 shall be approved by the Plan Proponent prior to the Effective Date, and by the Trust  
11 Board after the Effective Date. Since all Non-Loan Assets may be transferred to the  
12 Liquidating Trust on the Effective Date, the Liquidating Trust may license or lease the  
13 necessary assets to the Reorganized Debtor or to another servicing entity as the  
14 Liquidating Trust deems appropriate to perform the servicing agreement and to perform  
15 services to the Liquidating Trust.

16 **4.5 Post-Confirmation Officers and Directors.** The senior executive officers  
17 and directors of the Debtor that have served prior to the Effective Date shall not continue  
18 to serve from and after the Effective Date, however, certain officers and directors may  
19 continued to be employed by the Reorganized Debtor as employees or consultants to  
20 operate the Reorganized Debtor and might be titled as officers of the Reorganized Debtor.  
21 The list of such employees, their titles and compensation with the Reorganized Debtor  
22 shall be filed with the Bankruptcy Court prior to the Confirmation Hearing.

23 **4.6 Resolution of Issues Effectuated by the Plan Confirmation.** Confirmation  
24 of the Plan shall effectuate and approve the resolution certain disputes and legal issues as  
25 contained herein, including but not limited to, (1) the validity of the security interest of  
26 RBLLC in the RBLLC Loan Collateral, (2) the acknowledgment of the ownership of the

1 ML Notes and ML Deeds of Trust by the MP Funds and Pass-Through Investors, (3) the  
2 resolution of Avoidance Actions as against RBLLC, the Investors and the Ordinary  
3 Course Trade Creditors (excluding Insiders), (4) the allowance of Investor Damages by  
4 the Investors as unsecured Allowed Claims in the Liquidating Trust, and (5) the transfer  
5 of the Debtor's alleged right and title to the interest spread, default rates, extension fees  
6 and other similar fees, charges and interest to the Loan LLCs. Such resolutions shall be  
7 consummated and effective on the Effective Date.

8 **4.7 Creation of Loan LLCs.** Pursuant to sections 1123, 1141 and 1145 of the  
9 Bankruptcy Code, prior to the Effective Date, a separate Loan LLC will be formed to hold  
10 each of the ML Loans and the ML Loan Documents associated with that ML Loan,  
11 including the ML Note and ML Deed of Trust. On the Effective Date, 100% of the  
12 fractional interests of each of the ML Loans, including all ML Loan Documents related to  
13 such ML Loan, will be transferred to the respective Loan LLC, except for fractional  
14 interests of Pass-Through Investors who do not agree to transfer their interest. The  
15 transfer shall be voluntary for the Pass-Through Investors. The existing Agency  
16 Agreements and other contracts may be transferred by the Debtor to the ML Manager  
17 LLC, at the option of the Plan Proponent depending on the tax consequences. Upon such  
18 transfer, each Loan LLC shall own such ML Loan Documents free and clear of all claims  
19 of any Persons, except for certain setoff Claims (if any) of the Borrower under such ML  
20 Loan as Allowed and determined by the Bankruptcy Court and as provided for as a Class  
21 12 Borrowers' Claim and possible the VTL Fund Claims. At the option of the Plan  
22 Proponent after review of the tax consequences, Debtor shall transfer to each Loan LLC  
23 all of its rights, title and interest to revenue it may have been entitled to receive for the  
24 servicing of the applicable Loan, but for the offset and recoupment defenses and  
25 arguments of the Investors and MP Funds, in which case the Loan LLCs shall be the  
26 successor to the Debtor as to such rights, title and interest.

1           **4.8 Membership Interest in Loan LLCs.** On the Effective Date membership  
2 interests in each applicable Loan LLC will be issued to RBLLC, the Pass-Through  
3 Investors and the MP Funds, in proportion to their respective fractional interests in a  
4 particular ML Loan and related ML Loan Documents, including the ML Deed of Trust.  
5 The membership interests in the Loan LLCs are not freely tradeable. Restrictions apply.  
6 Section 8 of the Loan LLC operating agreement which is attached as Exhibit K to the  
7 Disclosure Statement contains such restrictions and is incorporated herein by reference. In  
8 exchange for the issuance of the membership interest in a Loan LLC, among other  
9 valuable consideration, RBLLC, the Pass-Through Investors and MP Funds shall reduce  
10 by \$100 their Investor Damages Claim or Unsecured Claim against the Debtor.

11           **4.9 Governance of MP Funds.** On the Effective Date, the Operating  
12 Agreement of each MP Funds shall be amended and restated substantially in the form  
13 provided in Exhibit L to the Disclosure Statement and ML Manager LLC shall become the  
14 new Manager for each MP Fund.

15           **4.10 Governance of Loan LLCs.** Each Loan LLC will operate pursuant to a  
16 separate operating agreement in the form of Exhibit K to the Disclosure Statement. The  
17 Manager of each Loan LLC shall be the ML Manager LLC.

18           **4.11 Investor and MP Fund Agreements and Contracts.** Upon the occurrence  
19 of the Effective Date and after establishment of the Loan LLCs and upon the transfer of  
20 ML Loans to those Loan LLCs, after analysis of the federal income tax consequences, at  
21 the option of the Plan Proponent, all existing agencies, powers of attorney, servicing, and  
22 related contracts between Investors or the MP Funds and ML will be transferred to the  
23 ML Manager LLC, and will be deemed modified to conform with the terms of the  
24 operating agreements of the ML Manager LLC and each Loan LLC. Possession of the  
25 original ML Notes, endorsements, ML Deeds of Trust and all other ML Loan Documents  
26 shall be transferred to the ML Manager LLC as the Manager for the Loan LLCs. ML

1 Manager may allow the Reorganized Debtor as the initial servicing agent to hold the ML  
2 Loan Documents on its behalf or may transfer possession of the ML Loan Documents to  
3 another entity to hold on its behalf.

4 **4.12 Creation and Governance of ML Manager LLC.** Prior to the Effective  
5 Date, ML Manager LLC will be formed to be the Manager of each Loan LLC and each  
6 MP Fund, pursuant to an operating agreement substantially in the form of Exhibit M to the  
7 Disclosure Statement. The Confirmation Order shall confirm and appoint the five-member  
8 Board of Managers for ML Manager LLC, who shall all be Investors. One Board member  
9 shall be selected by RBLLC, one shall be selected by the Revolving Opportunity Investors  
10 and three shall be selected by the Investors Committee. In the event RBLLC or the  
11 Revolving Opportunity Investors do not select a Board member, then the Plan Proponent  
12 will select a Board member to fill those slots from the Investors. The names of the  
13 members of the Board of Manager will be disclosed in the Disclosure Statement. ML  
14 Manager LLC will be operated pursuant to its operating agreement. Members of the Board  
15 of Managers shall be entitled to the reimbursement of reasonable expenses incurred in  
16 performing their duties and shall be compensated \$6,000 a year by the ML Manager LLC  
17 for their time and service as a Member of the Board of Managers. In order to service and  
18 manage the Loan LLC Loans it is anticipated that ML Manager LLC will enter into  
19 independent contracts, hire one or more professional asset managers or companies,  
20 contract with a servicing agent, employ counsel and other professionals, among other  
21 things. As indicated in 4.11 above, on the Effective Date, all servicing fees, interest  
22 spread, default interest, impounds, extension fees and other moneys which were to be  
23 received by the Debtor relating to the ML Loans, may be transferred to the applicable  
24 Loan LLCs from which the fees or interest derived, however the ML Manager shall  
25 collect such revenues and use them in the operations of the Loan LLCs and the ML  
26 Manager LLC.

1           **4.13 Distributions from Loan LLCs.** Each Loan LLC will distribute funds to  
2 its members pro rata based upon their respective membership percentages in such Loan  
3 LLC as set forth in the operating agreement for each of the Loan LLCs. Any Pass-  
4 Through Investor that does not transfer its fractional interests into a Loan LLC will  
5 receive its distribution pursuant to the existing Agency Agreement and other contracts  
6 which may be assigned to the ML Manager LLC. When the MP Funds receive any  
7 distribution from the Loan LLCs, they will distribute such funds to their respective  
8 investors, after payment of any MP Fund creditors.

9           **4.14 Alternate to Loan LLCs if Section 1145(a) Exemption and Safeharbor**  
10 **Are Not Available.** In the event that the Court at or prior to the Confirmation Hearing  
11 determines that the issuance of the membership interests to the members of Loan LLCs is  
12 not exempt and protected by the safeharbor of Section 1145(a) of the Bankruptcy Code,  
13 then the Plan Proponent may elect at or prior to the Confirmation Hearing to change the  
14 structure of implementation of the Plan as follows: (A) The Loan LLCs shall not be  
15 formed, membership interests shall not be issued and the fractional interests of the Pass-  
16 Through Investors, the MP Funds and Radical Bunny or shall not be transferred to the  
17 Loan LLCs. Instead each such party shall continue to hold title and ownership to its  
18 fractional interest in their respective Note and Deed of Trust. (B) The ML Manager LLC  
19 shall be formed as provided in the Plan and shall be managed as provided in the Plan. ML  
20 Manager LLC shall be the new manager for each MP Fund as provided in the Plan.  
21 Further, based upon an analysis of the income tax consequences, the Agency Agreements  
22 (and related documents) between the Pass-Through Investors and Debtor at the option of  
23 the Plan Proponent shall be cancelled or transferred and assigned to the ML Manager who  
24 shall be the manager and where appropriate agent for all Pass-Through Investors and the  
25 MP Fund. The ML Manager shall hire and enter into a servicing agreement for the  
26 servicing of the Loans with Reorganized Debtor or a third party servicer, such as

1 Churchill Commercial Capital, Inc. ML Manager LLC shall be the successor to the  
2 Debtor. (C) Membership interests in the ML Manager shall be issued to the Pass-  
3 Through Investors, the MP Funds and Radical Bunny in their respective proportionate  
4 share of the total Unpaid Principal Balance as of the Petition Date. In exchange for the  
5 issuance of the membership interest in the ML Manager LLC to the MP Funds, the Pass-  
6 Through Investors and Radical Bunny, such parties shall reduce their Investor Damage  
7 Claim or Unsecured Claim against the Estate by \$100 for each Loan in which they are  
8 invested. (D) If the Agency Agreements are transferred to the ML Manager LLC, they  
9 shall be deemed modified to be consistent with the ML Manager LLC operating  
10 agreement, including the alternate Major Decision Provision, the Restrictions on Transfer  
11 Provision and the Issuance of Membership Provision which are attached as alternate  
12 provisions to the ML Manager LLC operating agreement which is Exhibit M to the  
13 Disclosure Statement. In the event the Plan Proponent elects to implement this alternate  
14 structure then the alternate provisions to the ML Manager LLC operating agreement in  
15 substantially the form attached shall be adopted. (E) Further, other provisions in the Plan  
16 which refer to the Loan LLCs shall be deemed revised where reasonable and appropriate  
17 to mean the ML Manager LLC if this section is adopted by Plan Proponent.

18 **4.15 Financing the Plan and Operations.** In order to consummate the Plan, the  
19 Plan Proponent has obtained Exit Financing. The terms of the proposed Exit Financing are  
20 attached to and disclosed in the Disclosure Statement as Exhibit O. The Exit Financing  
21 shall initially be used to pay in full on the Effective Date the outstanding Stratera Claims,  
22 the Priority Non-Tax Claims and the Allowed Administrative Claims. In addition, the Exit  
23 Financing shall be used by the ML Manager LLC and the Liquidating Trust to provide  
24 working capital for the operations of the ML Manager LLC, the Loan LLCs, the  
25 Reorganized Debtor and the Liquidating Trust. It is possible that Exit Financing will  
26 needed to be entered into by the lender as the lender and by the Liquidating Trust, the ML

1 Manager LLC, the Loan LLCs and/or the Reorganized Debtor as co-Borrowers with joint  
2 and several liability. The lender may require that all of the assets of the entities be  
3 pledged. It is anticipated that the parties will also enter into an inter-borrower agreement  
4 to allocate amongst themselves the use of funds and the repayment of the Exit Financing  
5 loan, among other things. The entities shall keep sufficient records of the use of funds and  
6 repayment of the loan so that a proper allocation and accounting may be made. Plan  
7 Proponent reserves the right to substitute and replace the terms of the Exit Financing on  
8 more favorable terms prior to the Confirmation Hearing should Plan Proponent in its sole  
9 discretion so choose.

10 **4.16 Dispute Resolution Procedure with Borrowers.** Plan Proponent  
11 contemplates that at Confirmation Hearing and in the Confirmation Order it will have the  
12 Court approve and authorize the ML Manager LLC, certain Loan LLCs and the MP Funds  
13 to agree with certain Borrowers, guarantors and related parties, such as the Grace Entities,  
14 on mutually agreeable dispute resolution procedures to resolve the claims of both the  
15 holders of the ML Notes and ML Deeds of Trust against Borrowers, guarantors and  
16 related parties and the claims of certain Borrowers, guarantors and related parties against  
17 the Debtor and the holders of the ML Notes and ML Deeds of Trust. Any such proposed  
18 mutually agreeable dispute resolution procedure to be approved at Confirmation shall be  
19 filed with the Court prior to the Confirmation Hearing.

## 20 **ARTICLE V**

### 21 **CONDITIONS TO EFFECTIVENESS OF PLAN**

22 **5.1 Conditions to Effectiveness.** The following are conditions precedent to  
23 effectiveness of the Plan:

- 24 (a) The Confirmation Date has occurred;
- 25 (b) The Confirmation Order in form and substance acceptable to the Plan  
26 Proponent has been entered and is a Final Order, *except that* the Plan Proponent

1 reserve the right to cause the Effective Date to occur notwithstanding the pendency  
2 of an appeal of the Confirmation Order, under circumstances that would moot such  
3 appeal;

4 (c) No request for revocation of the Confirmation Order under Section  
5 1144 of the Bankruptcy Code has been made, or, if made, remains pending; and

6 (d) The Exit Financing is ready to close and all conditions to the Exit  
7 Financing have been satisfied so that on the Effective Date sufficient funds are  
8 available to make payments to holders of Allowed Claims required to be paid  
9 under the Plan on the Effective Date.

10 **5.2 Waiver of Conditions and Notice of Effective Date.** The conditions to the  
11 Effective Date may be waived in whole or in part by the Plan Proponent in writing at any  
12 time without notice, or by an order of the Bankruptcy Court, or any further action other  
13 than proceeding to Confirmation and consummation of the Plan. When all of the  
14 Conditions to Effectiveness have been completed or waived, the Plan Proponent shall file  
15 with the Bankruptcy Court and serve upon all Creditors and potential holders of  
16 Administrative Claims known to Plan Proponent (whether or not disputed), a Notice of  
17 Effective Date of Plan. The Notice of Effective Date of Plan shall include notice of the  
18 Administrative Claim Bar Date.

19 **ARTICLE VI**

20 **LIQUIDATING TRUST AND TRUSTEE**

21 **6.1 Appointment of Liquidating Trustee.** The Plan Proponent will select and  
22 disclose in the Disclosure Statement the name of the Liquidating Trustee. The Bankruptcy  
23 Court will approve the appointment in the Confirmation Order. On the Effective Date, the  
24 Liquidating Trustee will be authorized to administer the Liquidating Trust and to take all  
25 necessary actions on behalf of the Liquidating Trust in accordance with the Plan and the  
26 Liquidating Trust Agreement.

1           **6.2 Establishment of Liquidating Trust.** Pursuant to Bankruptcy Code  
2 sections 1123(a)(5)(B), 1123(b)(3)(B), 1141 and 1145 of the Bankruptcy Code, the  
3 Confirmation Order shall approve the Liquidating Trust Agreement, the establishment of  
4 the Liquidating Trust, the appointment of the Liquidating Trustee, and the issuance of the  
5 beneficial interests and shall authorize and direct the Debtor and the Plan Proponent to  
6 take all actions necessary to consummate the terms of the Liquidating Trust Agreement  
7 and to establish the Liquidating Trust, including the transfer of the Non-Loan Assets to  
8 the Liquidating Trust and the issuance of the new stock in the Reorganized Debtor to the  
9 Liquidating Trust. The Liquidating Trust shall be deemed established, and the  
10 Liquidating Trustee shall be deemed appointed, as of the Effective Date. The Liquidating  
11 Trust shall be created and administered solely to implement the Plan. From the Effective  
12 Date, the Liquidating Trustee shall be a representative of the Estate, pursuant to  
13 Bankruptcy Code Section 1123, appointed for the purposes of, among other things,  
14 pursuing the Avoidance Actions and Causes of Action on behalf of the Debtor's Estate.  
15 In furtherance of that objective, the Liquidating Trustee shall have the rights of a trustee  
16 appointed under Bankruptcy Code Section 1106 as it relates to the Non-Loan Assets. The  
17 Liquidating Trust shall have the full power and authority, either in its name or the  
18 Debtor's name, to commence, prosecute, settle and abandon any action related to the  
19 Avoidance Actions and Causes of Action and/or object to Claims. The Liquidating Trust  
20 shall be authorized to retain professionals (which may include Professional Persons), with  
21 reasonable professional fees, expenses and costs to be paid out of the assets of the  
22 Liquidating Trust.

23           **6.3 Tax Effect of Transfer.** The transfer of the Non-Loan Assets to the  
24 Liquidating Trust shall be treated for federal income tax purposes and any applicable state  
25 or local income franchise or gross receipts tax purposes, and for all purposes of the  
26 Internal Revenue Code of 1986, as amended, as a transfer to creditors to the extent

1 creditors are beneficiaries of the Liquidating Trust, followed by a deemed transfer from  
2 the creditors to the Liquidating Trust. The beneficiaries of the Liquidating Trust shall be  
3 treated as the grantors and deemed owners of the Liquidating Trust for federal income tax  
4 purposes and any applicable state or local income, franchise or gross receipt tax purposes,  
5 and it is intended that the Liquidating Trust be classified as a liquidating trust under  
6 Section 301-7701-4 of the Treasury Regulations, as more particularly described in  
7 Revenue Procedure 94-45, 1994-2 C.B. 684. The Liquidating Trustee and the  
8 beneficiaries of the Liquidating Trust shall value the assets of the Liquidating Trust on a  
9 consistent basis and use such valuation for all federal and state tax purposes.

10 **6.4 Funding of Trust.** After payment of the Exit Financing, Secured Claims  
11 related to the Non-Loan Assets, and the operating expenses, the net proceeds of the sale or  
12 refinancing of any Non-Loan Assets whether retained in the Reorganized Debtor's name  
13 or in the Liquidating Trust shall be placed by the Liquidating Trustee in the Liquidation  
14 Fund and any recoveries from the Avoidance Actions and Causes of Action shall be  
15 placed by the Liquidating Trustee in the Liquidation Fund for payment of the beneficiaries  
16 as provided by the Plan.

17 **6.5 Power of Trustee and Board Approval.** All transfers of the Non-Loan  
18 Assets, including the execution of all contracts of sale, deeds, and other documents  
19 necessary to effectuate the Plan and to make payments under the Plan, shall be made by  
20 the Liquidating Trustee, on behalf of the Liquidating Trust and in accordance with the  
21 Liquidating Trust Agreement. Subject to the approval of the Trust Board, the Liquidating  
22 Trustee shall have and be granted the power and authority to list and/or market the Non-  
23 Loan Assets for sale (at such prices and for such amounts as determined by the  
24 Liquidating Trustee), and refinance the Non-Loan Assets, and the Liquidating Trustee  
25 shall also have the power and authority to execute any and all documents (including  
26 contracts, deeds, and other documents) necessary to effectuate the Plan, refinance, sell or

1 convey title to the Non-Loan Assets, without the need of further order of the Bankruptcy  
2 Court, to enter into the Exit Financing, to prosecute, settle or abandon Avoidance Actions,  
3 Causes of Action and object to Claims and Administrative Claims for Professional Fees.  
4 All actions, whether listed above or not, of the Liquidating Trustee shall be subject to the  
5 approval of the Trust Board as set forth in the Liquidating Trust Agreement. In the  
6 discharge of its duties, the Liquidating Trustee shall regularly meet with the Trust Board.  
7 In the event that the Trust Board and Liquidating Trustee do not agree on any action or  
8 items of business, the Trust Board shall have final authority and decision making  
9 responsibility and its decision shall govern.

10           **6.6 Transfer of Non-Loan Assets.** Immediately upon the Effective Date, the  
11 Liquidating Trustee shall receive control of all of the Debtor's rights, title and interest in  
12 the Non-Loan Assets, free and clear of all Claims, liens, encumbrances and other interests,  
13 but subject to the continuing lien of certain Secured Claims or Mechanics Liens, as  
14 provided in the Plan. The Liquidating Trust shall be granted and shall have exclusive  
15 control and possession of the Non-Loan Assets, and the Debtor (and its directors, officers,  
16 employees, shareholders and agents) shall, on the Effective Date, or immediately  
17 thereafter as is practical (without further hearing or Order of the Bankruptcy Court)  
18 peaceably turn over exclusive possession of the Non-Loan Assets to the Liquidating Trust,  
19 including all books and records related to the Non-Loan Assets and claims. The  
20 Liquidating Trust shall obtain such possession on the Effective Date for the sole purpose  
21 of effectuating and/or consummating the Plan. The Liquidating Trust shall be established  
22 for the sole purpose of liquidating the Non-Loan Assets, including prosecuting, settling or  
23 abandoning the Avoidance Actions and Causes of Action, and making disbursements from  
24 the Liquidation Fund for payment of Allowed Claims in accordance with the terms of the  
25 Plan.

26

1           **6.7 Duration of Trust.** The Liquidating Trust shall not have a term greater  
2 than five years from its date of creation, unless extended from time to time pursuant to the  
3 terms of the Liquidating Trust Agreement, with the approval of the Bankruptcy Court,  
4 solely to implement the Plan. At least twice a year, but only if sufficient funds exist and  
5 only if permitted by the other terms of the Plan and the Liquidating Trust Agreement and  
6 with Trust Board approval, the Liquidating Trustee shall distribute the net income of the  
7 Liquidating Trust plus all net proceeds and recoveries from the Non-Loan Assets to the  
8 Class 11A through 11G General Unsecured Claims in accordance with the terms of the  
9 Plan, provided, however, that the Liquidating Trustee may retain a sufficient amount of  
10 net income and net proceeds in the Liquidating Trust that the Liquidating Trustee  
11 necessary to maintain the value of the Non-Loan Assets, and to pay the costs and expenses  
12 of the Liquidating Trust, including compensation to the Liquidating Trustee and his or her  
13 professionals, and the costs and expenses of the Trust Board and its professionals. The  
14 Liquidating Trust shall be conservative in establishing reserves and prior to any  
15 distribution shall estimate the amount of the Class 11A through 11G General Unsecured  
16 Claims and establish sufficient reserve amounts needed to protect the Investor Damage  
17 Claims for the MP Funds and the Pass-Through Investors and for RBLLC's Claim, which  
18 are likely to be contingent and unliquidated for a period of time.

19           **6.8 Trust Board.** On the Effective Date, the Trust Board will initially be  
20 established and will be comprised of one representative selected by the Revolving  
21 Opportunity Investors, one selected by RBLLC, and three selected by the Investors  
22 Committee. In the event RBLLC or the Revolving Opportunity Investors do not select a  
23 Trust Board member, then the Plan Proponent will select a Trust Board member to fill  
24 those slots from the Investors. The Confirmation Order shall confirm and appoint the five-  
25 person Trust Board. The Trust Board members' names will be disclosed in the Disclosure  
26 Statement. After the Effective Date, in the event of any vacancy on the Trust Board, the

1 remaining members shall fill the vacancy with a Person who is a beneficiary under the  
2 Liquidating Trust and who is a representative of the constituency group represented by the  
3 prior member. All actions to be taken by the Liquidating Trustee with respect to the  
4 assets of the Liquidating Trust, including distributions to beneficiaries, the refinancing,  
5 sale or abandonment of the Non-Loan Assets, the prosecution, compromise, settlement, or  
6 abandonment of any Estate Claim, or the prosecution, compromise, settlement, or  
7 abandonment of any objection to Claim, shall require Trust Board approval.

8       **6.9 Retention of Trust Board Professionals.** The Trust Board may retain and  
9 compensate professionals (which may include Professional Persons) to assist the Trust  
10 Board in performing its duties and obligations under the Plan and the Liquidating Trust  
11 Agreement, on such terms as the Trust Board deems appropriate at the expense of the  
12 Liquidating Trust, without Bankruptcy Court approval. Members of the Trust Board shall  
13 be entitled to the reimbursement of reasonable expenses incurred in performing their  
14 duties and compensation from the Liquidating Trust and shall be compensated \$6,000 a  
15 year by the Liquidating Trust for their time and service as a Trust Board Member.

16       **6.10 Expenses Incurred on or After the Effective Date.** The amount of any  
17 reasonable fees and expenses incurred by the Liquidating Trust or the Trust Board on or  
18 after the Effective Date (including, without limitation, reasonable attorney and other  
19 professional fees and expenses) shall be paid from funds held in the Liquidating Trust.  
20 The Liquidating Trustee shall receive compensation as set forth in the Liquidating Trust  
21 Agreement for services rendered and expenses incurred on behalf of the Liquidating Trust  
22 and in carrying out his or her duties pursuant to the Plan, which compensation shall be  
23 subject to Trust Board review and approval.

24       **6.11 No Liability of the Trust Board and its Members.** To the maximum  
25 extent permitted by law, the Trust Board and its members, representatives, or  
26 professionals employed or retained by the Trust Board shall not have or incur liability to



1 Claims in any Class exceed the funds available for distribution to that Class, then each  
2 Allowed Claim in that Class will be paid or satisfied Pro Rata.

3 **7.2 Limitation on *De Minimis* Payments.** No distributions will be made of  
4 less than \$50 to any claimant, unless it is the final distribution to such claimant. If a  
5 distribution is not made due to the provisions of this paragraph, then the Claim (so long as  
6 it is an Allowed Claim) will remain eligible for distributions if any subsequent distribution  
7 is made, subject to the provisions of this paragraph.

8 **7.3 Disputed Claims and Claims Objections.**

9 (a) *Objections.* An objection to the allowance of a Claim or Interest not  
10 otherwise approved in the Plan shall be in writing and shall be filed with the  
11 Bankruptcy Court by the Liquidating Trust at any time on or before the later of (i)  
12 one hundred and twenty (120) days after the Effective Date, or (ii) such other time  
13 period as may be fixed by the Bankruptcy Court. Any such objection must be  
14 served upon the holder of the Claim or Interest to which an objection is filed. Any  
15 objection that is not timely filed in accordance with this paragraph shall be barred.  
16 The Liquidating Trust shall have the right, power and authority to investigate and,  
17 if necessary, object to Claims and Interests within the time deadline, and will  
18 prosecute, settle, compromise, or otherwise resolve objections to Claims or  
19 Interests. Both the Liquidating Trust and the ML Manager LLC shall have the  
20 right, power and authority to object to Administrative Claims for Professional Fees.

21 (b) *Settlement of Claims.* Settlement by the Liquidating Trust of any  
22 objection to any Claim shall be permitted on the eleventh (11<sup>th</sup>) day after notice of  
23 the settlement has been filed with the Court and provided by the Liquidating Trust  
24 to the objector, the claimant, and all persons specifically requesting such notice  
25 following confirmation of the Plan. If on or before the objection deadline no  
26 written objection to the proposed settlement is filed with the Court, such settlement

1 shall be deemed approved without further order of the Court. After the Effective  
2 Date, only the Liquidating Trust shall have authority to settle Claims on behalf of  
3 the Estate, except for Administrative Claims for Professional Fees which may be  
4 settled only upon the mutual agreement of the Liquidating Trust and the ML  
5 Manager LLC with the Administrative Claimant. If a written objection to the  
6 proposed settlement is filed before the objection deadline, the settlement must be  
7 approved by the Court upon motion to the Court for approval of the settlement and  
8 following notice to the objecting party. Any objection to a proposed settlement  
9 that is filed after the objection deadline shall be barred and shall not be considered.

10 (c) *Disputed Payments.* If any dispute arises as to the identity of a holder of  
11 an Allowed Claim or an Allowed Interest who is to receive any distribution, the  
12 Liquidating Trustee may, in lieu of making such distribution to such person, make  
13 such distribution into an escrow account until the disposition thereof shall be  
14 determined by the Bankruptcy Court or by written agreement among the interested  
15 parties to such dispute.

16 **7.4 Amendment of Claims.** A Claim may be amended prior to the Effective  
17 Date only as agreed upon by the Plan Proponent and the holder of such Claim or as  
18 otherwise permitted by the Bankruptcy Court and Bankruptcy Rules. After the Effective  
19 Date, a Claim may be amended to decrease, but not to increase, the amount thereof.

20 **7.5 Full and Final Satisfaction.** All payments and distributions under the Plan  
21 shall be in full and final satisfaction, settlement, release and discharge of all Claims and  
22 Interests.

23 **ARTICLE VIII**

24 **TREATMENT OF EXECUTORY CONTRACTS AND LEASES**

25 On the Confirmation Date (but subject to the occurrence of the Effective Date), the  
26 Debtor shall be deemed to have rejected, in accordance with §§365 and 1123 of the

1 Bankruptcy Code, any and all Executory Contracts to which either of the Debtor is a  
2 party, except those which: (a) prior to the Confirmation Date shall have been assumed  
3 (pursuant to the terms of this Plan or otherwise); or (b) at the Confirmation Date are the  
4 subject of pending motions to assume or are included on a list of assumed contracts and  
5 leases to be delivered to the Bankruptcy Court at or before the hearing on the confirmation  
6 of the Plan. The Agreements and Contracts between the Debtor and Investors shall not  
7 be deemed to be Executory Contracts but will be handled pursuant to Section 4.11 of the  
8 Plan.

9 All proofs of claim with respect to Claims arising from the rejection under the Plan  
10 of Executory Contracts, if any, must be filed with the Bankruptcy Court within the earlier  
11 of the date thirty (30) days after the date of entry of an order authorizing such rejection or  
12 the Effective Date. Any such Claims that are not filed within such time shall be forever  
13 barred. Unless otherwise provided by the Bankruptcy Court, all claims arising from the  
14 rejection of Executory Contracts shall be resolved by the Bankruptcy Court.

## 15 ARTICLE IX

### 16 RETENTION OF JURISDICTION

17 9.1 **Jurisdiction of Bankruptcy Court.** After the Effective Date, the  
18 Bankruptcy Court shall retain jurisdiction of the Chapter 11 Case pursuant to and for the  
19 purposes of §§105(a) and 1127 of the Bankruptcy Code and for the following purposes,  
20 among others:

21 (a) To consider any modification of the Plan under § 1127 of the  
22 Bankruptcy Code;

23 (b) To determine any and all objections to the allowance of Claims  
24 and/or Interests;

25 (c) To determine any and all fee requests of Professional Persons made  
26 pursuant to §§ 330 and 503(b) of the Bankruptcy Code;

- 1           (d) To determine any and all applications pending on the Confirmation
- 2 Date for the rejection and disaffirmance or assumption or assignment of Executory
- 3 Contracts, and the allowance of Claims resulting therefrom;
- 4           (e) To determine all controversies and disputes arising under, or in
- 5 connection with, the Plan and all agreements or releases referred to in the Plan, and
- 6 any disputes regarding the administration of the Estate by the Liquidating Trustee;
- 7           (f) To determine any and all applications, contested matters or adversary
- 8 proceedings pending on the Confirmation Date or filed thereafter seeking to
- 9 adjudicate the relative interests and priorities in and to property of the Debtor's
- 10 Estate or otherwise;
- 11           (g) To effectuate payments under, and performance of, the provisions of
- 12 the Plan;
- 13           (h) To determine such other matters and for such other purposes as may
- 14 be provided for in the Confirmation Order;
- 15           (i) To determine all Avoidance Actions and Causes of Action brought
- 16 by the Liquidating Trust;
- 17           (j) To determine the Borrowers' Claims against the Debtor, the Estate,
- 18 the Investors, RBLLC and the Loan LLCs; and
- 19           (k) To enter an appropriate final decree in the Chapter 11 Case.

20       **9.2 Appeals.** In the event of an appeal of the Confirmation Order or any other  
21 kind of review or challenge to the Confirmation Order, and provided that no stay of the  
22 effectiveness of the Confirmation Order has been entered, the Bankruptcy Court will  
23 retain jurisdiction to implement and enforce the Confirmation Order and the Plan  
24 according to their terms, including, but not limited to, jurisdiction to enter such Orders  
25 regarding the Plan or the performance thereof to implement the Plan.

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ARTICLE X

EFFECT OF CONFIRMATION AND INJUNCTION AND  
MISCELLANEOUS PROVISIONS

**10.1 Injunction and Exculpation.** The Plan provides that, except as may be specifically provided otherwise in the Confirmation Order or in the Plan, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan shall be in exchange for and in complete satisfaction and release of all Claims and termination of all Claims and Interests, including all principal and any interest accrued on Claims from the Order for Relief Date. No former or current officer, director or employee or agent, attorney, accountant, affiliate or Insider of Debtor is released from or indemnified for any liability for any actions or omissions prior to the Effective Date.

Confirmation of the Plan shall (a) impact and bind all claims or other debts, liabilities or obligations of every kind and nature that arose in whole or in part before the Effective Date, and all debts of the kind specified in Bankruptcy Code § 502(g), (h) or (i), whether or not a proof of Claim based on such debt is filed or deemed filed pursuant to Bankruptcy Code § 501, a Claim based on such debt is allowed pursuant to Bankruptcy Code § 502 of the Bankruptcy Code, or the holder of a Claim based on such debt has accepted the Plan; and (b) terminate all Interests and other rights of holders of Interests. The Confirmation Order shall permanently enjoin all persons from taking any actions against the Estate to enforce or collect any Claim or Interest unless provided for in the Plan.

In addition, pursuant to the Plan, the Plan Proponent, the Investors Committee and any of their respective officers, directors, employees, members, counsel, accountants, consultants, other approved professionals, or agents shall not have or incur any liability, except for liability based upon willful misconduct, to a holder of a Claim or Interest for any act or omission in connection with, or arising out of, the pursuit of confirmation of the

1 Plan, the consummation of the Plan, the administration of the Plan, the administration of  
2 the Estate, the issuance of the membership interests in the Loan LLCs or the beneficial  
3 interests in the Liquidating Trust, or the distribution of property under the Plan, and in all  
4 respects shall be entitled to rely upon the advice of counsel with respect to their duties and  
5 responsibilities under the Plan.

6 **10.2 Binding Effect of Plan.** The provisions of this Plan and the attached  
7 Agreements shall bind the Debtor, the Reorganized Debtor, the Liquidating Trust, the  
8 Committees, RBLLC, Borrowers, Creditors, and any Equity Holder, and shall bind any  
9 Person asserting a Claim against the Debtor or an Equity Interest in the Debtor, whether or  
10 not the Claim or interest arose before or after the Petition Date or the Effective Date,  
11 whether or not the Claim or Interest Is impaired, and whether or not such Person has  
12 accepted the Plan. Except as provided for in the Plan, the Non Loan Assets of the Debtor  
13 vest in the Liquidating Trust and the Loan Assets of the Debtor vest in RBLLC free and  
14 clear of liens, Claims and encumbrances and Equity Interests.

15 **10.3 Channeling of Claims.** The rights afforded under the Plan and the  
16 treatment of all Claims and Interests (including post-Effective Date Claims) as provided  
17 for in the Plan shall be the sole and exclusive remedy on account of all Claims and Equity  
18 Interests (including post-Effective Date Claims) of any nature whatsoever against the  
19 Debtor, the Reorganized Debtor, the Liquidating Trust, the ML Loans, and the Investors.  
20 Any and all claims or causes of action asserted against such parties arising out of or  
21 related to the Plan, the Reorganized Debtor, Investors, or the Liquidating Trust or the  
22 Committees shall be commenced only in the Bankruptcy Court.

23 **10.4 Modification And Amendment of Exhibits, Schedules And Appendices.**  
24 The Plan Proponent may modify or amend the terms of any document or agreement that is  
25 an exhibit, schedule or appendix to the Plan without the need for re-solicitation of votes  
26 with respect to the Plan; *provided, however,* that such modification or amendment does

1 not materially adversely affect the rights of any Person provided in the Plan and, *provided*  
2 *further, however,* that prior notice of such modification or amendment shall be served in  
3 accordance with the Bankruptcy Rules or an order of the Bankruptcy Court.

4 **10.5 Exemption from Transfer Taxes.** Pursuant to 11 U.S.C. §1146(a), the  
5 issuance, transfer, exchange of notes or equity securities under the Plan, the creation of  
6 any mortgage, deed of trust or other security interest, the making or assignment of any  
7 lease or sub-lease or the making or delivery of any deed or other instrument of transfer  
8 under, in furtherance of, or in connection with the Plan, including any deeds, bills of sale  
9 or assignment executed in connection with any of the transactions contemplated under the  
10 Plan shall not be subject to any stamp, real estate transfer, speculative builder, transaction  
11 privilege, mortgage recording or other similar tax.

12 **10.6 Exemptions from Securities Laws Registration and Considerations.**  
13 Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under  
14 a plan of reorganization from registration under section 5 of the Securities Act and state  
15 laws if three principal requirements are satisfied: (i) the securities must be offered and  
16 sold under a plan of reorganization and must be securities of the debtor, of an affiliate  
17 participating in a joint plan with the debtor, or of a successor to the debtor under the plan;  
18 (ii) the recipients of the securities must hold Claims against or interests in the debtor; and  
19 (iii) the securities must be issued in exchange (or principally in exchange) for the  
20 recipient's Claims against or interests in the debtor. The membership interests in the Loan  
21 LLCs offered and sold under the Plan are not freely tradeable. Restrictions on transfers  
22 apply and recipients of the membership interests in the Loan LLCs should review Section  
23 8 of the Loan LLCs operating agreement which is attached to the Disclosure Statement as  
24 Exhibit K. The Plan Proponent believes and asserts that the offer and sale of interests in  
25 the Loan LLCs and the issuance of the beneficial interests in the Liquidating Trust under  
26 the Plan satisfy the requirements of Section 1145(a)(1) of the Bankruptcy Code and the

1 membership interests in the Loan LLCs and the beneficial interests in the Liquidating  
2 Trust are, therefore, exempt from registration under the Securities Act and state securities  
3 laws. As an alternative, the Plan Proponent has also provided a simpler structure that does  
4 not involve the Loan LLCs but only involves the ML Manager LLC as set forth in Section  
5 4.14 above. Similar restrictions on transfers apply to such alternate ML Manager LLC  
6 structure. See Exhibit M to the Disclosure Statement for the alternate structure which the  
7 Plan Proponent asserts and believes also satisfies the requirements of Section 1145(a) and  
8 are therefore exempt from registration under the Securities Act and state securities laws.

9         The Plan Proponent expresses no view as to whether any particular person  
10 receiving a membership interest in a Loan LLC or the ML Manager alternate structure  
11 under the Plan would be an “underwriter” with respect to such membership interest in a  
12 Loan LLC or the ML Manager. The Plan Proponent recommends that potential recipients  
13 of the membership interests in the Loan LLCs or the ML Manager consult their own  
14 counsel concerning whether they may transfer their interests.

15         **10.7 Governing Law.** Except to the extent the Bankruptcy Code or Bankruptcy  
16 Rules are applicable, the rights and obligations arising under the Plan shall be governed  
17 by and construed and enforced in accordance with the laws of the State of Arizona.

18         **10.8 Headings.** The headings of the Articles, Sections and subsections of the  
19 Plan are inserted for convenience only and shall not affect the interpretation of the Plan.

20         **10.9 Amendment and Modification of the Plan.** The Plan Proponent may  
21 propose amendments to or modifications of the Plan at any time prior to confirmation of  
22 the Plan with the leave of the Bankruptcy Court or as permitted by the Bankruptcy Code  
23 or Bankruptcy Rules. After confirmation of the Plan, the Plan Proponent may amend or  
24 modify the Plan, with the approval of the Bankruptcy Court, so long as it does not  
25 materially or adversely affect the interests of Creditors or other parties in interest as set  
26 forth herein, to remedy any defect or omission or to reconcile any inconsistencies in the

1 Plan or in the Confirmation Order, in such a manner as may be necessary to carry out the  
2 purposes and intent of the Plan.

3 **10.10 Withdrawal of Plan.** The Plan may be withdrawn or revoked prior to the  
4 entry of the Confirmation Order at the exclusive election of the Plan Proponent.

5 **10.11 Binding Effect.** The Plan shall be binding upon, and shall inure to the  
6 benefit of the Debtor, its Creditors, the holders of Interests, and its successors and assigns.

7 **10.12 Quarterly Fees.** The quarterly fees required by 28 U.S.C. § 1930(a)(6) will  
8 be paid by the Liquidating Trust to, and reports will be filed with, the Office of the United  
9 States Trustee until application is made for entry of a final decree. Application for a final  
10 decree can be made when the Plan has been fully administered, which for purposes of the  
11 Plan shall mean when the Plan has been substantially consummated, as that term is  
12 defined in § 1101(2) of the Bankruptcy Code.

13 DATED: March 12, 2009.

14 The Official Committee of Investors

15 By /s/ Joseph L. Baldino  
16 Printed Name Joseph L. Baldino  
17 Title: Member of Official Committee of Investors

18 Prepared and submitted by:  
19 FENNEMORE CRAIG, P.C.

20 By: /s/ Cathy L. Reece (005932)  
21 Attorneys for the Official Committee of Investors  
22 2179098.2

**Exhibit 1 to Investors Committee's First Amended Plan of  
Reorganization Dated March 12, 2009 Regarding Causes of Action and  
Avoidance Actions and Targets**  
**and**  
**Exhibit E to Investors Committee's Amended Disclosure  
Statement**

This Exhibit 1 (which is incorporated into Section 4.3 of the Plan and into certain definitions in the Plan) and Exhibit E to the Amended Disclosure Statement (collectively the "Exhibit") are non-exclusive lists and attempt to identify certain Persons against whom the Debtor, may have Causes of Action or Avoidance Actions, but against whom the Debtor has or has not commenced legal proceedings because the Causes of Action Avoidance Actions with respect to such Persons are not fully developed either factually or legally. Investigations concerning potentially responsible parties are ongoing, and additional Persons and Causes of Action and Avoidance Actions may be identified in the future, as facts are developed. This Exhibit is therefore not a complete list of all Causes of Action and Avoidance Actions that the Debtor may have. Accordingly, no Person may rely on the fact that the Plan, Disclosure Statement and accompanying exhibits and schedules do not identify a particular Person, Avoidance Action or Cause of Action, and the fact that such particular Person Avoidance Action or Cause of Action is not identified in the Plan, Disclosure Statement and the accompanying exhibits or schedules does not constitute a waiver of any Avoidance Action or Cause of Action by the Debtor or the Liquidating Trust or the ML Manager LLC or the Loan LLCs or the holders of fractional interests in the ML Loan Documents, ML Notes and ML Deeds of Trust. The Debtor for itself and for the benefit of the Liquidating Trust, the ML Manager LLC, the Loan LLCs or the holders of fractional interests in the ML Loan Documents, ML Notes and ML Deeds of Trust expressly reserve and retain all Avoidance Actions and Causes of Action.

Further, any and all rights, claims, causes of action, counterclaims, offsets, recoupment, defenses, demands and other legal rights, power and authority which relate to the ML Notes, ML Deeds of Trust and the ML Loan Documents owned in fractional interests by the Debtor, the Investors or the MP Funds, shall be owned by the owners and holders of the ML Loan Documents, ML Notes and ML Deeds of Trust and shall not be transferred to the Liquidation Trust. For example, the legal right to pursue an enforcement action on the promissory note on a project or on the guaranty on a loan or to pursue the foreclosure on the collateral shall continue to be the sole right of the holders of the note and shall not be transferred to the Liquidation Trust, but to the ML Manager LLC, the Loan LLCs or the Investors who continue to own fractional interests in the ML Loan Documents, ML Notes and ML Deeds of Trust.

The Debtor, and therefore the Liquidating Trust, or the ML Manager or Loan LLCs or the holders of fractional interests in the ML Loan Documents, ML Notes and ML Deeds of Trust, may have Causes of Action or Avoidance Actions, including but not limited to, under state, federal or local law, for such theories as breach of contract, breach of

fiduciary duty, breach of agency, breach of duty of loyalty, breach of duty of good faith and fair dealing, breach of trust, malpractice, negligence, negligent or intentional misrepresentation, fraud, conversion, unjust enrichment, violations of securities laws, conspiracy to defraud or violate securities laws, fraudulent schemes or practices, deceit or manipulation in fiduciary capacity or in connection with sales of securities, fraudulent transfer, aiding and abetting the breach of a fiduciary duty, aiding and abetting fraudulent practices, schemes, devices or other tort liability, aiding and abetting fraud, negligence or violation of securities laws by churning, failure to supervise or monitor the account, unsuitability of investment or risk, or failure to supervise the representative, broker or agent, violation of the anti money laundering laws or suspicious activities laws or aiding or abetting such violations, violating securities laws or aiding or abetting such violations, operation or facilitation of an illegal scheme or aiding or abetting such scheme, securities fraud in violation of ARS Section 44-1991, control person liability under ARS Section 44-1999, common law fraud, and professional negligence, against any and all Person, including the following Persons, their predecessors, successors, assigns and affiliated parties or entities, officers, directors, employees, brokers, representatives and agents:

Mortgages Ltd. Commercial Capital, LLC  
Mortgages Ltd. Insurance LLC  
Mortgages Ltd. Investments, LLC  
Mortgages Ltd. Securities, LLC  
Mortgages Ltd. Title Agency, LLC  
SM Revocable Trust dated 12/22/1994  
SM Coles LLC  
Scott Coles Probate estate  
Chicago Title Insurance Company  
Fidelity National Title Insurance Company  
LandAmerica/Lawyers Title Insurance Company  
First American Title Insurance Company  
Thomas Title and Escrow  
Security Title Agency  
Magnus Title Agency  
Camelback Title  
Radical Bunny LLC  
Hirsch & Shah CPAs LLC  
Tom Hirsch  
Tom Hirsch & Co.  
Hirsch Shah  
Irwin Union Bank  
Irwin Bank & Trust  
Mayer Hoffman McCann, P.C.  
Greenberg Traurig, LLP  
Stinson Morrison Hecker, LLP  
Zwillinger, Georgelos and Greek, P.C.  
Arizona Bank & Trust

Mid First Bank  
Stratera Portofolio Advisors  
Artemis Realty Capital  
Robert Kant  
John Clemency  
Chuck Lane  
Jennings Strouss & Salmon  
MCA Financial Group Ltd.  
Barry Monheit  
Christine Zahedi  
Michael Denning  
Todd Brown  
Jeffrey A. Newman  
James J. Cordello  
R. Alan Zeigler  
Richard M. Feldheim  
George E. Everette  
Christopher J. Olson  
Nechelle E. Wimmer  
Eva Yang  
Joseph Lee  
James Kaplan  
Ashla Kinnaman  
Ryan Walter  
Veronica Sas  
Laura Martini  
Philip J. Sollomi, Jr.  
Ann H. Flaherty  
Neal Churney  
Robert Gibney  
Deborah A. Waitkus  
Robert Furst  
Value-to-Loan Opportunity Fund 1, LLC  
MP022000 LLC  
MP102000 LLC  
MP052001 LLC  
MP012002 LLC  
MP092004 LLC  
MP062003 LLC  
MP032004 LLC  
MP052005 LLC  
Westchester Fire Insurance Co.  
Lloyd's of London Underwriters  
Associated International Insurance Co.  
Colonial Surety  
Mortgages Ltd. 401k Plan

Cooley Enterprises LLC  
Mark D. Svejda  
Gust Rosenfeld PLC  
Kirk A. McCarville PC  
Francine Coles and her trusts and affiliates  
FMC Revocable Trust  
Ashley Coles and her trusts and affiliates  
Abacus Project Management Inc.  
Robert Porter Construction Co.  
Michael Peloquin  
Zacher Corporation  
Mummy 8, LLC  
Southwest Value Partners  
Mortgages Ltd. Defined Benefit Plan  
FTI Consulting  
Ken Losch  
David Dewar  
Tempe Land Company  
Engelman Berger  
Thomas Law Firm PC  
Fleet Fisher Engineering Inc.  
Deutsche Bank  
Alliance Bank  
M&I Bank  
4455 CAM-PAC LLC  
Secured Capital Management Co. LLC  
St Paul Travelers  
Raymond Chess law firm  
Diesta Kiesling  
Sheila Touhey  
Manny Alemany  
Sam Tang  
Bobby Barnes  
Jake Grover  
Jeff Brandon  
Chris Welsch  
Lyons Valuation  
Dave Lyons  
Joseph J. Blake & Associates  
Davis Valuation Group  
Appraisal Solutions Inc.  
Montandon Farley RE-AD Group Inc.  
CB Richard Ellis  
Tim Love  
Cushman Wakefield  
Carolyn Goldman

All the parties listed in the Debtor's Schedules of Assets and Liabilities and Statement of Affairs, including, but not limited to, Exhibit 3 to the Statement of Affairs.

In addition the ML Manager LLC or the Loan LLCs or the Investors which hold fractional interests in ML Loan Documents, ML Notes and ML Deeds of Trust may have Causes of Actions or Avoidance Actions against the following Borrowers, Guarantors and related parties:

Panwebster Holdings, LLC  
Ganem Esperanza Holdings, LLC  
Central Arizona Land Planners, LLC  
Jonathan B. Webster  
Robert B. Ganem and Nancy Mejia Ganem  
Chuck Sorenson and Stephanie E. Sorenson  
Jeffrey Lipton and Shelley Lipton  
MK Custom Residential Construction, LLC  
Michael J. Peloquin and Kay M. Peloquin  
4633 E. Van Buren, L.L.C.  
GP Properties Carefree Cave Creek, L.L.C.  
GP Central Avenue, L.L.C.  
Resort Mansions 1, L.L.C.  
G.P. McKinley, L.L.C.  
McKinley Lofts, L.L.C.  
Downtown Community Builders Limited Partnership  
Troon Peak Resort Properties Limited Partnership  
City Lofts, L.L.C.  
Resort Mansions 2, L.L.C.  
Metropolitan Lofts, LLC  
Lyon's Valuation Service  
GP Second Street, L.L.C.  
Community Builders, L.L.C.  
Northern 120, L.L.C.  
Citrus 278, L.L.C.  
Stephen A. Kohner and Patricia L. Kohner  
SAK Family Limited Partnership  
SAK Investments, L.L.C.  
Peoria 145, L.L.C.  
Happy Valley 160, L.L.C.  
Peoria 180, L.L.C.  
Northern 40 West, L.L.C.  
Kohner Properties, L.L.C.  
44<sup>th</sup> & Camelback, LLC  
Vento Investments, LLC  
Zeltor, LLC  
Jonathon Vento and Lori Vento  
Donald Zeleznak & Shirley Zeleznak

Jonathon J. Vento and Lori Vento, Trustees of the Vento  
Family Trust dated April 25, 2003  
Donald J. Zeleznak and Shirley A. Zeleznak as Trustees  
of the Zeleznak Revocable Trust dated December 6, 2001  
44<sup>th</sup> & Camelback Investors, LLC  
44<sup>th</sup> & Camelback Holdings, LLC  
Z-Don, Inc.  
RJZ Associates L.L.C.  
Ryan Zeleznak  
Grace Monroe, LLC  
Osborn Condominiums, LLC  
Osborn Lofts Investors, LLC  
70<sup>th</sup> Street Investors, LLC  
70<sup>th</sup> Street Holdings, LLC  
Osborn III Partners, LLC  
Portales Place Property, LLC  
Portales Place Developers, LLC  
Portales Lofts, LLC  
Central & Monroe, LLC  
70<sup>th</sup> Street Property, LLC  
ABCDW, L.L.C.  
Torrey Pines Development, L.L.C.  
Riggs/Queen Creek 480, L.L.C.  
Ellsworth Road 160, LLC  
Vanderbilt Farms, L.L.C.  
Ashton A. Wolfswinkel  
Brandon D. Wolfswinkel  
Kevin Peterson  
Peterson Properties & Management, Inc.  
Vintage Farms, L.L.C.  
Stone Canyon, L.L.C.  
Vistoso Partners, L.L.C.  
Kevin P., L.L.C.  
Irvine Land Partners, L.L.C.  
Bisontown L.L.C.  
Gary L. Martinson  
Mirage Homes Communities, L.L.C.  
Foothills Plaza IV, L.L.C.  
Apex Property Solutions, L.L.C.  
Douglas A Dragoo and Elizabeth Dragoo  
Riverfront Commons, L.L.C.  
Cottonwood Parking, Inc.  
GLM Enterprises, L.L.C.  
Glen D. Morrison and Laura A. Morrison  
Glen D. Morrison and Laura A. Morrison, as  
Trustees of the Glen and Laura Morrison Revocable

Living Trust dated April 30, 2003  
Robert Gibney and Associates  
Arizona Commercial Land Acquisitions I, LLC  
Elizabeth May Real Estate, LLC  
C Thomas Cummings  
Pamela Cummings  
All State Associates of Pinal XVI, LLC  
Turtle Creek Vista Associates, LLC  
Chesapeake Mill Associates, LLC  
All State Land Advisors, LLC  
ASL Advisors, Inc.  
Turtle Creek Vista Group, Inc.  
Chesapeake Mill Group, Inc.  
All State Associates of Pinal IX, LLC  
The Zacker Development Company, L.L.C.  
Richard C. Zacker II  
Kristin C. Zacker  
Roosevelt Gateway LLC  
Roosevelt Gateway II, LLC  
University & Ash, LLC  
Charles L. LaMar and Charles Austin LaMar  
Kimberly L. LaMar  
The LaMar Family trust U/a/d December 9, 2005  
John W. Mackey and Annette Mackey  
Douglas L. Kowallis  
Kay N. Kowallis  
Justin Charles LaMar  
LaMar Holdings, LLC  
Kowallis, Mackey & LaMar Southwest Development, LLC  
VCB Properties, LLC  
Eric Capranica and Julie Capranica  
Ecco Holdings, L.L.C.  
Mountain View 26, L.L.C.  
SOJAC I, LLC  
Dale M. Jenson and Vicki S. Jenson  
Bradley N. Yonover and Sarah Yonover  
Joseph Pinsonneault and Caylee Pinsonneault  
Tempe Land Company, LLC  
Kenneth Losch  
David C. Dewar  
Graystar Investments, LLC  
Kingston Capital Co., LLC  
Rodeo Ranch Estates, LLC  
Cozy Holdings, LLC  
Arthur Duane Cozart and Margie Cozart  
Bryan M. Moody and Julie R. Moody

Conley Wolfswinkel  
HH20, LLC  
HH20 Management, LLC  
C.I. Development Group, LLC  
C.I. Holdings Group, LLC  
Jason Matthew Savell and Kristina Maria Savell  
Eric A. Faas and Cheryl M. Faas  
Rightpath Limited Development Group, LLC  
Hendon MLB Development, LLC  
Banovac Properties, LLC  
Rightpath Holdings, LLC  
Daniel L. Hendon  
Rick L. Burton  
Robert C. Banovac  
Rick L. Burton, Family Trustee and RTaymond Rodriquez, Independent  
Trustee of the RLB 2006 Irrevocable Trust dated August 10, 2006  
Robert C. Banovac, Settlor and Trustee of the Robert Banovac Trust dated March 9, 1998  
Rightpath Limited, a Nevada corporation  
Rightpath Limited, LLC  
Daniel L. Hendon, as Trustee of the Daniel L. Hendon Family Trust  
dated February 28, 2006  
Glendale Aviation, LLC  
Glendale Jet Center, LLC  
Maryland Way Partners, LLC  
PDG Los Arcos, L.L.C.  
Richard Sodja  
Molly L. Sodja  
National Retail Partners I, LLC  
Richard Sodja, Jr. and Molly Sodja  
Trent Schelkopf  
Town Lake Development Partners, LLC  
Valhalla Development Group, LLC  
Tod Decker  
Scott L. Wilson  
Tiffany Wilson  
Michael E. Earl  
Sherie L. Earl  
Paul D. Winslow  
CDIG, L.L.C.  
JW Maricopa Holdings, LLC  
TCB Property Management, LLC  
CGSR, LLC  
Chuck Sorenson and Stephanie Sorenson  
Michael G. Berkner  
Jon Webster  
James T. and Linda L. Hurst

GMI Financial Group, Inc.  
Tim E. Alder  
Darlene Alder  
43<sup>rd</sup> Avenue & Olney, LLC  
S H Land Holdings, LLC  
Power 15, LLC  
McLellan 13, LLC  
C Randall Suggs

In addition, the Plan Proponent attaches the Debtor's list which it prepared and attached to its Disclosure Statement and incorporates that list by reference herein.

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**Non-Exclusive List of Retained Causes of Action**

**Notes:**

1. Except as expressly provided for in Article -- of the Plan, nothing contained in the Plan, this Schedule or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights or Causes of Action that the Debtor or the Reorganized Debtor may have or that the Reorganized Debtor may choose to assert on behalf of its Estate under any provision of the Bankruptcy Code or any applicable non-bankruptcy law, including, without limitation, (i) any and all Causes of Action or Claims against any person or entity, to the extent such person or entity asserts a cross-claim, counterclaim and/or claim for setoff that seeks affirmative relief against the Debtor, the Reorganized Debtor, its officers, directors or representatives or (ii) the turnover of any property of the Debtor's Estate.
2. Except as set forth in Article -- of the Plan, nothing contained in the Plan, this Schedule or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights or Causes of Action that the Debtor had prior to the Petition Date or the Effective Date against or with respect to any Claim left Unimpaired by the Plan. The Reorganized Debtor shall have, retain, reserve and be entitled to assert all such rights and Causes of Action as fully as if the Chapter 11 Case had not been commenced, and the Reorganized Debtor's legal and equitable rights respecting any Claim left unimpaired by the Plan may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Case had not been commenced.
3. No preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or other) or laches will apply to the Debtor or the Reorganized Debtor's Claims or Causes of Action upon or after the Confirmation Date or Effective Date of the Plan based on the Disclosure Statement, the Plan or the Confirmation Order, except where such Claims or Causes of Action have been expressly released in the Plan or other Final Order.
4. Any Entity that has incurred an obligation to the Debtor (whether on account of services, purchase or sale of goods or otherwise), received services from the Debtor or a transfer of money or property of the Debtor, transacted business with the Debtor or leased equipment or property from the Debtor should assume that such obligation, transfer or transaction may be reviewed by the Debtor or the Reorganized Debtor, and may, if appropriate, be the subject of an action after the

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Effective Date, whether or not (a) such Entity has filed a proof of Claim against the Debtor in the Chapter 11 Case, (b) such claimant's proof of Claim has been objected to, (c) such claimant's Claim was included in the Debtor's Schedules or (d) such claimant's scheduled Claim has been objected to by the Debtor or has been identified by the Debtor as a Disputed Claim, a Contingent Claim or an Unliquidated Claim.

5. The categories and particular Causes of Action listed below are indicative but are in no way exclusive of the Causes of Action retained by the Debtor.
6. The Debtor remains free, subject to the terms of the Plan, to supplement and amend this Schedule.

**Certain Categories of Retained Causes of Action**

Below is a list of indicative categories of Causes of Action that the Debtor and the Reorganized Debtor retains. This list is non-exclusive.

- Causes of Action for refunds, payments, penalties or fees and/or other tax matters.
- Causes of Action for payments, overpayments, setoffs, indemnities and/or failure to meet lease, contract, note, deposit, regulatory and/or tax obligations.
- Causes of Action for payments, overpayments, setoffs, indemnities and/or failure to meet benefit- and/or employee-related obligations, including those related to pension coverage, benefits and other calculations.
- Causes of Action for attorneys fees, litigation costs, indemnities, restitution, cross-claims and counter claims related to existing or potential litigations.
- Causes of Action against utilities, vendors and/or suppliers of services and/or goods, travel or other agencies and/or other parties for wrongful or improper termination or suspension of services and/or supply of goods and/or failure to meet other contractual, indemnity or regulatory obligations, including actions involving contracts or categories of contracts listed on the Schedules to the Plan.
- Causes of action against professionals who provided services to the Debtor and its affiliates before the Relief Date.

1 **Certain Specific Retained Causes of Action**

2 Below is a list of indicative particular Causes of Action that the Debtor and the  
 3 Reorganized Debtor retain. This list is non-exclusive.

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2:08-ap-00780-RJH National Retail Development Partners I, LLC v. Maness et al	Claims for non-payment of amounts owing on a note; breach of contract; breach of guaranty	
2:08-ap-00781-RJH PDG Los Arcos, LLC v. Adams et al	Claims for non-payment of amounts owing on a note; breach of contract; breach of guaranty	
2:08-ap-00831-RJH Mortgages Ltd. v. PDG Los Arcos, LLC et al	Claims for non-payment of amounts owing on a note; breach of contract; breach of guaranty	
2:08-ap-00832-RJH MORTGAGES LTD v. National Retail Development Partners I, LLC et al	Claims for non-payment of amounts owing on a note; breach of contract; breach of guaranty	
2:08-ap-00881-RJH Mortgages Ltd., et al v. Dragoo et al	Breach of contract, breach of guaranty;	
2:08-ap-00920-RJH Gould Evans Associates L.C. v. Mortgages Ltd.. et al	Mechanics' lien claim (Centerpoint project); foreclosure action	
2:08-ap-00957-RJH Mortgages Ltd.. v. Vento et al	Breach of contract, breach of guaranty	
2:09-ap-00037-RJH Mortgages Ltd. et al v. Vento et al	Breach of contract, breach of guaranty	

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Case Name/Cause of Action	Description
2:09-ap-00042-RJH Mortgages Ltd. et al v. Vento et al	Breach of contract, breach of guaranty
S M Coles, LLC	Claims, including fraudulent transfers and receipt of preferential payments
SMC Revocable Trust	Claims, including fraudulent transfers and receipt of preferential payments
Greenburg Trauig	Claims, including fraudulent transfers and receipt of preferential payments
MCA Financial Group	Claims, including fraudulent transfers and receipt of preferential payments
Insiders of the Debtor	Claims, including fraudulent transfers and receipt of preferential payments
Tom Hirsch	Claims, including professional negligence and indemnity
Investors who received redemptions	Claims, including fraudulent transfers and receipt of preferential payments. Specifically, there was approximately \$1,400,000 paid to redemption recipients within 90 days prior to the Petition Date, and there was approximately \$44,200,000 paid to redemption recipients within 1 year prior to the Petition Date.
Life insurance beneficiaries	Claims, including fraudulent transfers and receipt of preferential payments

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Debit Name/Cause of Action	Description
Preference Litigation	Claims to recover non-redemption transfers made to non-insider transferees within 90 days of the Petition Date

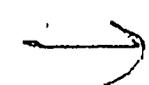
We should talk. Please let me know when you have a few minutes.

Thank you.

-Bob-

-----Original Message-----

From: Hoffmann, Chris  
Sent: Thursday, January 25, 2007 11:35 AM  
To: Moya, P. Robert  
Subject: Re: Do we want this client?



Yes I can help

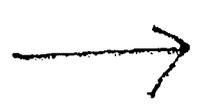
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Sent from my BlackBerry Wireless Handheld



-----Original Message-----

From: Moya, P. Robert <PRM@quarles.com>  
To: Hoffmann, Chris <CHoffman@quarles.com>  
Sent: Thu Jan 25 11:34:45 2007  
Subject: Do we want this client?

Chris: This is the company I mentioned in my voice-mail. The questions are whether we would like to work with them and whether we can help them at a reasonable price. They are worried about compliance issues, particularly relating to securities regulation. I can see why.



Principals: Tom Hirsch, Howard Wilder, Bunny Wilder

*Berta @*  
*Harish Shah*

Radical Bunny LLC ("RB")

(also needs a new Operating Agreement)

2222 East Camelback

602.682.5150

*602-682 (F)  
-5154*

Recommended by Mortgages Ltd. ("ML")(Todd Brown)