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IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re	Chapter 11
MORTGAGES LTD.,	Case No. 2:08-bk-07465-RJH
Debtor.	

APPROVED AMENDED DISCLOSURE STATEMENT IN SUPPORT OF THE OFFICIAL COMMITTEE OF INVESTORS' FIRST AMENDED PLAN OF REORGANIZATION DATED MARCH 12, 2009

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT RELATES TO THE INVESTORS COMMITTEE'S PLAN OF REORGANIZATION. IT IS BEING PROVIDED TO CREDITORS, INVESTORS, BORROWERS AND EQUITY INTEREST HOLDER SO THAT THEY CAN MAKE AN INFORMED JUDGMENT ABOUT THE PLAN, INCLUDING (FOR THOSE ENTITLED TO VOTE ON THE PLAN) ABOUT WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. ACCORDINGLY, THIS DISCLOSURE STATEMENT MAY NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS, INVESTORS, BORROWERS AND EQUITY INTEREST HOLDER ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, OTHER EXHIBITS ANNEXED OR REFERRED TO IN THE PLAN AND THIS DISCLOSURE STATEMENT AS A WHOLE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. ANY ESTIMATES OF CLAIMS SET FORTH HEREIN MAY VARY FROM THE AMOUNT OF CLAIMS ULTIMATELY APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED

IN THIS DISCLOSURE STATEMENT, INCLUDING THE HISTORY, BUSINESS, OPERATIONS OF THE DEBTOR, THE DEBTOR'S ASSETS AND LIABILITIES, HISTORICAL FINANCIAL INFORMATION OF THE DEBTOR, AND THE LIQUIDATION ANALYSIS, HAS BEEN DERIVED FROM SEVERAL SOURCES, INCLUDING THE BOOKS AND RECORDS OF THE DEBTOR, THE DEBTOR'S SCHEDULES OF ASSETS AND LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS, PROOFS OF CLAIMS, DECLARATIONS OF DEBTOR'S OFFICERS IN VARIOUS PLEADINGS, AND OTHER DOCUMENTS FILED WITH THE BANKRUPTCY COURT. CERTAIN INFORMATION PROVIDED HEREIN HAS BEEN PROVIDED BASED ON THE BEST INFORMATION AND BELIEF OF THE DEBTOR'S OFFICERS.

THE INVESTORS COMMITTEE AND ITS PROFESSIONALS CANNOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT INACCURACY. NONE OF THE INVESTORS COMMITTEE MEMBERS OR PROFESSIONALS HAS VERIFIED THE INFORMATION CONTAINED HEREIN ALTHOUGH THEY DO NOT HAVE ACTUAL KNOWLEDGE OF ANY INACCURACIES. IN MAKING A DECISION, THE CREDITORS, INVESTORS, BORROWERS AND EQUITY INTEREST HOLDER MUST RELY ON THEIR OWN EXAMINATION OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. THE PARTIES SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH PARTY SHOULD CONSULT WITH THEIR OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONTEMPLATED THEREBY.

AS TO CONTESTED MATTERS AND SETTLEMENTS, THE INFORMATION IN THE DISCLOSURE STATEMENT IS NOT TO BE CONSTRUED AS

ADMISSIONS OR STIPULATIONS BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS. EXCEPT WHERE SPECIFICALLY NOTED, THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(c) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER LAWS GOVERNING DISCLOSURE OUTSIDE THE CONTEXT OF CHAPTER 11. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE AGENCY, NOR HAS THE SEC NOR ANY STATE AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

THE APPROVAL OF THE DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTY OF THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

I. INTRODUCTION

This amended disclosure statement (defined herein as the "Disclosure Statement," including any modifications hereto), is filed in support of the first amended plan of reorganization (defined herein as the "Plan," including any modifications hereto), 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"). The Plan is attached to the Disclosure Statement as Exhibit "A". The purpose of this Disclosure Statement and

Exhibits, the accompanying Ballots and related materials, is to solicit acceptances of the Investors Committee's Plan from impaired Creditors, Investors, Borrowers and Equity Interest Holder.

The Investors Committee believes the Plan is in the best interests of the Creditors, Investors, Borrowers and Equity Interest Holder and encourages all parties to return your ballot and **vote to accept** the Investors Committee's Plan.

II. SUMMARY OF PLAN

The Investors Committee's Plan accomplishes five major goals.

A. A Liquidating Trust to pursue Causes of Action and Avoidance Actions and to Liquidate Debtor's Non-Loan Assets.

Upon the Effective Date of the Plan, a Liquidating Trust is set up and control of all the Debtor's Non-Loan Assets are transferred to the Liquidating Trust. A Liquidating Trustee will be tasked with selling the Debtor's real estate and collecting two note receivables previously owned by the Debtor which have been transferred to the Liquidating Trust. The Liquidating Trustee will also be tasked with pursuing all of the Debtor's Causes of Action and Avoidance Actions against third parties, excluding the Causes of Action and Avoidance Actions related to the Notes and Deeds of Trust which shall follow the Notes and Deeds of Trust and shall be pursued by the ML Manager LLC or the Loan LLCs. The Liquidating Trust may employ counsel to pursue law suits and brokers to sell or refinance the real property. The Creditors, RBLLC and the Investors will have beneficial interests in the Liquidating Trust and shall be entitled to distributions. In addition, the Liquidating Trustee shall be accountable to and must obtain the consent of a Trust Board, which shall be made up of people selected by the Investors Committee, RBLLC and the Revolving Opportunity Investors. The Revolving Opportunity Investors will select one Trust Board member. RBLLC will select one Trust Board member. The Investors Committee will select the remaining three Trust Board members and the

Liquidating Trustee. The Investors Committee has set up a selection process to seek out candidates for Trust Board membership and the Liquidating Trustee position and has interviewed candidates before making its decisions. The names of the proposed Liquidating Trustee and his resume and the names of the proposed Board members are disclosed below.

B. Resolution of Major Bankruptcy Issues, Rather than Continued Litigation.

The Plan addresses, rather than litigates at great time, expense and risk, major issues in the Case. The major issues to be resolved include such issues as: (1) the acknowledgment of the validity of RBLLC's security interest in the Debtor's Loan Assets and the transfer of the Debtor's fractional interest in the ML Loans to the applicable Loan LLC in exchange for the issuance of a membership interest in the Loan LLC to RBLLC in satisfaction of a portion of its debt; (2) the acknowledgment of the ownership of the fractional interests in the Notes and Deeds of Trust by the Investors; (3) the allowance of Investor Damages by the Investors and participation of those unsecured claims in the Liquidating Trust; (4) the release of Avoidance Actions against Investors as of the Petition Date (excluding Insiders), ordinary course trade creditors with unsecured claims and RBLLC so as to avoid unnecessary litigation among the beneficiaries in the Liquidating Trust; and (5) the provision for an Accelerated Recovery for RBLLC and the Revolving Opportunity Investors in the Liquidating Trust for a portions of their Claims and a limited priority payment to the ordinary course trade creditors in the Liquidating Trust for a portion of their Claims to resolve certain disputes.

C. The Limited Continued Operations of a Reorganized Debtor.

The Debtor's existing stock will be cancelled and extinguished. New stock will be issued to the Liquidating Trust. The Reorganized Debtor, which will be renamed ML Servicing Co., Inc., will be owned, controlled and operated by the Liquidating Trust, but may continue to provide loan servicing and litigation support to both the Liquidating Trust

and the Loan LLCs. The Reorganized Debtor will not make or originate new loans and will cease to exist and be dissolved when the Liquidating Trust is terminated. An operating budget may be adopted and a new servicing agreement may be entered into for 2009 whereby the costs of operations of the Reorganized Debtor can be paid on a break even basis. Some of the current employees of Debtor may be retained in the Reorganized Debtor as employees or consultants. The institutional memory and experience of the current employees, as well as the up and running computer systems and software programs, will be used to service the Loans, provide litigation support and make claims distributions under the supervision of the Reorganized Debtor and the Liquidating Trust. However, because it is not certain that the Reorganized Debtor will be allowed to retain its commercial mortgage banker's license, the Plan also provides for the ability of the Plan Proponent to use a third party servicing company at rates favorable to Investors, such as Churchill Commercial Capital, Inc.

D. <u>Investor-controlled and professionally-managed workout and collection of the Loans</u>.

The fractional interests in the Notes and Deeds of Trust will be transferred to newly formed Loan LLCs so that 100% of a loan can be owned by and administered by a limited liability company set up just for that loan. Each Pass-Through Investor, the MP Funds and the Debtor will transfer their fractional ownership interests in the Note and Deed of Trust (and in the recently foreclosed real estate) to the new applicable Loan LLC set up for that loan (*i.e.*, Centerpoint Loan LLC) and will be issued proportionate membership interests based upon the dollar amount of the investment in the ML Loan. RBLLC will be issued the Debtor's proportionate membership interest in partial satisfaction of its Claims.

<u>The transfer of the fractional interest in a Note and Deed of Trust by Pass-Through Investors shall be voluntary</u>. No Pass-Through Investor will be required to transfer their interest. How and when will Pass-Through Investors have to make this

decision? In addition to checking a box to "accept" the Plan, the Ballots for Classes 10A and 10B (which are a part of these materials) have a box to check where the Investor can indicate that they "agree" to transferring their fractional interests in the Notes and Deeds of Trust into the applicable Loan LLC and becoming subject to the restrictions and Exit Financing. Once the Plan is confirmed by the Court, the Pass-Through Investors will receive additional paperwork to fill out to accomplish the transfer in exchange for a membership interest in the applicable Loan LLC. If a Pass-Through Investor decides not to transfer an interest into the applicable Loan LLC for a specific Loan, then the Pass-Through Investor will continue to hold the fractional interest in the Note and Deed of Trust or the title to the property if it has already been foreclosed upon in their name, however the costs of enforcing the Loan and the expenses related to that Loan will be assessed against the Pass-Through Investor as provided for in the existing documents. The benefits and protections of the Loan LLC and the use of the Exit Financing will not be available to such Pass-Through Investor and such Pass-Through Investor will be subject to the existing Subscription and Agency Agreement fees and provisions which will be enforced by the ML Manager LLC and may be subject to lawsuits by Borrowers. The existing Agency Agreements and other contracts to which the Pass-Through Investors are parties may be transferred by the Debtor to the ML Manager LLC, at the option of the Plan Proponent depending on the tax consequences.

There may be as many as 60 Loan LLCs or possible fewer with only 47 Loan LLCs.[1] The manager for each will be a newly formed ML Manager LLC. The Board of Managers will be 5 investors with experience and credentials in lending or real estate or other businesses. One Board member will be selected initially by RBLLC. One Board

[1] The Loans in which the Mortgages Ltd. 401(k) Plan holds the ownership interest will not be transferred to Loan LLCs. Instead the trustee(s) of the Mortgages Ltd. 401(k) Plan shall make their own decisions and decide who will service their Loans. It is also possible that Loans with only a few investors may, after discussion with the Plan Proponent, not be transferred into a Loan LLC.

member will be selected by the Revolving Opportunity Investors. Three Board members will be selected initially by the Investors Committee. The Investors Committee has selected its proposed Board members and they are disclosed below. In addition to using the Reorganized Debtor for servicing the loans and providing support services or using a third party servicing company, the Board of Managers for the ML Manager LLC may employ one or more professional portfolio or asset managers to provide expertise on workouts of the loans and the collection of the maximum amount from the Borrowers and may hire counsel where needed and appropriate. The Reorganized Debtor will not do the workout or settlements or foreclosures on the Loans but may assist the ML Manager LLC and its portfolio or asset managers as requested. All Major Decisions (which is defined in the Loan LLC operating agreement) on a Loan (such as the sale of the loan, the refinancing of the loan, any settlements or loan modifications affecting major terms) must be approved by a written vote of a majority in dollar amount of the members of the applicable Loan LLC. There will be investor control but there will also be professional management of the loans and workouts. Borrowers will have one Loan LLC, managed by ML Manager LLC, to work with rather than hundreds of investors.

The Investors and MP Funds that transfer their fractional interest in a Note and Deed of Trust in exchange for a membership interest in the Loan LLC for a specific Loan **will be restricted in the resale or transfer of the interest**. The specific language is set forth in the form of the Loan LLC operating agreement which is attached to the Disclosure Statement as Exhibit K. **The membership interest of an Investor or an MP Fund in a Loan LLC will not be freely tradeable to the public**. Investors and MP Funds will be permitted to transfer their interest to other Investors in the same Loan or to other Investors in other Loans or to Investors in the MP Funds. The Debtor asserts that this will trap Investors in the Loan and that it might be an advantage to large Investors and be a disadvantage to small Investors. Plan Proponent asserts that with about 1800

Investors who are knowledgeable about the Loans, the underlying properties and Borrowers, it is likely that the best possible buyer for an Investor's interest will be other Investors. The Plan Proponent also asserts that the sale of the whole Note and Deed of Trust, not a minority fractional interest, is another way to maximize the value of the Investors' membership interests. The ML Manager LLC will be analyzing and looking for ways to get as much money possible to the Investors, including the sale of the whole Note.

E. Confirmation of Plan that provides fair and equitable treatment of all of the Claims and Classes.

The Plan attempts to classify all the Claims of the Estate and to provide for treatment that is fair and equitable. The Plan divides the Claims and Classes into separate categories and sets forth the treatment for each one. The Claims and Classes are:

Administrative Claims

Priority Tax Claims

Class 1 — Priority Non-Tax Claims

Class 2 — Secured Tax Claims

Class 3 — Stratera Secured Claims

Class 4 — Artemis Secured Claims

Class 5 — Arizona Bank Secured Claims

Class 6 — Mechanics Lien Claims and Other Miscellaneous Secured Claims

Class 7 — RBLLC Secured Claims

Class 8 — MP Funds and MP Fund Investors Claims

Class 9 — VTL Fund Claims

Class 10A — Non-Revolving Opportunity Pass-Through Investors Claims

Class 10B – Revolving Opportunity Investors Claims

Class 11A — General Unsecured Creditor Claims

Class 11B—RBLLC Unsecured Claims

Class 11C—MP Funds and MP Funds Investors Unsecured Claims

Class 11D—VTL Fund and VTL Fund Investors Unsecured Claims

Class11E—Non-Revolving Opportunity Pass-Through Investors Unsecured Claims

Class 11F—Revolving Opportunity Investor Unsecured Claims

Class 11G—Borrower Unsecured Claims

Class 12 — Borrowers Claims

Class 13 — Equity Interest

III. THE CONFIRMATION PROCESS

There are two stages to the Plan approval process. The first stage is the Disclosure Statement process and the second stage is the Plan confirmation process. In the first stage, the Investors Committee prepared and filed a Disclosure Statement. The Bankruptcy Court set a hearing on the Disclosure Statement. The Bankruptcy Court also set a date by which objections were to be filed with the Clerk and served on the Attorneys for the Investors Committee. A Notice with these dates was sent out to all parties in interest. At the Disclosure Statement hearing, the Bankruptcy Court looked at the objections and determined whether the Disclosure Statement for the Investor Committee's Plan provided adequate information for the holders of Claims to vote on the Plan. If changes were needed the Bankruptcy Court instructed the Investors Committee to make changes and additions. Then the Bankruptcy Court approved the adequacy of the Disclosure Statement and allowed the Investors Committee to proceed to the second stage.

In the second stage the Investors Committee will mail out to all parties in interest the Order Approving the Disclosure Statement, the notice of the hearing on confirmation of the Plan and the deadline for objections, the appropriate ballots and a copy of the Disclosure Statement, Plan and all exhibits. Each holder of a Claim that is entitled to vote may sign and return their Ballot to the Financial Advisor for the Investors Committee. A voting deadline will be set by which all Ballots have to be returned to the Financial

Advisor for the Investors Committee. The Financial Advisor for the Investors Committee will tally the Ballots and file a report with the Clerk indicating which Classes accepted or rejected the Plan. There will be a deadline by which objectors must file and serve objections to the Plan. At the Confirmation hearing the Bankruptcy Court will review the objections and determine if the Court needs to take evidence and if so then a date for the evidentiary hearing will be set. At the conclusion of the confirmation hearing, the Bankruptcy Court will either approve the Investors Committee Plan or not. If it is approved then the Investors Committee intends to try and consummate and implement the Plan promptly. That date is called the Effective Date.

IV. BACKGROUND AND EVENTS LEADING TO THE BANKRUPTCY FILING

The facts set forth in this Background and Events Leading to the Bankruptcy Filing are based solely on the pleadings filed by the Debtor and its counsel in the Bankruptcy Case and on other publicly available information and records. One of the major causes for the troubles and the bankruptcy was the untimely death of Scott Coles. He was the brains and driving force behind the Debtor entity. His death left a leadership vacuum that still has not been filled.

In the Declaration of Richard Feldheim, the former President of Debtor, (Docket Number 315, filed on August 6, 2008), Mr. Feldheim stated that prior to the commencement of the Bankruptcy Debtor's acted as a full service private lender. He stated that through its licensed broker dealer, Mortgages Ltd. Securities, Debtor received money raised from investors for placement into loans secured by real estate located in Arizona. The Debtor also used some of its own funds for loans that it originated. The Debtor underwrote loans for commercial, industrial and residential properties for acquisition, entitlement, development, construction and investment. All of the Debtor's loans were intended to be short term loans secured by real estate, including multifamily,

residential projects, office buildings and mixed use projects within Arizona.

According to Mr. Feldheim's Declaration, prior to the commencement of the Bankruptcy, the Debtor had been is business for over forty years. Until the death of Mr. Coles, the Debtor was operated under the direction of Scott M. Coles who served as the Debtor's chairman and chief operating officer from November 1, 1992 until his death on June 2, 2008. The sole shareholder of the Debtor is a trust created by Mr. Coles. The trustee of that trust is currently Gerald Smith. The Directors at the time of the Bankruptcy were the principal executive officers, Chris Olson, Laura Martini and George Everette. After the Bankruptcy was filed, Laura Martini resigned as President and was replaced by Mr. Feldheim. She also stepped down as a Director. No one was named to replace her as a Director.

According to Mr. Feldheim's Declaration, prior to the commencement of the Bankruptcy Case, the Debtor held a mortgage banking license in the state of Arizona. The license is subject to regulation and oversight by the Arizona Department of Financial Institutions ("ADFI"). ADFI has been reviewing and auditing the Debtor. On February 27, 2009 ADFI filed a notice in the Bankruptcy Court of the administrative complaint which had been filed to revoke the license of the Debtor. The revocation proceeding is set to start April 16, 2009 unless continued. Other regulator investigations were commenced, including one by the Securities and Exchange Commission ("SEC"). No public report has been issued.

As of the Petition Date, the Debtor had approximately 66 real estate loans on real property in Arizona for which it was the servicing agent totaling approximately $894 million. According to Mr. Feldheim's Declaration, a portion of the loans were made directly on behalf of the Debtor and investors, where the Debtor and its investors received direct, "pass-through" fractional loan and lien interests in the real estate collateral securing the loan. As stated by Mr. Feldheim, each pass-through investor acquired an

interest in the loan and signed an agency agreement, among other documents, which appointed the Debtor as their agent. The pass-through programs used by the Debtor were the Revolving Opportunity Loan Program, Capital Opportunity Loan Program, Annual Opportunity Loan Program, Opportunity Plus Loan Program, Performance Plus Loan Program, or other similar programs. According to the Debtor's Books and Records and Financial Statements, the fractional interests of the Pass-Through investors in the loans and liens on real estate collateral belong to and are the property of the Pass-Through investors, not to the Debtor. Debtor may own a fractional interest in some of the same loans in its own name and those are reflected on the Books and Records.[2]

In addition, Mr. Feldheim pointed out that fractional interests in loans and lien interests in real estate collateral were also purchased by the MP Funds where investors pooled their money. As stated in his Declaration, at the time of the filing of the Bankruptcy, there were 9 MP Funds—MP122009 LLC (known as MP9), MP062011 LLC (known as MP10), MP 122030 LLC (known as MP11), Mortgages Ltd. Opportunity Fund MP12 LLC (known as MP12), Mortgages Ltd. Opportunity Fund MP13 LLC (known as MP13), Mortgages Ltd. Opportunity Funds MP14 LLC (known as MP14), Mortgages Ltd. Opportunity Fund MP15 LLC (known as MP15), Mortgages Ltd. Opportunity Fund MP16 LLC (known as MP16), and Mortgages Ltd. Opportunity Fund MP17 (known as MP17). Each fund is a separate Arizona limited liability company and the Debtor is the sole manager and the investors are holders of membership interests in the MP Funds. According to the Debtor's Books and Records and Financial Statements, the fractional interests of the MP Funds in the loans and liens on real estate collateral belong to and are

[2] The Plan Proponent asserts that the fractional interests of approximately $730 million of ML Notes and ML Deeds of Trust are owned by the Investors. According to its records, the Debtor acknowledges this ownership and has provided the Plan Proponent with a confidential list of each Investor and the amount of their investment per Loan. The Debtor readily makes this information available to Investors who are encouraged to contact the Debtor and confirm that the Debtor's records are correct. The Plan Proponent does not have any reason to disagree with and does not intend to disagree with such Debtor's records in implementing its Plan.

the property of the MP Funds, not to the Debtor. Debtor may own a fractional interest in some of the same loans in its own name and those are reflected on the Books and Records.

Attached as Exhibit "B" is a listing of each of the Borrower's Loans and the amount owned by the Pass-Through Investors, each of the MP Funds, RBLLC and the Debtor (which is subject to RBLLC's security interest).

As stated by Mr. Feldheim in his Declaration, a small number of borrowers alleged that the Debtor had defaulted on its obligations to borrowers on their loan commitments and obligations to fund. They asserted offsets and large lender liability claims against the Debtor. One of the borrowers filed suit in Maricopa County Superior Court which was after the Bankruptcy removed to Bankruptcy Court. Certain of the borrowers filed an involuntary Chapter 7 bankruptcy petition against the Debtor on June 20, 2008. The Debtor then decided to convert the bankruptcy to a voluntary Chapter 11 case on June 24, 2008.

V. DESCRIPTION OF THE DEBTOR'S ASSETS AND LIABILITIES

The Debtor's Schedules of Assets and Liabilities (Docket Number 198, filed July 18, 2008) (the "Schedules") and Statement of Affairs (Docket Number, 199 filed July 18, 2008) (the "Statement of Affairs") are attached to the Disclosure Statement as Exhibit "C". They are signed under penalty of perjury by the Debtor's Chief Financial Officer Chris Olson and Debtor's Vice President and Chief Information Officer George Everette on July 18, 2008. Unless provided otherwise, the basis for the Investors Committee's disclosures herein are the Debtor's pleadings, Schedules, and Statement of Affairs and various proofs of claims.[3]

[3] Dick J. Dijkman has filed pleadings indicating that he is the beneficial owner of the First Trust Company of Onaga Custodian FBO Dick J. Dijkman IRA, which purchased a fractional interest in loan 850206 for $300,000 in the ABCDW LLC Loan and a fractional interest in loan 851106 for $200,000 in the Osborne III Partners LLC Loan. He also indicated that he filed proofs of claim 907 and 911 in these amounts. The Plan Proponent has confirmed this information with the Debtor's records and does not dispute or disagree with it and will treat his interests and claims accordingly in its Plan.

A. Assets of Debtor

The assets of the Debtor consist primarily of the Debtor's fractional interests in certain loans and liens of real estate collateral and a small interest in 2 MP Funds. The face value of the fractional interest in the loans and in the 2 MP Funds is approximately $164 million. The itemized list is included in the Schedules which are attached as Exhibit "C".

The Debtor also lists real estate owned (which it had foreclosed on prior to the bankruptcy) with a book value of about $36.4 million. There are 5 pieces of real estate including 21 acres in Fountain Hills, 40 acres in the Troon development in Scottsdale, property at Central and Highland Avenues in Phoenix, a fractional interest in property on Mummy Mountain, and a partial ownership interest in the property entitled Chateaux on Central in Phoenix (which it obtained by deed in lieu of foreclosure).

Debtor also lists that it owns the note receivable from SMC Revocable Trust in the face amount of $5.5 million. The Debtor also subsequently identified a $5.76 million note receivable and lien on the River Run Golf Course project in Eager, Arizona. At the time of the Bankruptcy these were the assets listed on the audited financial statement or on Debtor's books and records.

The Debtor also lists the Mortgage Servicing Rights with a value of about $11 million. Attached as Exhibit "D" to the Disclosure Statement is the January 2009 Monthly Operating Report filed by the Debtor in the Chapter 11 Case which shows their balance sheet as of that date.

The Debtor also has various Causes of Action and Avoidance Actions which can be pursued against third parties. The Statement of Affairs does have a list of transactions which will provide the basis for some of these Causes of Action and Avoidance Actions, including preference claims and fraudulent transfer claims against each person or entity listed on the attached Exhibit "C" or Exhibit "E". Any non-insider receiving a check or

payment during the 90 days prior to the Bankruptcy, any insider receiving payments or transfers or property during the 2 years prior to Bankruptcy, and any person or entity that received a transfer during the 2 years prior to Bankruptcy for less than reasonable equivalent value will be a potential target by the Liquidating Trust for an Avoidance Action, including a preference claim or fraudulent transfer claim. Avoidance Actions include all statutory causes of actions preserved for the Debtor under Sections 510, 542, 543, 544, 545, 547, 548, 549, and 550 of the Bankruptcy Code.

In addition, all Borrowers with Loans serviced by the Debtor including the Loans and Borrowers listed on Exhibit "B" and on the attached Schedules on Exhibit "C", along with all guarantors (including a few that were previously released), will be targets for law suits of the ML Manager LLC and Loan LLCs as the Loans are collected. The Causes of Action and Avoidance Actions against Borrowers, Guarantors and other parties relating to the Loans will not be transferred to the Liquidating Trust but shall follow the Notes and Deeds of Trust and be brought by the ML Manager LLC and/or Loan LLCs as the representatives of the Debtors and Investors as the owners of the Notes and Deeds of Trust and other Loan Documents. These Borrowers and Guarantors and related parties are listed on Exhibit "E".

In addition, the Investors Committee has attempted to list potential defendants for other types of law suits on the attached Exhibit "E", including Debtor's accountants, law firms, former and current officers and directors, affiliates of Debtor, shareholder, etc. Causes of Action will include all rights, claims, torts, liens, liabilities, obligations, actions, causes of action, avoiding powers, proceedings, debts, contracts, judgments, offsets, damages and demands whatsoever in law or equity, whether known or unknown, contingent or otherwise, that the Debtor and its Bankruptcy Estate may have against any Person, including but not limited to any state or federal cause of action or claim against the Scott Coles estate and trusts, SM Coles LLC, Mortgages Ltd. Securities, LLC,

Greenberg Traurig, LLP, Mayer Hoffman McCann P.C., and other parties. Causes of Action do not include Avoidance Actions. Failure to list a Cause of Action or Avoidance Action in the Plan or Disclosure Statement does not constitute a waiver or release by the Debtor or the Liquidating Trustee of such Cause of Action or Avoidance Action. The list is a non-exclusive list and investigations are ongoing. 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 a particular Person, Avoidance Action or Cause of Action is not identified does not constitute a waiver of any such claim or action by the Debtor or the Liquidating Trust, the ML Manager LLC or Loan LLCs.

The Debtor has attached a list of possible Causes of Action or Avoidance Actions to its own Plan of Reorganization and Disclosure Statement. The Investors Committee incorporated that list into its own list which attached as Exhibit "E" and has tried to provide enough information on the possible Causes of Action and Avoidance Actions to give potential defendants who are also Creditors or Parties in Interest notice that they may be sued by the Liquidating Trust or the ML Manager LLC or Loans LLCs.

B. Liabilities of Debtor

The Schedules also reflect the liabilities of the Debtor. There are several secured creditors with alleged security interests or liens in the Debtor's collateral. Debtor asserts that Arizona Bank & Trust is owed approximately $6.45 million which it alleges is secured by 21 acres in Fountain Hills and the 40 acres in the Troon development in Scottsdale. Debtor also asserts that Arizona Bank is owed about $2 million on a unsecured basis arising from a line of credit. Arizona Bank asserts that it has a Secured Claim for both Notes and Deeds of Trust of approximately $8.4 million and has filed a proof of claim to that effect which has not been objected to. Artemis Realty Capital alleges it is owed about $2,070,000 which it alleges is secured by the Central & Highland property in

Phoenix. The Artemis loan was sold post petition to Secured Capital Management Co. LLC, an affiliate of Stratera Portfolio Advisors (the DIP financing lender). At the time of the Bankruptcy additional money was also owed to Southwest Value Partners of $500,000 and which was secured by certain real property and personal property. That amount was paid off under the DIP financing loan.

Radical Bunny LLC ("RBLLC") asserts it is owed about $197 million and asserts it has a security interest in basically all of the Debtor's assets. Most notable is that RBLLC claims a first position lien in the Debtor's fractional interests in the $162 million of loans and lien collateral. It also asserts that it has a lien in the owned real estate junior to the other secured claims and the note receivables. The Debtor's books and records pre-petition and its audited financial statement list RBLLC as secured. However from time to time in this Bankruptcy case, the Debtor has expressed that it might challenge and dispute the validity of such secured claim and assert that it is unperfected. This dispute is being resolved under this Plan.

The general unsecured creditors are listed at about $2,600,000 in the Schedules. A proof of claim bar date was extended to November 21, 2008 for general unsecured claims. The estimated and filed general unsecured claims (excluding RBLLC and the Investors and MP Funds) appear to be approximately $4 million.

The deadline for filing claims by Investors, MP Fund and VTL Fund was subsequently extended to January 6, 2009. Investors and the MP Funds have filed proofs of claim as a precaution to preserve any damage claims or deficiency claims they may have against Debtor for breach of fiduciary duty, breach of agency, breach of contract, negligence, gross negligence, misrepresentations, intentional misrepresentations, fraud, etc.

Borrowers with unfunded or underfunded loan commitments have filed proofs of claims asserting about $250 million of lender liability type claims as unsecured claims.

They assert an alleged right to setoff the amount of their lender liability claim against the amounts owed by them on their loans with the excess claim being asserted as an unsecured claim against the Debtor. However, their claims are contingent and unliquidated. The Borrower's claim in excess of any amount they might offset against the principal and interest owed on their Notes is therefore estimated at zero.

A post petition lender to whom the Debtor owes money is Stratera Portfolio Advisors LLC for two post petition debtor in possession financing loans. One debt is a line of credit which currently appears to be approximately $2.5 million and is a working capital line of credit. This debt is secured by a first lien on the Chateaux property (subject to the valid mechanics liens) and Mummy Mountain lot and junior liens on Troon, Fountain Hills, and Central & Highland properties. It also has a first lien on the River Run Note and the Debtor's interest in one of the Zacher Development Notes. It also has a superpriority administrative expense. The second debt was a loan for advances under the Centerpoint loan to Tempe Land Company. This is secured by the Debtor's interest in the fractional interest in the notes and deed of trust on the Centerpoint Project and a superpriority administrative expense in the approximate amount of $2.3 million.

The Debtor also owes money post petition as an administrative expense to the professionals employed post petition by the Debtor and the Committees. The Investors Committee estimates this number at the confirmation of the Plan to be less than $7 million. A list of the known professional fees of approximately $4.4 million is attached as Exhibit "F" to the Disclosure Statement. One of the Debtor's professionals DLA Piper has not filed a fee request since October 2008 and FTI Consulting has not filed a fee request at all with the Court.

VI. EVENTS DURING THE BANKRUPTCY CASE

A. Involuntary Chapter 7 Petition and Conversion to Voluntary Chapter 11

Certain Borrowers filed a chapter 7 involuntary petition against Debtor on June 20, 3008. The Debtor made the decision to convert to a voluntary chapter 11 case and on June 24, 2008, upon request of the Debtor, the Bankruptcy Court entered an order of conversion to a chapter 11. The Debtor is a debtor and a debtor-in-possession under the Bankruptcy Code and continues to operate its business.

B. Motion to Appoint Trustee or Convert to Chapter 7

Certain Borrowers also filed or joined in a Motion to Appoint a Trustee or to Convert to a Chapter 7 on June 20, 2008 and renewed it on August 12, 2008. Various evidentiary hearings were set that were continued from time to time. The Debtor and the Investors Committee opposed the Motion. Finally after settlements were reached the Borrowers withdrew their Motions. Not all the settlements however were approved by the Court or finalized by the Debtor.

C. Post Petition Financing Motions

The Debtor filed and withdrew its initial DIP Financing Motion with Southwest Value Partners for $200 million in the face of significant opposition from the various groups in the Bankruptcy Case. Finally, the Debtor obtained the consent of the objectors and requested and obtained a $5 million working capital line from Stratera Portfolio Advisors LLC on August 28, 2008. The Order (Docket Number 459, filed August 28, 2008) is attached as Exhibit "G" to the Disclosure Statement and contains the terms of the financing and identifies the collateral.

In addition, the Debtor requested and obtained a loan from Stratera Portfolio Advisors LLC on an interim basis for $2.3 million of financing on the Centerpoint project for Tempe Land Company LLC. The financing was secured by a lien on the Debtor's interest in the Notes and Deed of Trust on the project. The Final hearing was not held and

so no Final Order has been entered. The Interim Order (Docket Number 483, filed September 3, 2008) is also attached as Exhibit "G" to the Disclosure Statement and contains the terms of the interim financing.

D. Interim Order Allowing Payment of Interest to Investors

The Bankruptcy Court approved an Amended Interim Order (Docket Number 458, filed on August 28, 2008) which was a compromise by the various parties in the Bankruptcy Case to allow the interest being collected from Borrowers to be paid to the Investors and MP Funds with fractional interests in those Notes and Deeds of Trust. It was subsequently amended to include interest payments to the VTL Fund.

E. Settlements with Certain Borrowers

The Debtor entered into settlements with certain Borrowers which were then noticed out to the Creditors, Investors and Parties in Interest in the Bankruptcy Case. Most of the settlements faced opposition from multiple parties, including the Investors Committee. The settlements which were consented to by the Investors Committee and approved by the Bankruptcy Court involved the following loans: Bisontown, SOJAC, Rightpath Limited Development, Maryland Way Partners, CS 11 Maricopa, CGSR, and CDIG. Motions to approve settlements with Centerpoint (Tempe Land Company) and the Grace Entities were taken off calendar by the Debtor. Terms of settlement are attached to the Settlement Orders.

The Debtor also sought approval of a settlement with University & Ash LLC, Roosevelt Gateway LLC and Roosevelt Gateway II LLC. Various parties opposed the settlement including the Investors Committee, objecting to the settlement because it was unreasonable and not a valid exercise of the Debtor's business judgment and objecting to the scope of the authority of the Debtor under the Agency Agreement and Operating Agreement and Subscription Agreements to exercise such broad authority. After many days of hearing evidence, the Bankruptcy Court entered its order approving the University

& Ash settlement as reasonable and a valid exercise of business judgment in light of the lender liability claims against Debtor and ruling that the Debtor was authorized to modify the loan and the terms as requested. However, the Bankruptcy Court did not approve the two Roosevelt Gateway entity settlements, finding them unreasonable and not a valid exercise of business judgment. The Investors Committee and others filed a Notice of Appeal before the United States District Court. The University & Ash settlement has not been consummated and has not close. University & Ash's counsel has expressed an unwillingness of their clients to settle only one matter.

F. Appointment of Committees and Employment of Professionals

The Debtor initially employed Greenberg Traurig LLP as its Bankruptcy Counsel and MCA Consulting LLC as it Financial Advisors. In face of strenuous objection, both firms stepped down. Greenberg Traurig was subsequently employed as Special Counsel for the Debtor on certain matters.

Debtor employed and the Court approved employment of Jennings Strouss & Salmon PLC as Bankruptcy counsel for Debtors on July 16, 2008. The Debtor subsequently sought employment of FTI Consulting as its Financial Advisor and the Court approved it on October 15, 2008. The Court also approved employment of Ordinary Course Professionals by the Debtor. The applications to reimburse various attorneys for employees was also approved.

On July 10, 2008, the United States Trustee appointed the Unsecured Creditors Committee. The Court approved employment of Nussbaum & Gillis as counsel for the Unsecured Creditors Committee on July 30, 2008 and Sierra Consulting Group as its Financial Advisors.

On July 31, 2008, 2008, the United States Trustee appointed the Official Committee of Investors. The Court then approved Fennemore Craig as counsel for the Investors Committee and Alvarez and Marsal as Financial Advisors for the Investors

Committee.

On October 7, 2008, the United States Trustee appointed a Value-to-Loan Fund Committee. The Court then approved Schian Walker PLC as its counsel.

G. Ending of Exclusivity

The Debtor filed several motions to extend exclusivity beyond the original date of October 24, 2008. RBLLC and the Investors Committee filed a motion to end exclusivity and to be allowed to file their own joint plan. Several months of meetings and negotiations took place on a consensual plan. Finally, on January 6, 2008, the Court denied any further extensions of exclusivity and ended the Debtor's exclusive right to file a plan. As a result any party in interest may file a plan of reorganization.

H. Stay Relief for Mechanics Liens.

Certain holders of mechanics liens on projects of the Borrowers of Debtor upon which the Debtor filed a Deed of Trust have filed Motions for Stay Relief so that they can proceed with their Lien Foreclosure suits in State Court against the Owners, the Debtor and possibly the Investors who hold a fractional interest in the Deed of Trust. The Court granted the stay relief for all such mechanic lien holders so that the suits could be pursued in State Court. This Plan does not purport to try to force the filing of those suits in Bankruptcy Court but rather anticipates that such lien foreclosure suits and challenges to the validity and priority of the liens will proceed in State Court.

I. Notice of Administrative Hearing.

The Arizona Department of Financial Institutions has filed a Notice of the Administrative Proceeding to Revoke the Debtor's Mortgage Banker License. The proceeding is currently scheduled to start April 16, 2009. It is possible that as a result of this proceeding the Debtor's license may be suspended or revoked. This action may prevent the Debtor from servicing the Loans.

J. Debtor's Plan of Reorganization and Disclosure Statement.

Debtor on March 4, 2009 filed its Plan of Reorganization and its Disclosure Statement. The hearing on the approval of the Disclosure Statement has been set for April 6, 2009.

K. Recent Changes in Management of Debtor.

The Debtor announced on March 4, 2009, the same day it filed its Plan of Reorganization, that its two directors Chris Olson and George Everette had resigned as directors and two new directors Steve Chanen and Peter Dunn had been appointed. In addition it had been announced the week before that Richard Feldheim had resigned as President and CEO. Christine Zahedi, who had been Mr. Feldheim's assistant, was made the new COO, although on information and belief, Richard Feldheim has been or will be hired as a consultant. Also March 20, 2009, Chris Olson resigned as the Debtor's CFO and left the Debtor's employment. On March 24, 2009 the Debtor announced the addition of a third new director Mary Leonard.

VII. OVERVIEW OF THE PLAN

A. Definitions

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Any capitalized term used but not otherwise defined in the Plan shall have the meaning given to that term in the Bankruptcy Code. 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.

B. Classification and Treatment of Claims and Interests

1. No Classification of Administrative Claims and Priority Tax Claims. As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims shall not be classified for purposes of voting on, or receiving distributions under, the Plan. All such Claims shall be treated separately as unclassified

Claims on the terms set forth herein.

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

3. Treatment of Priority Tax Claims. Each holder of an Allowed Priority Tax Claim will be paid, consistent with § 1129(a)(9)(C) of the Bankruptcy Code and in full satisfaction of such holder's Priority Tax Claim: (i) the amount of such holder's Priority Tax Claim, with simple interest at the rate of six percent (6%) per annum (or such other rate as the Bankruptcy Court may determine at the Confirmation Hearing is appropriate), in deferred Cash payments over a period of five (5) years from the Order for Relief Date, to be paid in equal quarterly installments of principal and interest from the Liquidation Fund, provided that: (a) the Liquidating Trust may prepay the balance of any such Priority Tax Claim at any time without penalty from the Exit Financing or the Liquidation Fund; and (b) the treatment of Priority Tax Claims shall not be less favorable than the most favored nonpriority unsecured claim provided for by the Plan; or (ii) such other treatment as may be agreed upon in writing by such holder and the Plan Proponent, as appropriate or ordered by the Bankruptcy Court. The Priority Tax Claims are estimated at zero.

4. Elimination of Claim. To the extent there are no amounts owing on the Effective Date for any Priority Non-Tax Claims and/or any Priority Tax Claims, such

treatment as set forth above will be deemed automatically eliminated from the Plan.

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

(a) *Class 1: Priority Non-Tax Claims*. Each holder of a Priority Non-Tax Claim that is an Allowed Claim shall be paid by the Liquidating Trust in full within sixty (60) days after the Effective Date of the Plan out of the Exit Financing. Class 1 is unimpaired under the Plan and, therefore, holders of Allowed Priority Non-Tax Claims shall not be entitled to vote on the Plan and, instead, shall be deemed to have accepted the Plan. The Priority Non-Tax Claims are estimated to be less than $150,000.

(b) *Class 2: Secured Tax Claims*. Each holder of an Allowed Secured Tax Claims will be paid, consistent with § 1129(a)(9)(D) of the Bankruptcy Code and in full satisfaction of such holder's Secured Tax Claims: (i) the amount of such holder's Secured Tax Claims, with simple interest at the rate of six percent (6%) per annum (or such other rate as the Bankruptcy Court may determine at the Confirmation Hearing is appropriate), in deferred Cash payments over a period of five (5) years from the Order for Relief Date, to be paid in equal quarterly installments of principal and interest from the Liquidation Fund, provided that: (a) the Liquidating Trust may prepay the balance of any such Secured Tax Claims at any time without penalty from the Exit Financing or Liquidation Fund; and (b) the treatment of Secured Tax Claims shall not be less favorable than the most favored nonpriority unsecured claim provided for by the Plan; or (ii) such other treatment as may be agreed upon in writing by such holder and the Plan Proponent, as appropriate or ordered by the Bankruptcy Court. Class 2 is unimpaired by the

Plan; consequently, all holders of Allowed Claims in Class 2 are deemed to have accepted the Plan and are not entitled to vote on the Plan. The Secured Tax Claims are estimated to be less than $100,000.

(c) *Class 3: Stratera Claims*. The holder of the Class 3 Stratera Claims, which are superpriority Administrative Claims and Secured Claims, will be paid in full on the Effective Date from the proceeds of the Exit Financing, except that the Stratera DIP Financing secured by the Debtor's interest in the Centerpoint Notes and Deed of Trust might be paid in full earlier from financing obtained by Tempe Land Company in its own chapter 11 bankruptcy proceeding, in which case that portion of Stratera's Claim will be considered satisfied and the security interest released. Accordingly, the Class 3 Stratera Claims are unimpaired by the Plan, are deemed to have accepted the Plan and are not entitled to vote on the Plan. The Stratera Working Capital Loan is estimated to be $2.5 million and the Stratera Centerpoint Loan is estimated to be $2.3 million.

(d) *Class 4: Artemis Secured Claim.* The Class 4 Artemis Secured Claim will be Cured, Reinstated and paid in full on the Effective Date from the proceeds of refinancing or sale of the collateral. Accordingly, the Class 4 Artemis Secured Claim is unimpaired by the Plan, is deemed to have accepted the Plan and is not entitled to vote on the Plan. The Artemis Secured Claim is estimated to be $2,070,000.

In the alternative, the Class 4 Artemis Secured Claim will retain its lien against its collateral. From the Effective Date interest will accrue at the non-default contract rate of interest set forth in the Artemis note and will be paid annually on the anniversary of the Effective Date. No default interest, late fees or other charges because of the default that occurred prior to the Effective Date shall be allowed. The Class 4 Artemis Secured Claim will be paid solely from and to the extent of

the proceeds of the sale of the collateral or from the proceeds of refinancing, or if not paid sooner on the maturity date which shall be 5 years from the Effective Date. Accordingly, if not paid on the Effective Date, the Class 4 Artemis Secured Claim is impaired pursuant to the Plan. A vote will be solicited from this Class but counted only if impaired.

(e) *Class 5: Arizona Bank Secured Claim*. The Class 5 Arizona Bank Secured Claim will be Cured, Reinstated and paid in full on the Effective Date from the sale of the collateral. Accordingly, the Class 5 Arizona Bank Secured Claim is unimpaired by the Plan, is deemed to have accepted the Plan and is not entitled to vote on the Plan. The Arizona Bank Secured Claim alleges its secured debt is approximately $8.4 million, however Debtor asserts that the Secured Claim is $6.4 million.

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

11A General Unsecured Claim and shall be paid its Unsecured Claim as set forth in Class 11A below.

(f) *Class 6: Mechanics Liens Claims and Other Miscellaneous Secured Claims*. The holder of the Class 6 Mechanics Liens Claims against Debtor's assets and Other Miscellaneous Secured Claims will retain their liens in the same order of priority as existed on the Petition Date and will be paid from the proceeds of the sale of their collateral or from refinancing as the collateral is sold or refinanced. Accordingly, the Class 6 Mechanics Liens Claims and Other Miscellaneous Secured Claims are unimpaired by the Plan, are deemed to have accepted the Plan and are not entitled to vote on the Plan. The Mechanics Lien Claims against the Debtor's Assets are estimated at $3 million. Gold Creek who is the general contractor on the Chateaux on Central has submitted a detailed list of all of the subcontractors on the job and asserts that the lien amount is about $3,046,126.71, which includes the subs. (Docket No. 1366) The value of the Chateaux is listed by the Debtor on its books and in its schedules at about $11.5 million. The project is not complete and additional funds will be needed to complete the project. The Investors Committee does not have an estimate of the cost to complete. Once the Liquidating Trust has been set up the Liquidating Trustee will review the situation and will decide how to proceed with the Chateaux project. The project can be sold or refinanced or funds can be obtained to complete the project, all of which could provide sufficient funds to the pay the valid mechanics liens in full. To the extent any Mechanics Lien Claim is determined not to have a lien on the alleged collateral, then to the extent it is awarded an Allowed General Unsecured Claim it shall be treated as a Class 11A General Unsecured Claim.

(g) *Class 7*: *RBLLC Secured Claims*. RBLLC will be deemed to be a secured creditor with valid and perfected security interests and Liens in the RBLLC

Loan Collateral for the amount of the unpaid principal and interest as of the Petition Date. On the Effective Date, the Debtor's fractional interest in each of the ML Loans will be transferred to the applicable Loan LLC in exchange for membership interest in the applicable the Loan LLC proportional to the fractional interest of the Debtor in the ML Loans and the membership interest will be issued to RBLLC in partial satisfaction of its RBLLC Notes. RBLLC will be deemed to have no liens in the RBLLC Non-Loan Collateral. On the Effective Date, the RBLLC Non-Loan Collateral will be transferred to the Liquidation Trust or retained in the Reorganized Debtor free and clear of any alleged liens of RBLLC. Any potential Avoidance Actions held by the Estate against RBLLC shall be deemed settled and resolved on the Effective Date. RBLLC will also have a Class 11B General Unsecured Claim, and will be a beneficiary of the Liquidating Trust to the extent that the unpaid obligations under the RBLLC Notes are not exchanged for a membership interest in a Loan LLC and for the amount of principal owed on the ML Loans (plus accrued and unpaid interest through the Petition Date) that RBLLC does not receive from the Loan LLC after the ML Notes are paid in full or after reasonable collection efforts have been exhausted by the Loan LLC.

In addition, RBLLC's Class 11B General Unsecured Claim and beneficiary interest in the Liquidating Trust shall be entitled to receive an Accelerated Recovery in the amount of $25 million from the Liquidating Trust along with the Revolving Opportunity Investor's Class 11F General Unsecured Claims and beneficiary interests' Accelerated Recovery in the amount of $10 million until RBLLC and the Revolving Opportunity Investors receive an Accelerated Recovery which totals $35 million at which time they shall return to their then pro rata share of the Liquidating Trust. For purposes of the Plan, "Accelerated Recovery" means available payments for distribution from the Liquidating Trust (after repayment of

the Exit Financing, payment of the applicable 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 Liquidating Trust multiplied times 110%. For example, assuming the RBLLC and Revolving Opportunity Investor interests make up 30% of the unsecured claims and beneficiary interests in the Liquidating Trust, and they receive an Accelerated Recovery which is 110% of every net dollar that comes into the Liquidating Trust (after payment of the Exit Financing, the Secured Claims against the Non-Loan Assets, the operating expenses of the Liquidating Trust and the $2 million Ordinary Course Trade Creditor Priority), then with the Accelerated Recovery they would receive 33% (30% multiplied times 110%) of the available distribution and the other beneficiary interests in the Liquidating Trust would receive 67% until the total $35 million is recovered. The Class 7 RBLLC Secured Claims are impaired pursuant to the Plan.

(h) *Class8: MP Funds and MP Funds Investors Claims.* The MP Funds will receive new interests under the Plan as follows:

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

LLC. The decision by the MP Fund Investor shall be made by checking a box in the Class 8 Ballot to "agree" to remove Mortgages Ltd. as the Manager and to modify the Operating Agreement as set forth in the Plan. Each MP Fund shall distribute proceeds of the principal and interest payments which it received from the Loan LLCs to the MP Fund Investors.

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

Any potential Avoidance Action held by the Estate against MP Funds or any MP Fund Investor who have investments as of the Petition Date (excluding Insiders) shall be deemed settled and resolved on the Effective Date. Also the ownership of the fractional interests in ML Notes by the MP Funds shall be deemed settled and resolved in favor of the MP Funds on the Effective Date. In addition, the VTL Fund asserts $7.7 million lien in the assets of the MP Funds.[4] See the discussion in subsection (i) below about the Class 9 VTL Fund Claims and

[4] Debtor foreclosed on the Deed of Trust for Central Phoenix Partners LLC, in which the MP Funds have an interest of about $172,000.

the impact of the modification of the VTL notes and security interest on the MP Funds. See also the discussion on "Voting" in Article VII.C below and the discussion on the "VTL Fund Pledge Agreement Arguments" in Article VIII.D.8 below.

The Class 8 MP Funds and MP Fund Investors Claims are impaired under the Plan. The Plan Proponent will be asking the MP Fund Investors be allowed to vote in their respective MP Fund so that their vote can be counted in place of the MP Fund's Manager, since the MP Fund Managers are the Debtor. The VTL Committee however asserts that, as the alleged secured creditor of the MP Funds, the VTL Fund should be allowed to vote the MP Funds claims under the Plan and in the new Loan LLCs. See the discussion in Article VII.C below on "Voting" and the discussion in Article VIII.D.8 below on "VTL Fund Pledge Agreement Arguments."

(i) *Class 9: VTL Fund and VTL Fund Investors Claims*. The VTL Fund Investors shall have a choice of treatments. The VTL Fund Investors will vote to be treated as set forth either under subsection (A) or subsection (B).

Under subsection (A) alternative, the VTL Fund Investors are asked to agree to voluntarily change the terms of their loan documents. The aggregate $7.7 million VTL Fund Loans to the MP Funds will be modified by (1) a reduction in the interest rate to 0% per annum from the 10% per annum interest currently set forth in the notes. Under this voluntary modification the VTL Fund Investors are being asked to reduce and in essence waive their interest because the risk of repayment of their principal is being reduced significantly and because based on the projections the principal on the notes are estimated to be paid within 1 to 2 years. (2) The debt and the liens will be reallocated and spread pro rata across all MP Funds as originally contemplated by the Debtor and the accompanying

fractional interest in the ML Note and ML Deed of Trust will also be reallocated to the MP Fund with the corresponding debt. Currently the debt owed to the VTL Funds is unevenly spread throughout the MP Funds and the VTL debt ranges from 0.30% to 5.96% of the Total MP Fund assets. For example, the chart which is attached to the Disclosure Statement as Exhibit "T" sets forth the MP Fund name, the amount of the VTL debt, the amount of the MP Fund's assets and the percentage of the VTL debt to the MP Fund's assets. Also the chart which is attached to the Disclosure Statement as Exhibit "B" in the column marked VTL shows what ML Notes the VTL Funds were used to purchase. Then the rest of the chart which is attached as Exhibit "T" shows the proposed even spread over the MP Funds so that the VTL debt to each MP Fund's assets will be 1.79%. A corresponding amount of the ML Notes purchased with the VTL Funds will be transferred to or from the MP Fund with the debt so that each MP Fund will have both the debt and the assets as they are reallocated. According to the testimony of several of Debtor's former and current employees this was the manner in which the VTL loans were to be handled and allocated and this adjustment would be fair to all the parties involved. This reallocation evenly across the MP Funds spreads the risk for all investors in both Funds, allows all investors to receive moneys and justifies waiver of the interest. (3) The principal on the VTL Loans will be repaid at the rate of 10% of the actual moneys received by the MP Funds net of Exit Financing for principal payments each year. According to the projections of Borrower repayments, even after repayment of the Exit Financing, the MP Funds should receive enough money from Borrowers toward principal in the next 1 to 2 years to pay the VTL Fund loans 10% of what they receive and to pay off the VTL loans. (4) All payments received post petition in 2008 and 2009 shall be recharacterized and applied to principal only and no interest will have been paid or

will be due for the same period. (5) When the MP Fund's fractional interests in the Notes and Deeds of Trust are transferred to the Loan LLCs in exchange for the issuance of the membership interests in the Loan LLCs, such transfers shall be free and clear of the VTL lien and such VTL lien will attach to the MP Funds' new membership interests in the Loan LLCs as a replacement lien and payments of principal received by the MP Funds will be subject to subsection 3 above. While the Exit Financing lender will obtain a lien in the Loan LLC assets, the Exit Financing loan is a 3 year loan with 2 one year extensions. The Exit Financing loan has an 18 month interest reserve. These modifications to the loan documents if accepted by the VTL Fund Investors will become the terms of the VTL loans and will constitute the manner in which the VTL Fund and VTL Fund Investors will be paid and treated under the Plan.

Under subsection (B) alternative, in the event VTL Fund Investors do not vote to modify the terms of the VTL loan documents as set forth in subsection (A), then the VTL Fund Claim and security interest in the MP Fund assets will be disputed and an adversary proceeding or lawsuit will be commenced by the Manager, the Plan Proponent or the ML Manager LLC after confirmation in the Bankruptcy Court or in another Court of competent jurisdiction to determine whether the VTL Fund has any claim against any MP Fund, secured or otherwise. In the event such Court determines that VTL Fund does not have a claim against a certain MP Fund then the VTL Fund shall have a Class 11D General Unsecured Claim for the applicable amount. In the event such Court determines the VTL Fund has a valid secured claim against a MP Fund then it shall retain its lien in the MP Fund's assets and be paid pursuant to the Court's determination. At the election of the VTL Fund Investors of Class 9, the VTL Fund may stay in place, in which case the VTL Fund Investors would be permitted to elect a new manager of the VTL

Fund (thus removing the Debtor as their Manager) and amend and restate their Operating Agreement. The VTL Fund and the VTL Fund Investors shall have Class 11D General Unsecured Claims, and will be beneficiaries of the Liquidating Trust but only in the event that under Subsection B above a Court determines that the VTL Fund has no claim against a MP Fund. The Class 11D General Unsecured Claims and beneficiary interests shall be paid on a pro rata basis with the other beneficiaries in the Liquidating Trust, subject to the priority payment of the Exit Financing, the operating expenses of the Liquidating Trust, the Secured Claims on the Non-Loan Assets, the $2 million Ordinary Course Trade Creditors Priority, and the Accelerated Recovery of RBLLC and the Revolving Opportunity Investors. The VTL Fund Investors shall receive and be paid their claims, if any, through the VTL Fund Claim in the Liquidating Trust and shall not have an individual Claim in the Liquidating Trust. Any distribution which the VTL Fund receives as beneficiaries of the Liquidating Trust shall be distributed by the VTL Fund to their VTL Fund Investors.

The Class 9 VTL Fund and VTL Fund Investors Claims are impaired under the Plan. The Plan Proponent will be asking the VTL Fund Investors be allowed to vote their beneficial interest in the VTL Fund so that their vote can be counted in place of the VTL Fund's Manager, since the VTL Fund Manager is the Debtor.

(j) *Class 10A: Non-Revolving Opportunity Pass-Through Investors Claims.* On the Effective Date, holders of Class 10A Non-Revolving Opportunity Pass-Through Investors Claims will transfer their respective fractional interests in each of the ML Loans and exchange those interests for membership interests in the applicable Loan LLC that holds the applicable ML Loan. The new membership interests in the applicable Loan LLC shall be proportional to the fractional interest in the related ML Loan. The transfer shall be voluntary for the Pass-Through

Investors. This decision to voluntarily transfer the fractional interest in Notes and Deeds of Trust shall be made by checking a box in the Class 10A Ballot to "agree" to the transfer of the interests subject to the restrictions and Exit Financing. The Agency Agreements and other contracts may be transferred by Debtor to the ML Manager LLC, after review of the federal income tax consequences, at the option of the Plan Proponent. In addition, Holders of Class 10A Non-Revolving Opportunity Pass-Through Investors Claims will also have a Class 11E General Unsecured Claim and will be beneficiaries of the Liquidating Trust to the extent of their Investors Damages. The Class 11E General Unsecured Claims and beneficiary interests shall be paid on a pro rata basis with the other beneficiaries in the Liquidating Trust, subject to the priority payment of the Exit Financing, the operating expenses of the Liquidating Trust, the Secured Claims on the Non-Loan Assets, the $2 million Ordinary Course Trade Creditors Priority, and the Accelerated Recovery of RBLLC and the Revolving Opportunity Investors. Any potential Avoidance Action held by the Estate against the Non-Revolving Opportunity Pass-Through Investors who hold investments as of the Petition Date (except for such Claims by Insiders) shall be deemed settled and resolved on the Effective Date. The Class 10A Non-Revolving Opportunity Pass-Through Investors Claims are impaired under the Plan and their votes will be counted separately for voting purposes and shall be treated as a separate subclass from Class 10B.

(k) *Class 10B: Revolving Opportunity Pass-Through Investors Claims.* On the Effective Date, holders of Class 10B Revolving Opportunity Pass-Through Investors Claims will transfer their respective fractional interests in each of the ML Loans and exchange those interests for membership interests in the applicable Loan LLC that holds the applicable ML Loan. The new membership interests in the

applicable Loan LLC shall be proportional to the fractional interest in the related ML Loan. The transfer shall be voluntary for the Pass-Through Investors. This decision to voluntarily transfer the fractional interest in Notes and Deeds of Trust shall be made by checking a box in the Class 10B Ballot to "agree" to the transfer of the interests subject to the restrictions and Exit Financing. The Agency Agreements and other contracts may be transferred by Debtor to the ML Manager LLC, after review of the federal income tax consequences, at the option of the Plan Proponent. The Revolving Opportunity Pass-Through Investors will also have a Class 11F General Unsecured Claim and will be beneficiaries of the Liquidating Trust to the extent of the Investors Damages. In addition, the Revolving Opportunity Investors shall be entitled to receive an Accelerated Recovery on Class 11F General Unsecured Claims and beneficiary interests in the Liquidating Trust in the amount of $10 million from the Liquidating Trust along with RBLLC's Class 11B General Unsecured Claim and beneficiary interests' Accelerated Recovery in the amount of $25 million until RBLLC and the Revolving Opportunity Investors receive an Accelerated Recovery which totals $35 million at which time they shall return to their then pro rata share of the Liquidating Trust. For purposes of the Plan, "Accelerated Recovery" means available payments for distribution from the Liquidating Trust (after repayment of the Exit Financing, payment of the applicable 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 Liquidating Trust multiplied times 110%. For example, assuming the RBLLC and Revolving Opportunity Investor interests make up 30% of the beneficiary interests in the Liquidating Trust, and they receive an Accelerated Recovery which is 110%

of every net dollar that comes into the Liquidating Trust (after payment of the Exit Financing, the Secured Claims against the Non-Loan Assets, the operating expenses of the Liquidating Trust and the $2 million Unsecured Priority), then with the Accelerated Recovery they would receive 33% (30% multiplied times 110%) of the available distribution and the other beneficiary interests in the Liquidating Trust would receive 67% until the total $35 million is recovered. Any potential Avoidance Action held by the Estate against the Revolving Opportunity Pass-Through Investors who hold investments as of the Petition Date (except for such Claims by Insiders) shall be deemed settled and resolved on the Effective Date. The Class 10B Revolving Opportunity Pass-Through Investors Claims are impaired under the Plan and their votes will be counted separately for voting purposes and shall be treated as a separate subclass from Class 10A.

(l) *Class 11A: General Unsecured Claims*. Holders of Class 11A General Unsecured Claims will be beneficiaries of the Liquidating Trust to be established on the Effective Date of the Plan in accordance with the Plan. In addition, the Ordinary Course Trade Creditors of the Debtor with a Class 11A General Unsecured Claim (which are anticipated to be all the General Unsecured Creditors in Class 11A) shall be entitled to receive a priority payment of $2 million of their beneficiary interests in the Liquidating Trust after the Liquidating Trust repays the Exit Financing, the Secured Claims on Non-Loan Assets and pays its operating expenses, which shall be prior to payment of any other beneficiary interests including any Accelerated Recovery. The remaining beneficiary interests of such Class 11A creditors shall be paid along with other beneficiary interests of the Class 11B through Class 11G General Unsecured Claims. Any potential Avoidance Action held by the Estate against the Ordinary Course Trade Creditors with Class 11A General Unsecured Claims as of the Petition Date (except for such

Claims by Insiders) shall be deemed settled and resolved on the Effective Date. The Class 11 General Unsecured Claims are impaired under the Plan. The Class 11A General Unsecured Claims are estimated to be approximately $4 million.

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

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

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

(p) *Class 11E: Non-Revolving Opportunity Pass-Through Investors Unsecured Claims.* The Non-Revolving Opportunity Pass-Through Investors shall have Class 11E Unsecured Claims and will be beneficiary of the Liquidating Trust

to be established on the Effective Date in accordance with the Plan. The treatment of the Class 11E Unsecured Claim has been set forth in subsection (j) above entitled Class 10A: Non-Revolving Opportunity Pass-Through Investors Claims and is incorporated herein. The Class 11E Non-Revolving Opportunity Pass-Through Investors Unsecured Claims are impaired under the Plan.

(q) *Class 11F: Revolving Opportunity Pass-Through Investors Claims.* The Revolving Opportunity Pass-Through Investors shall have Class 11F Unsecured Claims and will be beneficiary of the Liquidating Trust to be established on the Effective Date in accordance with the Plan. The treatment of the Class 11F Unsecured Claim has been set forth in subsection (k) above entitled Class 10B: Revolving Opportunity Pass-Through Investors Claims and is incorporated herein. The Class 11F Revolving Opportunity Pass-Through Investors Unsecured Claims are impaired under the Plan.

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

(s) *Class 12: Borrowers' Claims.* The holders of Class 12 Borrowers' Claims, which have been timely asserted in this Bankruptcy Case through an

adversary proceeding initiated before the Bankruptcy Court and which has been determined by a Final Order, shall be entitled to setoff the amount of its Allowed Claim against the principal, interest and fees owed on its respective ML Loan. If the Borrower is not determined to have a right of setoff against the ML Loan but is determined to have a Claim then such Claim shall receive and be paid as a Class 11G Unsecured Claim. The Class 12 Borrowers' Claims are impaired by the Plan and are entitled to vote on the Plan as Class 12 Claims. Class 12 Borrowers may be divided into separate subclasses in Class 12 and treated separately for voting purposes. The Class 12 Borrower Claims are estimated to be zero although proofs of claims of about $250 million have been filed by various Borrowers.

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

C. Voting.

The holders of Claims in each impaired Class recited above shall be entitled to vote and shall sign and return their Ballot(s). The Ballots are included in the package being mailed to each holder of a Claim as discussed in Article III above.

There are 5 Classes where no vote will be taken—Class 1, Class 2, Class 3, Class 6 and Class 13. These Classes are unimpaired.

All other Classes are considered impaired and will be allowed to vote. Several Class votes are straight forward and require little explanation and the holders of Claims will vote the dollar amount of their Claim. Class 4 is a single creditor class and votes the amount of the Claim. Class 5 is a single creditor class and votes the amount of its Secured Claim in Class 5 and its Unsecured Claim in Class 11A. Class 11A is a multiple creditor

class but the holders vote the amount of their Unsecured Claims and the votes will be tallied accordingly.

RBLLC is allowed to vote in two Classes—Class 7 and Class 11B. Since it is a single creditor class it does not matter whether RBLLC votes $1 in each or some other amount. The full amount voted will be cast either to accept or reject and will carry the vote. If any party wants to estimate the Class 7 and Class 11B amounts for voting purposes then an estimation motion can be filed and the Court can make that designation. The Plan Proponent will not be asking for this designation as it is not warranted in cost or time.

The Borrowers are allowed to vote in Class 12 or in Class 11G if they have Unsecured Claims. Each Borrower may ask to be separately classified and a subclass may be created for each Borrower. Similarly an estimation proceeding may be requested by any party for voting purposes, particularly as to Class 11G Unsecured Claims. The Plan Proponent may have subclasses created and may move to estimate the amounts, if any, of the Class 11G Unsecured Claims for voting purposes since Plan Proponent estimates the Class 11G Unsecured Claims to be zero.

The Non-Revolving Opportunity Pass-Through Investors are allowed to vote in Class 10A their Note and Deed of Trust interests and in Class 11E their Unsecured Claim against the Debtor (what the Plan defines as their Investor Damage Claim). There are about 500 Investors in these Classes. The Plan Proponent is requesting that Non-Revolving Opportunity Pass-Through Investors vote 100% of the amount of their investment in both the Class 10A Ballot and the Class 11E. In Class 10A the Investors are asked to accept the Plan and to agree to the actions related to their ML Notes and ML Deeds of Trust, the Loan LLCs and their Agency Agreements and other contracts. Their votes will be counted and tallied based on dollars and number of votes. In Class 11E the Investors are asked to vote their Investor Damage Claims which for voting purposes the

Plan Proponent asserts will be 100% of the amount of their investment. Again these votes will be tallied and counted based on dollars and number of votes. Since the Plan Proponent anticipates that all the members of this Class will vote the amount of their Claims, and since this Class is only made up of the Non-Revolving Opportunity Pass-Through Investors who are all similarly situated, an estimation for voting purposes will not matter. However if an estimation were to be requested, Plan Proponent asserts that it can be done prior to confirmation from the Ballots to be cast as the dollar amounts of each Class 10A and Class 11E holder will be indicated on the Ballots and will be charted for tally when it is received and can be reviewed and utilized for estimation proposes should it become necessary.

Similarly, the Revolving Opportunity Pass-Through Investors are allowed to vote in Class 10B their Note and Deed of Trust interests and in Class 11F their Unsecured Claim against the Debtor (what the Plan defines as their Investor Damage Claim). There are about 38 Investors in these Classes. The Plan Proponent is requesting that Revolving Opportunity Pass-Through Investors vote 100% of the amount of their investment in both the Class 10B Ballot and the Class 11F. In Class 10B the Investors are asked to accept the Plan and to agree to the actions related to their Notes and Deeds of Trust, the Loan LLCs and their Agency Agreements and other contracts. Their votes will be counted and tallied based on dollars and number of votes. In Class 11F the Investors are asked to vote their Investor Damage Claims. Again these votes will be tallied and counted based on dollars and number of votes. Since the Plan Proponent anticipates that all the members of this Class will vote the amount of their Claims, and since this Class is only made up of the Revolving Opportunity Pass-Through Investors who are all similarly situated, an estimation for voting purposes will not matter. However, if an estimation were to be requested, Plan Proponent asserts that it can be done prior to confirmation from the Ballots to be cast as the dollar amounts of each Class 10B and Class 11F holder will be indicated

on the Ballots and will be charted for tally when it is received and can be reviewed and utilized for estimation proposes should it become necessary.

As for the Class 9 and Class 11D VTL Fund and VTL Fund Investors Claims, the Plan Proponent will be asking that the VTL Fund Investors be allowed to vote their respective VTL Fund Investment so that their vote can be counted in place of the VTL Fund Manager. There are about 44 investors in these Classes. The Debtor is the Manager for both the VTL Fund and for all of the MP Funds. The Debtor's vote as a Manager of all Funds constitutes a conflict of interest. The Plan Proponent will file a motion under Bankruptcy Rule 3018, among other provisions, to designate and ask that the vote of the VTL Fund Investors be counted. The Ballots provide space for the VTL Fund Investors or the VTL Fund Manager (if one is cast) to fill in their dollar amounts so that a tally can be made of all the VTL Fund and VTL Fund Investors votes. As to the estimation of the amount of the VTL Fund or VTL Fund Investors Unsecured Claim, this claim may be estimated if needed based on the information in the Ballot. However, because the only claims in Class 11D are the VTL Fund or the VTL Fund Investors, there is not likely to be a dispute as to the voting.

As for the Class 8 and Class 11C MP Funds and MP Funds Investors Claims, the Plan Proponent will be asking that the MP Funds Investors be allowed to vote their respective MP Fund Investment in the MP Fund so that their vote can be counted in place of the MP Funds Manager. The Debtor is the Manager for both the VTL Fund and for all of the MP Funds. The Debtor's vote as a Manager of all Funds constitutes a conflict of interest. The Plan Proponent will file a motion under Bankruptcy Rule 3018, among other provisions, to designate and ask that the vote of the MP Funds Investors be counted. The Ballots provide space for the MP Funds Investors or the MP Fund Manager (if one is cast) to fill in their dollar amounts so that a tally can be made of all the MP Funds and MP Funds Investors votes. There are about 205 Investors in the MP 9 Fund, about 205

Investors in the MP 10 Fund, about 470 in the MP 11 Fund, about 110 in the MP 12 Fund, about 25 in the MP 13 Fund, about 60 in the MP 14 Fund, about 165 in MP 15 Fund, about 64 in the MP 16 Fund and about 60 in the MP 17 Fund. Because of the information requested in the Ballots and the information available in the Debtor's records, the votes in each separate MP Fund can be tallied or the vote for all the MP Funds together can be tallied. The Plan Proponent is requesting that MP Funds and MP Funds Investors vote 100% of the amount of their investment in both the Class 8 Ballot and the Class 11C Ballot. Since the Plan Proponent anticipates that all the members of this Class will vote the amount of their Claims, and since this Class is only made up of the MP Funds and the MP Funds Investors, an estimation for voting purposes will not matter. However, if an estimation were to be requested, Plan Proponent asserts that it can be done prior to confirmation from the Ballots cast as the dollar amounts of each Class 11C holder will be indicated on the Ballots and will be charted for tally when it is received and can be reviewed and utilized for estimation proposes should it become necessary.

The VTL Committee, in its objections to the Disclosure Statement and Plan, has stated that there is a Pledge Agreement that has been executed by each of the MP Funds in favor of the VTL Fund which purports to give the right to vote on a Plan or the right to decide about the granting of any Exit Financing to the VTL Fund. The VTL Committee asserts that based on the Pledge Agreement that the Manager (the Debtor) on behalf of the VTL Fund or on behalf of the MP Funds would have to make these decisions for the benefit of the VTL Fund, and not for the benefit of the MP Funds. The Plan Proponent disputes these allegations and interpretations and prior to confirmation will be filing appropriate motions or proceedings for the Court to make this determination and to designate the voting. The Plan Proponent asserts that the Ballots should be sent out as proposed to all the Investors in the MP Funds and to the MP Funds and calculated and tallied. If the MP Funds Manager votes as requested by the VTL Fund pursuant to the

Pledge Agreement then the tally will be sufficient to so identify and spot this vote so it can be brought to the Court's attention and decided. There is a more detailed discussion in Article VIII.D.8 below entitled "VTL Fund Pledge Agreement Arguments."

VIII. MEANS FOR IMPLEMENTATION OF PLAN

A. The Liquidating Trust.

1. Creation of Liquidating Trust. The Debtor's interest in the Non-Loan Assets will be transferred to the Liquidating Trust as of the Effective Date; provided, however, that the Non-Loan Assets may be retained in the Reorganized Debtor if it is more cost effective due to tax considerations to not transfer any such asset to the Liquidating Trust. Such determination will be made by the Plan Proponent prior to the Effective Date. The Liquidating Trust is more fully described in Article VI of the Plan and in the Liquidating Trust Agreement. The name of the Liquidating Trust will be the ML Liquidating Trust. The Plan Proponent proposes to use the ML Liquidating Trust Agreement in substantially the form attached to the Disclosure Statement as Exhibit "H".

2. Distributions to General Unsecured Creditors. Distributions to General Unsecured Creditors in Classes 11A through 11G, including RBLLC, MP Funds and Investors to the extent of their Investors Damages, and other holders of Unsecured Claims will be made by the Liquidating Trust out of the Liquidation Fund in accordance with the terms of the Plan and the Liquidating Trust Agreement. Sufficient reserves and reasonable estimations of Claims shall be established and maintained for each distribution so as to protect the Investors, the MP Funds and RBLLC.

RBLLC's beneficiary interest in the Liquidating Trust shall be entitled to receive an Accelerated Recovery in the amount of $25 million from the Liquidating Trust along with the Revolving Opportunity Investor's beneficiary interests' Accelerated Recovery in the amount of $10 million until RBLLC and the Revolving Opportunity Investors receive an Accelerated Recovery which totals $35 million at which time they shall return to their

then pro rata share of the Liquidating Trust. For purposes of the Plan, "Accelerated Recovery" means available payments for distribution from the Liquidating Trust (after repayment of the Exit Financing, payment of the applicable 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 Liquidating Trust multiplied times 110%. For example, assuming the RBLLC and Revolving Opportunity Investor interests make up 30% of the beneficiary interests in the Liquidating Trust, and they receive an Accelerated Recovery which is 110% of every net dollar that comes into the Liquidating Trust (after payment of the Exit Financing, the Secured Claims against the Non-Loan Assets, the operating expenses of the Liquidating Trust and the $2 million Unsecured Priority) , then with the Accelerated Recovery they would receive 33% (30% multiplied times 110%) of the available distribution and the other beneficiary interests in the Liquidating Trust would receive 67% until the total $35 million is recovered.

Plan Proponent asserts that the Accelerated Recovery from the Liquidating Trust and the release of Avoidance Actions against RBLLC are appropriate for RBLLC because (1) the RBLLC Non-Loan Collateral will be vested or transferred to the Liquidating Trust or Reorganized Debtor free and clear of any alleged lien of RBLLC, (2) the Investors and the Ordinary Course Trade Creditors to be released of Avoidance Actions against them, and (3) the Debtor's interest spread and fees will be transferred to the Loan LLCs. This Accelerated Recovery and the release of Avoidance Actions will allow RBLLC to recover a fair and equitable amount in light of these various issues.

Plan Proponent asserts that the Accelerated Recovery from the Liquidating Trust for the Revolving Opportunity Investors, the release of Avoidance Actions and the transfer of the Debtor's interest spread and fees to the Loan LLCs are appropriate because (1) RBLLC will receive a Secured Claim in the Debtor's interests in the Notes and Deeds

of Trust, (2) RBLLC and the Ordinary Course Trade Creditors will be released of Avoidance Actions against them, (3) the Ordinary Course Trade Creditors to have a priority payment, and, (4) most importantly, the Revolving Opportunity Investors assert they have discreet, unliquidated and different claims from the other Investors due to the "Revolving Opportunity Loan Program Purchase Agreement." This Accelerated Recovery and the release of Avoidance Actions will allow the Revolving Opportunity Investors to recover a fair and equitable amount in light of these various issues.

Similarly, Plan Proponent asserts that the release of the Avoidance Actions against other Investors and the transfer of the Debtor's interest spread and fees to the Loan LLCs are appropriate because (1) RBLLC will receive a Secured Claim in the Debtor's interests in the Notes and Deeds of Trust, (2) RBLLC and the Ordinary Course Trade Creditors will be released of Avoidance Actions against them, (3) the Ordinary Course Trade Creditors will have a priority payment, and (4) RBLLC and the Revolving Opportunity Investors will have an Accelerated Recovery. The release of Avoidance Actions and the transfer of the Debtor's interest spread and fees to the Loan LLCs will allow the Investors to recover a fair and equitable amount in light of these various issues.

In addition, the Ordinary Course Trade Creditors of the Debtor with a Class 11A General Unsecured Claim shall be entitled to receive a priority payment of $2 million of their beneficiary interests in the Liquidating Trust after the Liquidating Trust repays the Exit Financing, the Secured Claims on Non-Loan Assets and pays its operating expenses, which shall be prior to payment of any other beneficiary interests including any Accelerated Recovery. The remaining beneficiary interests of such trade creditors shall be paid along with other beneficiary interests of the Class 11B through Class 11G Unsecured Claims.

Plan Proponent asserts that the priority payment is appropriate for the Ordinary Course Trade Creditors because (1) the Liquidating Trust is their only source of payment,

(2) RBLLC will receive a Secured Claim in the Debtor's interests in the Notes and Deeds of Trust, (3) the Investors and RBLLC will be released of Avoidance Actions against them and (4) the Debtor's interest spread and fees will be transferred to the Loan LLCs. This priority payment and release of Avoidance Actions will allow them to recover a fair and equitable amount in light of these various issues.

3. Preservation of Debtor's Claims, Demands, Avoidance Actions And Causes Of Action. Except as otherwise provided in the Plan, all claims, demands, Avoidance Actions and Causes of Action held by, through or on behalf of the Debtor and/or the Estate are hereby preserved in full; and no provision of the Plan shall impair the rights of the Liquidating Trustee or the ML Manager LLC and Loan LLCs with respect to any such claims, demands, Avoidance Actions and Causes of Action, to prosecute or defend against any such preserved claims, demands, Avoidance Actions and Causes of Action. Attached as Exhibit "E" to the Disclosure Statement is the list of potential targets, Causes of Actions and Avoidance Actions. In an abundance of caution, the Plan Proponent has also attached as a part of Exhibit E the Debtor's list which it attached to its Disclosure Statement. The Exhibit E is a non-exclusive list and has not been fully developed. Investigations are ongoing. 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 nothing herein shall constitute a waiver of any Avoidance Action or Cause of Action by the Debtor, the Liquidating Trust, the ML Manager LLC or the Loan LLCs. The Debtor for itself and for the benefit of the Liquidating Trust, the ML Manager LLC and the Loan LLCs expressly reserve and retain all Avoidance Actions and Causes of Action. Further, the Causes of Action and Avoidance Actions against Borrowers and Guarantors and other parties relating to the Loans and the Notes and Deeds of Trust will not be transferred to the Liquidating Trust but shall follow the Notes and Deeds of Trust and shall be brought by

the ML Manager LLC or the Loan LLCs as the Debtor's representative and as the owners of the Loans.

4. Appointment of Liquidating Trustee. The Plan Proponent has selected the Liquidating Trustee which it proposes will be approved by the Bankruptcy Court in the Confirmation Order. The Plan Proponent has selected Kevin O'Halloran from Atlanta, Georgia to be the Liquidating Trustee. His rate will be $250 an hour plus travel expenses. His resume is attached as Exhibit "R". He is an experienced chapter 11 trustee, receiver and liquidating trustee. He has been involved in complex litigation similar to the litigation that will be prosecuted by the Liquidating Trust. In addition, being from out of state, he has no conflicts with any of the local law firms, accounting firms, businesses or companies that may be the target of the litigation pursued by the Liquidating Trust. On the Effective Date, the Liquidating Trustee will be authorized to administer the Liquidating Trust and to take all necessary actions on behalf of the Liquidating Trust in accordance with the Plan and the Liquidating Trust Agreement.

5. Establishment of Liquidating Trust. Pursuant to Bankruptcy Code sections 1123(a)(5)(B), 1123(b)(3)(B), 1141 and 1145(a) of the Bankruptcy Code, the Confirmation Order shall approve the Liquidating Trust Agreement, the establishment of the Liquidating Trust and appointment of the Liquidating Trustee and authorize and direct the Debtor to take all actions necessary to consummate the terms of the Liquidating Trust Agreement and to establish the Liquidating Trust, including the transfer of the Non-Loan Assets to the Liquidating Trust and the issuance of the new stock in the Reorganized Debtor to the Liquidating Trust. The Liquidating Trust shall be deemed established, and the Liquidating Trustee shall be deemed appointed, as of the Effective Date. The Liquidating Trust shall be created and administered solely to implement the Plan. From the Effective Date, the Liquidating Trustee shall be a representative of the Estate, pursuant to Bankruptcy Code Section 1123, appointed for the purposes of, among other things,

pursuing the Avoidance Actions and Causes of Action on behalf of the Debtor's Estate. In furtherance of that objective, the Liquidating Trustee shall have the rights of a trustee appointed under Bankruptcy Code Section 1106 as it relates to the Non-Loan Assets. The Liquidating Trust shall have the full power and authority, either in its name or the Debtor's name, to commence, prosecute, settle and abandon any action related to the Avoidance Actions and Causes of Action and/or object to Claims. The Liquidating Trust shall be authorized to retain professionals (which may include Professional Persons), with reasonable professional fees, expenses and costs to be paid out of the assets of the Liquidating Trust.

6. Tax Effect of Transfer. The transfer of the Non-Loan Assets to the Liquidating Trust shall be treated for federal income tax purposes and any applicable state or local income franchise or gross receipts tax purposes, and for all purposes of the Internal Revenue Code of 1986, as amended, as a transfer to creditors to the extent creditors are beneficiaries of the Liquidating Trust, followed by a deemed transfer from the creditors to the Liquidating Trust. The beneficiaries of the Liquidating Trust shall be treated as the grantors and deemed owners of the Liquidating Trust for federal income tax purposes and any applicable state or local income, franchise or gross receipt tax purposes, and it is intended that the Liquidating Trust be classified as a liquidating trust under Section 301-7701-4 of the Treasury Regulations, as more particularly described in Revenue Procedure 94-45, 1994-2 C.B. 684. The Liquidating Trustee and the beneficiaries of the Liquidating Trust shall value the assets of the Liquidating Trust on a consistent basis and use such valuation for all federal and state tax purposes.

7. Funding of Trust. After payment of the Exit Financing, Secured Claims related to the Non-Loan Assets, and the operating expenses, the net proceeds of any and all sales or refinancing (private or public) of the Non-Loan Assets collected by the Liquidating Trust (or its designee or agent) and the recoveries from the Avoidance

Actions and Causes of Action shall be placed by the Liquidating Trustee in the Liquidation Fund for payment of beneficiaries as provided by the Plan.

8. Power of Trustee and Board Approval. All transfers of the Non-Loan Assets, including the execution of all contracts of sale, deeds, and other documents necessary to effectuate the Plan and to make payments under the Plan, shall be made by the Liquidating Trustee, on behalf of the Liquidating Trust and in accordance with the Liquidating Trust Agreement. Subject to the approval of the Trust Board, the Liquidating Trustee shall have and be granted the power and authority to list and/or market the Non-Loan Assets for sale (at such prices and for such amounts as determined by the Liquidating Trustee), and refinance the Non-Loan Assets, and the Liquidating Trustee shall also have the power and authority to execute any and all documents (including contracts, deeds, and other documents) necessary to effectuate the Plan, refinance, sell or convey title to the Non-Loan Assets, without the need of further order of the Bankruptcy Court, to enter into the Exit Financing, to prosecute, settle or abandon Avoidance Actions, Causes of Action and object to Claims and Administrative Claims for Professional Fees. All actions, whether listed above or not, of the Liquidating Trustee shall be subject to the approval of the Trust Board as set forth in the Liquidating Trust Agreement. In the discharge of its duties, the Liquidating Trustee shall regularly meet with the Trust Board. In the event that the Trust Board and Liquidating Trustee do not agree on any action or items of business, the Trust Board shall have final authority and decision making responsibility and its decision shall govern.

9. Transfer of Non-Loan Assets. Immediately upon the Effective Date, the Liquidating Trustee shall be assigned or deemed to be assigned all of the Debtor's rights, title and interest in the Non-Loan Assets, free and clear of all Claims, liens, encumbrances and other interests, except as provided in the Plan. The Liquidating Trust shall be granted and shall have exclusive control and possession of the Non-Loan Assets, and the Debtor

(and its directors, officers, employees, shareholders and agents) shall, on the Effective Date, or immediately thereafter as is practical (without further hearing or Order of the Bankruptcy Court) peaceably turn over exclusive possession of the Non-Loan Assets to the Liquidating Trust, including all books and records related to the Non-Loan Assets and claims. The Liquidating Trust shall obtain such possession on the Effective Date for the sole purpose of effectuating and/or consummating the Plan. The Liquidating Trust shall be established for the sole purpose of liquidating the Non-Loan Assets, including prosecuting, settling or abandoning the Avoidance Actions and Causes of Action, and making disbursements from the Liquidation Fund for payment of Allowed Claims in accordance with the terms of the Plan.

10. Duration of Trust. The Liquidating Trust shall not have a term greater than five years from its date of creation, unless extended from time to time pursuant to the terms of the Liquidating Trust Agreement, with the approval of the Bankruptcy Court, solely to implement the Plan. As sufficient funds are available, but only if permitted by the other terms of the Plan and the Liquidating Trust Agreement and with Trust Board approval, the Liquidating Trustee shall distribute the net income of the Liquidating Trust plus all net proceeds and recoveries from the Non-Loan Assets to the Class 11A through 11G General Unsecured Claims in accordance with the terms of the Plan, provided, however, that the Liquidating Trustee may retain a sufficient amount of net income and net proceeds in the Liquidating Trust that the Liquidating Trustee necessary to maintain the value of the Non-Loan Assets, and to pay the costs and expenses of the Liquidating Trust, including compensation to the Liquidating Trustee and his or her professionals, and the costs and expenses of the Trust Board and its professionals. The Liquidating Trust shall be conservative in establishing reserves and prior to any distribution shall estimate the amount of the Class 11A through Class 11G Unsecured Claims and establish sufficient reserve amounts needed to protect the Investor Damage Claims for the MP Funds and the

Pass-Through Investors and for RBLLC's Claim, which are likely to be contingent and unliquidated for a period of time.

11. Trust Board. On the Effective Date, the Trust Board will be established and will be comprised of one representative selected by the Revolving Opportunity Investors, one selected by RBLLC, and three selected by the Investors Committee. The Investors Committee has selected its three members. They are David Goldman, Richard Shaw and Joseph Baldino. They are all investors. Mr. Baldino is a member of the Investors Committee. Their resumes are attached as "Exhibit S." As is evident from their resumes, each one of them is extremely well qualified. Two of them are attorneys and one is a CPA. Attached also to Exhibit "S" is list of their investments in Mortgages Ltd. Also attached is list of the payments (other than monthly interest) received by the Trust Board members in the 90 day to 1 year period prior to Bankruptcy as disclosed by the Debtor in information provided to the Investors Committee. As indicated in other places, none of the 3 Trust Board members proposed by the Investors Committee received any payments (other than monthly interest payments) in the 90 days prior to Bankruptcy. Initially RBLLC has indicated that their selection will be Grant Lyon, the chapter 11 trustee in the RBLLC bankruptcy. In the event that RBLLC does not select a candidate or chooses not to select a candidate, the Plan Proponent will make that selection from other Investors. The Revolving Opportunity Investors will need to select their candidate 15 days prior to the Confirmation Hearing. The Revolving Opportunity Investors will need to hold a meeting and to cast their vote by dollar amount for the Investor candidate. If they do not do so within 15 days prior to the Confirmation Hearing then the Plan Proponent will select a Revolving Opportunity Investor for this Trust Board position and disclose that information to the Court. After the Effective Date, in the event of any vacancy on the Trust Board, the remaining members of the Trust Board shall fill the vacancy with a Person who is a beneficiary under the Liquidating Trust and who is a representative of the

constituency group represented by the prior member. All actions to be taken by the Liquidating Trustee with respect to the assets of the Liquidating Trust, including distributions to beneficiaries, the refinancing, sale or abandonment of the Non-Loan Assets, the prosecution, compromise, settlement, or abandonment of any Estate Claim, or the prosecution, compromise, settlement, or abandonment of any objection to Claim, shall require Trust Board approval.

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

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

14. No Liability of the Trust Board and its Members. To the maximum extent permitted by law, the Trust Board and its members, representatives, or professionals employed or retained by the Trust Board shall not have or incur liability to any Person for an act taken or omission made in good faith in connection with or related to any action

taken or omitted by it pursuant to the discretion, power and authority conferred to it by the Plan, the Confirmation Order or the Liquidating Trust Agreement.

15. Compliance With Tax Requirements. In connection with the Plan, the Liquidating Trustee shall comply with all withholding and reporting requirements imposed by federal, state, local and foreign taxing authorities and all distributions hereunder shall be subject to such withholding and reporting requirements.

B. The Reorganized Debtor

1. Structure and Role of Reorganized Debtor. On the Effective Date, the Plan Proponent proposes to amend and restate the Articles and Bylaws of the Debtor in substantially the form attached as Exhibit "I" of the Disclosure Statement. The new Reorganized Debtor will be renamed ML Servicing Co., Inc. The Existing stock or shares and Equity Interests shall be extinguished. New stock in Reorganized Debtor shall be issued to the Liquidating Trust. The old Board of Directors and Officers shall be terminated and a new Board of Directors shall be appointed and composed of the five Trust Board members appointed for the Liquidating Trust Board.

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

It is contemplated that the Reorganized Debtor may hire former employees of Debtor, however all such terms of employment, salaries and retention bonuses shall be disclosed prior to the Confirmation Hearing, and shall be approved by the Plan Proponent prior to the Effective Date, and by the Trust Board after the Effective Date. Since all Non-Loan Assets may be transferred to the Liquidating Trust on the Effective Date, the Liquidating Trust may license or lease the necessary assets for the Reorganized Debtor as the Liquidating Trust deems appropriate to perform the servicing agreement. The Reorganized Debtor shall not survive the life of the Liquidating Trust and shall be dissolved prior to the termination of the Liquidating Trust.

It is possible that the Plan Proponent may opt to hire a third party serving company to service the Loans. An Administrative Hearing has been scheduled for April 16, 2009 by the Arizona Department of Financial Institutions to revoke the Debtor's commercial mortgage banker's license so it is not certain that the Reorganized Debtor will be able to perform those services. The Plan Proponent has already investigated possible third party servicing companies that can perform these services at more favorable rates. Attached as Exhibit "Q" is a proposal from Churchill Commercial Capital, Inc. stating a proposal for the servicing at more favorable rates than those currently being asserted by the Debtor or as proposed to be charged on a cost basis by the Reorganized Debtor in this Plan. Their company brochure and the resume of their licensed commercial mortgage banker are attached. The Plan Proponent reserves the right to replace the Reorganized Debtor with a third party servicing company, in which case the Reorganized Debtor's name will be changed to ML Holding Co. and its responsibilities will be limited.

2. Post-Confirmation Officers and Directors. The senior executive officers and directors of the Debtor that have served prior to the Effective Date shall not continue to

serve from and after the Effective Date, however, certain officers and directors may continued to be employed by the Reorganized Debtor as employees or consultants to operate the Reorganized Debtor and might be titled as officers of the Reorganized Debtor. The list of such employees, their titles and compensation with the Reorganized Debtor shall be filed with the Bankruptcy Court prior to the Confirmation Hearing.

C. The Resolved Issues

1. Resolved Issues Effectuated by the Plan Confirmation. Confirmation of the Plan shall effectuate and resolve certain disputes and legal issues as contained herein, including but not limited to, (1) the validity of the security interest of RBLLC in the RBLLC Loan Collateral, (2) the acknowledgment of the ownership of the ML Notes and ML Deeds of Trust by the MP Funds and Pass-Through Investors, (3) the resolution of the Avoidance Actions as against RBLLC, trade creditors and the Investors (excluding Insiders), (4) the allowance of Investor Damages by the Investors as unsecured Allowed Claims in the Liquidating Trust, and (5) the transfer of the Debtor's alleged right and title to the interest spread, default rate, extension fees and other fees and charges to the Loan LLCs.

2. RBLLC Security Interest. There is a dispute over the validity of the RBLLC security interest in the assets of the Debtor. RBLLC filed a secured proof of claim setting forth its claim and attaching documents. RBLLC also filed several pleadings in connection with its objection to the use of cash collateral that contains a detailed analysis of the facts and the law. The Debtor has disputed this analysis and conclusion. The central issue appears to be whether the writing of the parties constitutes a valid and enforceable security agreement. While there are promissory notes and UCC 1 Financing Statements, there is no document entitled "Security Agreement". The Debtor says this is fatal. On the

other hand, RBLLC has produced writings signed or authenticated by the Debtor that purport to grant a security interest in the Debtor's fractional interests in Notes and Deeds of Trust to RBLLC. Debtor also asserts that the security interest does not cover "after acquired" property of the Debtor. RBLLC asserts there is sufficient language in the writings to establish it. The Debtor also asserts that a filing on "all assets" is not sufficient to perfect the interest, but RBLLC asserts that the language in the writings sufficient establish this argument. Both sides provide plausible arguments and there is a risk that either side will win. The issue has not been brought to a head and is still pending. The Investors Committee realizing the risk and the cost of the litigation has supported RBLLC in its claim that it has a valid security interest in the Debtor's interest in the Notes and Deeds of Trust and rather than fight RBLLC on this issue has looked for other ways in this Plan to reach a fair and equitable conclusion and resolution. The Investors Committee believes that the approach in this Plan reaches the right balance.

3. Release of Avoidance Actions. This Plan releases the Avoidance Actions against RBLLC, the Investors and the Ordinary Course Trade Creditors (excluding Insiders). There may be an argument that certain transactions may be preferences or fraudulent transfers. The Debtor has created such a list of transactions in the 90 days prior to the Petition Date and in the year prior to the Petition Date. The Investors Committee has not been privy to the underlying analysis or data but recognizes that there is such an argument. The Investors Committee understands that there will be significant defenses to the claims including solvency, as well as the fact that some of the parties did not receive cash for such transactions but reinvested the amounts into investments. For disclosure purposes, none of the Investor Committee members are on the Debtor's preference list for receiving payments within the 90 days prior to Bankruptcy, other than regular interest

payments which all Investors received. Two of the Investor Committee members may be on the 90 day to 1 year prior to Bankruptcy list for avoidance actions prepared by the Debtor or may have an interest in an entity on the list. Joe Baldino or one of his entities and Honey Resnick may be on that list. They recused themselves from any vote on this issue. Further it is possible that a client of the Investors Committee's counsel that it represents on unrelated matters could be on the list as well. However counsel was not aware of any such clients at the time the vote was taken and has not taken any such circumstance into account in any analysis. See the discussion on the proposed Board members in Article VIII.A.11 concerning the Liquidating Trust Board member disclosures and in Article VIII.D.6 concerning the ML Manager LLC Board of Managers. Also see the information about investments and payments summarized on Exhibit "S". In its negotiations with other parties in trying to reach a consensual plan, several parties, including RBLLC and certain Revolving Opportunity Investors, requested the releases as a part of the consensual process. The Plan Proponent weighed the benefits and the downsides of releasing such Avoidance Actions and felt that on balance it was fair and equitable to do so in light of the other benefits being obtained under the Plan. See Article VIII.A.2 above for a more detailed discussion.

4. Ownership of the Notes and Deeds of Trust. There has been a dispute since the commencement of the case about the ownership of the Notes and Deeds of Trust. The Investors Committee has briefed this issue in several pleadings, including the Brief of Official Committee of Investors in Support of Price Motion to Abandon (Docket No. 406). Other parties also briefed the issue. The bottom line is that the Notes were sold by the Debtor to Investors and the Notes themselves were endorsed to the Investors in their fractional interests. Over $730 million of these sales of Notes are outstanding and owned

by the Investors and the MP Funds. The endorsements were signed and are physically kept with the Notes in the vault where the loan documents are kept. In addition assignments of beneficial interests were also signed and recorded. These are also kept with the deeds of trust in the vault with the loan files. The computer books and records of the Debtor track the flow of the proceeds from Investors into the purchase of the Notes. The Debtor has always treated the transactions as purchases and sales of the Notes and they were booked in that fashion. Other parties may make an argument against this position and this issue has been reserved in the case. It has not been fully litigated and is still pending. This Plan resolves this issue in the favor of the Investors. The Plan Proponent believes this is fair and equitable way to resolve the dispute and other issues are resolved in favor of the other parties as a compromise.

5. Debtor's Claim to Interest Spread, Fees and Other Alleged Revenues. The Debtor post petition needed cash to operate its business. In an effort to create revenues it started to book certain fees and charges arguing that it was entitled under the documents to collect such amounts from the Investors and the MP Funds out of the first available proceeds from the Borrowers. The Investors Committee disputes the Debtor's allegations on several bases. There is evidence that the Debtor waived its claim to many of these charges and fees pre-petition. In addition the Debtor unilaterally started imposing these fees and charges post petition and in fact has changed its mind and practice several times post petition. In the Fall of 2008 the Debtor started booking the fees and charges but at the same time also fully reserved for the amounts. They know that the fees and charges are not collectible and are disputed. That is why they are fully reserved. The Investors Committee is not "unilaterally stripping" the fees and charges away from the Debtor as the Debtor alleges. Instead the Investors Committee disputes the Debtor's right to even

charge or collect them. In addition, even if they may be chargeable to certain Loans, the Investor Committee asserts there are offsets and recoupment defenses. Debtor has consistently breached its fiduciary duties to the Investors and the MP Funds. There is an inherent and constant conflict of interest between the Debtor as the agent for the Investors and the Debtor as the debtor in possession of the bankruptcy that wants to stay in business. The Loans have been so mismanaged by the Debtor that there are few performing Loans out of the 66 Loans in the portfolio. Debtor of course disputes all of this and asserts that the fees are fully chargeable and are collectible. The Debtor asserts about $150 million of such fees through January 2009 on its Monthly Operating Report for January 2009. $150million is reserved for that "doubtful account" as well. These issues are disputed and the Plan resolves the dispute in favor of the Investors and transfers or assigns those fees and charges to the Loan LLCs. They are not likely to be collected from Borrowers and it is doubtful that the Investors will even get most their principal back on the Loans. In light of the allegations of mismanagement and conflict of interest and the offset and recoupment defenses this resolution is fair and equitable and other issues have been compromised so as to allow the other creditors to receive other recoveries in exchange.

6. Investor Damage Claims. About 1800 proofs of claim were filed by the Investors. They assert that they own the Notes and Deeds of Trust but also assert unsecured claims for breach of fiduciary duty, breach of contract, misrepresentation, fraud, mismanagement, negligence, improper underwriting, failure to obtain appraisals, among other claims. The proofs of claim state additional potential causes of action against the Debtor. The measure of damage is based on the simple formula of principal and interest as of the Order of Relief Date minus the amount to be recovered on the Notes and

Deeds of Trust and Guaranties. The deficiency is unliquidated but is simple and straightforward. The Debtor and others may dispute the claim or the amount. But there is evidence to support these types of claims. It is factually complex and each case may be different but the underlying theories are credible and deserve consideration as an unsecured claim. The Plan Proponent has resolved this issue in favor of the Investors. The sheer size of the claims objection process and the cost to litigate these claims one at a time would be burdensome and would wasteful of the limited resources available. As a result the Plan resolves this issue and provides in exchange additional consideration for other parties as a basis for the compromise.

D. The Loan LLCs and ML Manager LLC

1. Creation of Loan LLCs. Pursuant to sections 1123, 1141 and 1145 of the Bankruptcy Code, prior to the Effective Date, a separate Loan LLC will be formed to hold each of the ML Loans and the ML Loan Documents associated with that ML Loan, including the ML Note and ML Deed of Trust. On the Effective Date, 100% of the fractional interests of each of the ML Loans, including all ML Loan Documents related to such ML Loan, will be transferred to the respective Loan LLC, except for the fractional interest of a Pass-Through Investors who does not agree to transfer its interest. The transfer shall be voluntary for the Pass-Through Investors. In addition to being asked to check the box to "accept" the Plan in the Ballots for Classes 10A and 10B, the Pass-Through Investors will be asked to indicate on their Ballots by checking a box that they "agree" to the transfer of their fractional interest in the Notes and Deeds of Trust to the applicable Loan LLC. Once the Plan is confirmed by the Court, the Plan Proponent will follow up with the Pass-Through Investors with the additional paper work to accomplish this result. The existing Agency Agreements and other contracts may be transferred by the

Debtor to the ML Manager LLC, at the option of the Plan Proponent depending on the tax consequences. Upon such transfer, each Loan LLC shall own such ML Loan Documents free and clear of all claims of any Persons, except for certain setoff Claims (if any) of the Borrower under such ML Loan as Allowed and determined by the Bankruptcy Court and as provided for as a Class 12 Borrowers' Claim, and possibly the VTL Fund Claims.

2. Membership Interest in Loan LLCs. On the Effective Date membership interests in each applicable Loan LLC will be issued to RBLLC, the Pass-Through Investors and the MP Funds, in proportion to their respective fractional interests in a particular ML Loan and related ML Loan Documents, including the ML Deed of Trust. The membership interests are not freely tradeable and restrictions to transfers apply. See Section 8 of the Loan LLC operating agreement. In exchange for the issuance of the membership interest in the Loan LLC, among other consideration, RBLLC and the Investors shall reduce by $100 their Investor Damages against the Debtor for each Loan transferred.

3. Governance of Loan LLCs. Each Loan LLC will operate pursuant to a separate operating agreement substantially in the form attached as Exhibit "K" to the Disclosure Statement. The Manager of each Loan LLC shall be the ML Manager LLC. As reflected in the form of operating agreement attached as Exhibit "K", Major Decisions (as defined in the operating agreement) will be made by the members of the Loan LLC based on a vote of the dollar amount of interests. The Exit Financing will be used for some operational experience but mostly at the ML Manager level and not at the Loan LLC level. If additional funds are needed for the operation of a specific Loan LLC or for extraordinary expenses for the Loan LLC (such as for property insurance, taxes, costs to repair or complete a structure for a specific Loan LLC, defending a lawsuit, or prosecuting

a lawsuit, etc.), the members of the Loan LLC will be asked to either make a voluntary capital contribution, make a voluntary member loan, allow other members to make a loan or consent to third party financing. No member will be forced to make a capital contribution but a preferred payment or return or lien may be granted to other members or to third parties that provide such financing or capital.

4. Governance of MP Funds. On the Effective Date, the form of the Operating Agreement of each MP Funds shall be amended and restated substantially in the form attached as Exhibit "L" to the Disclosure Statement and ML Manager LLC shall become the new Manager for each MP Fund.

5. Investor and MP Fund Agreements and Contracts. Upon the occurrence of the Effective Date and after establishment of the Loan LLCs and upon the transfer of ML Loans to those Loan LLCs, after analysis of the federal income tax consequences, at the option of the Plan Proponent, all existing agencies, powers of attorney, servicing, and related contracts between Investors or the MP Funds and ML will be transferred and deemed assigned to the ML Manager LLC. Possession of the original ML Notes, endorsements, ML Deeds of Trust and all other ML Loan Documents shall be transferred to the ML Manager LLC as the Manager for the Loan LLCs. ML Manager may allow the Reorganized Debtor as the initial servicing agent to hold the ML Loan Documents on its behalf or may transfer possession of the ML Loan Documents to another entity to hold on its behalf.

6. Creation and Governance of ML Manager LLC. Prior to the Effective Date, ML Manager LLC will be formed to be the Manager of each Loan LLC and each MP Fund, pursuant to an operating agreement substantially in the form attached as Exhibit "M" to the Disclosure Statement. The Confirmation Order shall confirm and appoint the

five-member Board of Managers for ML Manager LLC, who shall all be Investors. One Board member shall be selected by RBLLC, one shall be selected by the Revolving Opportunity Investors and three shall be selected by the Investors Committee.

The Plan Proponent has selected its three investor members. They are Elliott Pollack, Scott Summers and Bruce Buckley. Mr. Pollack's resume is attached as "Exhibit S"[5]. Mr. Summers is the Executive Vice President and Director of Corporate Lending at National Bank of Arizona. He has extensive experience in loan workouts and commercial mortgages. Mr. Buckley is retired after 35 years in the title insurance industry. He also has extensive experience in all types of real estate transactions. All three are extreme well qualified for the Board of Managers. Also disclosed on Exhibit "S" is information about the investments and Loans for each of the 3 proposed Board members plus information about any payments received in the 90 day to 1 year period prior to Bankruptcy. As indicated before, none of the 3 received any payments (other than monthly interest payments) during the 90 days prior to Bankruptcy according to the information provided by the Debtor. RBLLC initially may select Grant Lyon who is the chapter 11 trustee in the RBLLC bankruptcy. In the event that RBLLC does not select a candidate or chooses not to select any candidate, then the Plan Proponent will select a member for the position from other Investors. The Revolving Opportunity Investors will need to select their candidate 15 days prior to the Confirmation Hearing. The Revolving Opportunity Investors will need to hold a meeting and to cast their vote by dollar amount for the Investor candidate. If they do not do so within 15 days prior to the Confirmation Hearing then the Plan Proponent will select a Revolving Opportunity Investor for this Board of Managers

[5] Mr. Pollack is a client of the Investors Committee's counsel on matters unrelated to this case. His selection was based on merit and upon the vote of the Investors Committee.

position and disclose that information to the Court. Members of the Board of Managers shall be entitled to the reimbursement of reasonable expenses incurred in performing their duties under the Plan from the ML Manager LLC and shall be compensated $6,000 a year by the ML Manager LLC for their time and service as a Member of the Board of Managers.

A question has been raised about how the Board of Managers will handle conflicts of interest which arise due to the different Loans that each of the Board members is invested in. As with almost all Board of Directors or Board of Managers, the Board will establish customary conflict rules, however it is anticipated that each person will be required to disclose any conflict prior to discussion and deliberation and will not vote on any matter in which they have a conflict. However because the MP Funds are in almost every Loan and because the Investors are in a lot of Loans, it is anticipated that the Board will fully reveal all such conflicts and with the aid of Counsel will be able to work through any such issues. Also as a check and balance, all Major Decisions on a Loan (as defined and reflected in the Loan LLC operating agreement) will require the vote of the members of the Loan LLC. This check and balance should help to alleviate any concern about such potential conflicts. When members are informed about the pros and cons of such Major Decisions, the Board should also inform the members of any conflicts which existed on the Board and how the conflicts were resolved and handled.

ML Manager LLC will be operated pursuant to its operating agreement. In order to service and manage the Loan LLC Loans it is anticipated that ML Manager LLC will enter into independent contracts, hire one or more professional asset managers or companies, contract with the servicing agent, employ counsel and other professionals, among other things. As indicated in Section D.5 above, on the Effective Date, all

servicing fees, interest spread, default interest, impounds, extension fees and other moneys which were to be received by the Debtor relating to the ML Loans, may be transferred to the applicable Loan LLCs from which the fees or interest derived. For the year 2009, the initial servicing agent shall be the Reorganized Debtor as set forth in Section 4.4 of the Plan.

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

8. VTL Fund Pledge Agreement Arguments. The VTL Committee has asserted certain arguments in its objections to the Disclosure Statement and Plan concerning the existence and effect of Pledge Agreement which were entered into between the VTL Fund Manager (the Debtor) and the MP Funds Manager (the Debtor). A form of one of the Pledge Agreements was attached to the VTL Committee's objection (Docket Number 1478) which was filed March 16, 2009.

The VLT Committee has taken the position that it has a perfected security interest in all assets owned by the MP Funds which have principal amounts of over $445 million to secure the loans by the VTL Fund to the various MP Funds which total approximately $7.7 million. The VLT Committee claims that under Section 7.1 of the Pledge Agreement executed by the MP Funds that the VLT Fund has been given an irrevocable power of attorney, coupled with an interest, authorizing VLT Fund "to file any claim or claims or

take any action or institute or take part in any proceedings, either in its own name or in the name of the Borrower, or otherwise, which in the sole and absolute discretion of the Lender may be necessary or advisable." Based upon that language, the VLT Committee asserts that the VLT Fund is entitled to vote all of the votes to which the MP Funds would be entitled to vote to approve or disapprove the Plan. In addition, the VLT Committee asserts that while the proposed form of Loan LLC operating agreement provides that the majority in dollar amount of the members of Loan LLC will have the right to vote on Major Decisions (which is defined in the form Loan LLC operating agreement), because of the rights given to the VTL Fund under the Pledge Agreement, the VLT Fund is the one who get to make all of the MP Funds decisions and the MP Funds have no vote on any matter in the Loan LLCs until the VTL Fund loans are paid off. Lastly, the VLT Committee states that the Pledge Agreement prohibit and prevent the MP Funds from pledging the loans owned by them to secure the Exit Financing without the consent of the VLT Fund.

As indicated elsewhere in the Disclosure Statement, in the event the VTL Fund Investors do not accept the modified loan treatment under Class 9 subsection (A), the Plan Proponent may take the position that the VLT Fund does not have a security interest in the loans owned by the MP Funds for several reasons. First, the Debtor as the manager of both the VLT Fund and each of the MP Funds had an absolute conflict of interest in dealing with itself on both sides of the VLT Fund loans. Upon information and belief, the Plan Proponent has been informed that the VLT Fund loans were made to each MP Fund and the Debtor immediately disbursed such funds to itself to sell portions of loans which the Debtor did not have the money fund to the MP Funds. The Debtor could have had the VTL Fund loan the money directly to the Debtor (similar to RBLLC's loans) but chose to

set up a conduit like the MP Funds to pass the money through and to take on responsibility. In addition, the granting of security in all assets of the MP Funds, including collectively over $445 million of loans, for a maximum revolving loan of $75 million to each MP Fund is a breach by the Debtor of its fiduciary duty to the MP Funds. The VLT Fund was not even obligated to make any advances except those which it elected to make and only approximately $7.7 million of loans were ever made to the MP Funds. Because of the absolute conflict of interest where the Debtor took advantage of the MP Funds to benefit the Debtor and the VLT Fund, the security interest and the Pledge Agreement are not enforceable.

Second, the Operating Agreement of each of the MP12 through MP17 specifically prohibited the Debtor as Manager of the MP Fund from entering into "contracts" with the Debtor or an Affiliate of the Debtor or the MP Fund without the vote of 75% of the members of the MP Fund. Since the Debtor controlled both the MP Funds and the VLT Fund, they are clearly Affiliates. The Operating Agreement of the VLT Fund also has an identical provision. Despite the fact that the Debtor had to know of the approval requirement (since the same attorneys drafted the documents and the same officer of the Debtor signed all the documents), in no case did the Debtor ever obtain the vote of the Members of either the MP Funds or the VLT Fund and therefore the actions of the Debtor as Manager of both the MP Funds and the VLT Funds was not authorized and the contracts entered into are not enforceable. Under A.R.S. § 29-654, the act of a manager in executing an instrument is binding on a limited liability company unless the manager in fact has no authority in the particular matter and the person with whom he is dealing has knowledge of the fact that the manager has no such authority. Since the Debtor was dealing with itself, this statute clearly applies and the Pledge Agreement and loans and

security interest are void and not enforceable. Further, the Debtor as Manager of the VLT Fund was not authorized to enter into loans to the MP9 through MP11 because the members of the VLT Fund did not give the required approval. Thus the loans, Pledge Agreement and security interests relating to the MP9 through MP11 are also unenforceable. While there is no specific provision in the MP9 through MP11 Operating Agreements requiring a vote of the Members before such MP Fund can enter into contracts with Affiliates for services only, but there is no authority in the Operating Agreements for such MP Funds to borrow money unless capital is needed from such company's business and then the loan is from a bank, another lending institution and other lenders or a member of the MP Fund. Thus, in the MP9 through MP11 Operating Agreements, there is simply no authority to borrow money from an Affiliate such as the VLT Fund because of the potential conflict of interest.

Additionally, the officer of the Debtor who signed the VLT Loan documents for both entities has stated that the MP Funds did not need to borrow money for their business at the time the loans were entered into with the VTL Fund. Under A.R.S. § 29-681(c)(1), the affirmative vote of all members is required to authorize a transaction or agreement that is unrelated to the business as stated in the operating agreement or that otherwise violates an operating agreement. Since no money was needed to operate the business of each MP Fund and there is no provision allowing the Debtor as Manager to enter a loan agreement with an Affiliate, a vote of the members was required but was not taken. Therefore, the VTL notes and pledge agreements are not binding on the MP Funds and the VLT Fund is at best an unsecured creditor of the Debtor or of the MP Funds. Further, because the loan documents are not binding on the MP Funds, the VLT Fund is not entitled to vote on any matters and any prohibition asserted by the VTL Committee on the pledge of the loans

owned by the MP Funds to secure the Exit Financing is invalid. If necessary, the Investors Committee may have to object to the VLT Fund's claim in the Bankruptcy Court and to litigate the issue of whether the VLT Fund is a secured creditor of the MP Funds.

Third, the language of the phrase cited by the VLT Fund as giving it the authority to vote all of the loans owned by the MP Funds is extremely vague and cannot be interpreted to give the VTL Fund the right to vote the MP Funds interests in this proceeding.

Lastly, it would be extremely unfair to allow the VLT Fund which has made loans of $7.7 million or 1.79% of the total of the loans owned by the MP Funds to control the votes of over $445 million in the Plan approval process. Since the Debtor has an irreconcilable conflict of interest, and because the Debtor does not own the beneficial interest in the investments, the Debtor, as Manager of both funds, cannot vote for either the MP Funds or the VLT Fund.

E. Effect of Confirmation and Injunctions and Other Provisions

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 and the Investors Committee and any of its 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 Plan, the consummation of the Plan, the administration of the Plan, the administration of the Estate, the issuance of the Loan LLCs, the ML Manager LLC or the beneficiary interests in the Liquidating Trust, or the distribution of property under the Plan, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

2. Binding Effect of Plan. The provisions of this Plan and the attached Agreements shall bind the Debtor, the Reorganized Debtor, the Liquidating Trust, the Committees, RBLLC, Borrowers, Creditors, and any Equity Holder, and shall bind any Person asserting a Claim against the Debtor or an Equity Interest in the Debtor, whether or not the Claim or interest arose before or after the Petition Date or the Effective Date, whether or not the Claim or Interest Is impaired, and whether or not such Person has

accepted the Plan. Except as provided for in the Plan, the Non Loan Assets of the Debtor vest in the Liquidating Trust and the Loan Assets of the Debtor vest in RBLLC free and clear of liens, Claims and encumbrances and Equity Interests.

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

4. **Liquidating Trust Cooperation Agreement.** The beneficiaries have not assigned their individual, independent, direct or personal claims against third parties to the Liquidating Trust and may pursue such claims or causes of action directly against such third parties. The Liquidating Trust may enter into cooperation agreements with beneficiaries and coordinate with, assist, pursue and associate with and join in such actions and efforts by beneficiaries against common targets or potentially responsible parties.

5. Exemption from Transfer Taxes. Pursuant to 11 U.S.C. §1146(a), the issuance, transfer, exchange of notes or equity securities under the Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sub-lease or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including any deeds, bills of sale or assignment executed in connection with any of the transactions contemplated under the

Plan shall not be subject to any stamp, real estate transfer, speculative builder, transaction privilege, mortgage recording or other similar tax.

6. Exemptions from Securities Laws Registration and Considerations. Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under section 5 of the Securities Act and state laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (ii) the recipients of the securities must hold Claims against or interests in the debtor; and (iii) the securities must be issued in exchange (or principally in exchange) for the recipient's Claims against or interests in the debtor. The membership interests in the Loan LLCs offered and sold under the Plan are not freely tradeable. Restrictions on transfers apply and recipients of the membership interests in the Loan LLCs should review Section 8 of the Loan LLCs operating agreement which is attached to the Disclosure Statement as Exhibit "K." Plan Proponent believes and asserts that the offer and sale of interests in the Loan LLCs and the issuance of the beneficial interests in the Liquidating Trust under the Plan satisfy the requirements of Section 1145(a)(1) of the Bankruptcy Code and, therefore, are exempt from registration under the Securities Act and state securities laws. As an alternative, the Plan Proponent has also provided a simpler structure that does not involve the Loan LLCs but only involves the ML Manager LLC as set forth in Section 4.14 of the Plan. Similar restrictions on transfers apply to such alternate ML Manager LLC structure. See Exhibit "M" for the alternate structure which Plan Proponent asserts and believes also satisfies the requirements of Section 1145(a) and are therefore exempt from registration under the Securities Act and state securities laws.

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

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

F. Financing the Plan and Operations

In order to consummate the Plan, the Investors Committee has obtained Exit Financing. The terms of the Exit Financing are attached as "Exhibit O" to the Disclosure Statement. It is a Letter of Intent from Universal Equity Group and Strategic Capital Partners LLC. The Letter of Intent has several contingencies, which is not uncommon, including lender's satisfactory review of the Collateral and the borrower(s) under the Exit Financing. The Exit Financing is for $20 million and will be used to take out the Stratera Claims, the Priority Non-Tax Claims and the Administrative Claims and to provide working capital for the operations for the Liquidating Trust, the Reorganized Debtor, the Loan LLCs and the ML Manager LLC. It is possible that Exit Financing will needed to be entered into by the lender as the lender and by the Liquidating Trust, the ML Manager LLC, the Loan LLCs and/or the Reorganized Debtor as co-Borrowers with joint and

several liability. The lender may require that all of the assets of the entities be pledged, including the Notes and Deeds of Trust in the Loan LLCs. It is anticipated that the parties will also enter into an inter-borrower agreement to allocate amongst themselves the use of funds and the repayment of the Exit Financing loan, among other things. The entities shall keep sufficient records of the use of funds and repayment of the loan so that a proper allocation and accounting may be made. For example, the repayment provision requires the Borrowers to repay the Exit Financing out of 70% of all proceeds generated from the Collateral. This means that if a property in the Liquidating Trust is sold then 70% of the net proceeds will be used to pay down the Exit Financing, but the other Borrowers at some point when sufficient funds become available will need to reimburse the Liquidating Trust for their allocable share of the loan proceeds. Similarly, if a Loan LLC receives principal from a Borrower, then 70% of the proceeds will be used to pay down the Exit Financing, but the other Borrowers at some point when sufficient funds become available will need to reimburse that Loan LLC for their allocable share of the loan proceeds. In the long term this should even out and each Borrower will ultimately be responsible only for its pro rata share, but in the short term the cash flow will be used to pay down the Exit Financing and will be monitored to insure proper accounting and reimbursement. The Plan Proponent reserves the right to substitute and replace the terms of the Exit Financing on more favorable terms prior to the Confirmation Hearing should Plan Proponent in its sole discretion so choose.

The cash needs of the Reorganized Debtor, the Liquidating Trust and Loan LLCs are estimated on the attached Exhibit "N" to the Disclosure Statement. These exhibits are only estimates and are based on the limited information available to the Investors

Committee's financial advisor, and may be updated, supplemented or revised prior to the Confirmation hearing.

G. Dispute Resolution Procedure with Borrowers Plan Proponent contemplates that at Confirmation Hearing and in the Confirmation Order it will have the Court approve and authorize the ML Manager LLC, certain Loan LLCs and the MP Funds to agree with certain Borrowers, guarantors and related parties, such as the Grace Entities, on mutually agreeable dispute resolution procedures to resolve the claims of both the holders of the ML Notes and ML Deeds of Trust against Borrowers, guarantors and related parties and the claims of certain Borrowers, guarantors and related parties against the Debtor and the holders of the ML Notes and ML Deeds of Trust. Any such proposed mutually agreeable dispute resolution procedure to be approved at Confirmation shall be filed with the Court prior to the Confirmation Hearing. It is possible that Plan Proponent will propose that the ML Manager LLC, certain Loan LLCs and the MP Funds agree upon dispute resolution procedures, such as mediation and/or mandatory arbitration, with certain Borrowers, guarantors and related parties, particularly the Borrowers asserting large failure to fund liability claims and offsets, in order to avoid costly litigation and to provide a timely and efficient way to resolve the issues and possibly settle the business and legal issues in dispute.

IX. CERTAIN TAX CONSEQUENCES OF THE PLAN

THE INVESTORS COMMITTEE CANNOT AND DOES NOT GUARANTY THE TAX CONSEQUENCES TO ANY PERSON OR PARTY CAUSED BY THE TERMS OF THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT CONSTITUTES TAX ADVICE TO ANY PERSON OR PARTY. NO REPRESENTATIONS REGARDING THE EFFECT OF IMPLEMENTATION OF THE PLAN ON INDIVIDUAL CREDITORS OR INVESTORS ARE MADE HEREIN OR

OTHERWISE. ALL PARTIES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN AND OF THE PROPOSED REORGANIZATION TO THEM, TO THE DEBTOR AND TO THE BANKRUPTCY ESTATE. THIS DISCLOSURE STATEMENT SHALL NOT IN ANYWAY BE CONSTRUED AS MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENSES OF CONFIRMATION AND CONSUMMATION OF THE PLAN TO THE PARTIES. ALL PERSONS AND PARTIES MUST LOOK SOLELY TO AND RELY SOLELY UPON THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF THIS PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, YOU MUST BE INFORMED THAT (A) NO TAX DISCUSSION CONTAINED IN THIS DISCLOSURE STATEMENT OR IN THE PLAN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES INDER THE INTERNAL REVENUE CODE; (B) THE DISCUSSION OF FEDERAL INCOME TAX MATTERS, IF ANY, IS WRITTEN IN CONNECTION WITH THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

X. LIQUIDATION ANALYSIS

The Investors Committee believes that confirmation of the Plan is the best way for Creditors and Investors to receive the maximum amount of money. In general, to determine what holders of Allowed Claims in each Class would receive if the Debtor were liquidated, the Bankruptcy Court must determine what funds would be generated from liquidation of the Debtor's assets. Such liquidation funds would be reduced by the costs

and expenses of the liquidation and by such Administrative Claims and the use of the Chapter 7 for the purpose of liquidation. Those funds from liquidation would be further reduced by any commission payable to the Chapter 7 trustee and the trustee's attorney's and accounting fees, as well as the costs of the Chapter 11 estate (such as the compensation for Chapter 11 Professionals). In a Chapter 7 case, the Chapter 7 trustee would be entitled to seek a sliding scale commission based upon the funds distributed by the trustee to Creditors. In contrast, the trustee's commission in a Chapter 7 is not paid in a Chapter 11 case. Attached to the Disclosure Statement as Exhibit "P" is a Liquidation Analysis with a detailed analysis of the estimated recoveries and expenses for a liquidation. The analysis has two parts to it. In one part RBLLC's debt is assumed to be secured by the Debtor's assets and in the other part RBLLC is assumed not to have a security interest in the Debtor's assets.

In light of the fact that this is a liquidating plan which creates a Liquidating Trust to reduce all Non-Loan Assets to cash for distribution under the Liquidating Trust to the Creditors and Beneficiaries, resolves the major issues in the case as a part of the Plan confirmation, downsizes the operations of the Reorganized Debtor and the business to be conducted to servicing and supporting the Liquidating Trust and the ML Manager LLC on a cost basis, the liquidation analysis here is not as significant as it would be for a chapter 11 case which reorganizes and continues with business as usual. However an orderly liquidation in a Liquidating Trust will allow more recovery for the creditors and Investors.

Further the major issues are resolved in the Plan which otherwise in a Chapter 7 could expend significant Chapter 7 administrative expenses. For example, the Plan resolves the validity of RBLLC's security interest in the assets of the Debtor. The Debtor's interests in the Loans are turned over to RBLLC as a secured creditor for credit to the debt and the Non-Loan Assets are turned over to the Liquidating Trust free and

clear of the RBLLC secured claim. The Unsecured Creditors are given a portion of the proceeds from the Debtor's interests in the Liquidating Trust as a priority as a resolution of the validity of the RBLLC claim and in exchange for other issues. Under the Plan the Unsecured Creditors because of the priority payment in the Liquidating Trust would receive more they would in a Chapter 7. Further the ownership of the Notes and Deeds of Trust are resolved and not litigated and the agency and management agreements are terminated or assigned to allow the Investors to decide who will manage their loans. In a Chapter 7 that issue could be a costly and time consuming battle if any of the parties, including RBLLC, the Unsecured Committee or the Chapter 7 trustee chose to fight the Investors on the issue in a Chapter 7 proceeding.

Another issue being resolved is the allowance of the Investor Damage Claims in the Liquidating Trust and the release of non-insider Avoidance Actions against RBLLC, Ordinary Course Trade Creditors and Investors (excluding Insiders). In a Chapter 7 the claims objections of about 1800 claims and pursuit of Avoidance Actions against Investors, Ordinary Course Trade Creditors and RBLLC would be in the discretion of the Chapter 7 trustee could be costly and time consuming if the Chapter 7 trustee were to decide to object to or prosecute those claims. The Investors Committee believes that the Liquidating Trust and the resolutions under the Plan will be more cost effective and efficient than the Chapter 7 liquidation and the liquidation analysis therefore favors confirmation of the Investors Committee's Plan.

Pursuant to section 1129(a)(7) of the Bankruptcy Code, for the Plan to be confirmed it must provide that creditors and holders of equity interests will receive at least as much under the Plan as they would receive in a liquidation of the Debtor under Chapter 7 of the Bankruptcy Code (the "Best Interest Test"). The Best Interest Test with respect to each impaired class requires that each holder of a claim or equity interest of such class either (a) accepts the plan or (b) receives or retains under the Plan property of a value, as

of the Effective Date, that is not less than the value such holder would receive or retain if the Debtor had liquidated under Chapter 7 of the Bankruptcy Code. The Court will determine whether the value received under the Plan by the holders of claims in each class equals or exceeds the value that would be allocated to such holders in liquidation under Chapter 7. The Investors Committee believes that the Plan meets the Best Interest Test and provides value that is not less than the value that would be recovered by each holder in a proceeding under chapter 7 of the Bankruptcy Code.

XI. RECOMMENDATION OF INVESTORS COMMITTEE

The Investors Committee believes in light of all the factors and considerations that the Investors Committee's Plan is in the best interest of all parties and is the most cost effective and timely method of resolving major issues and disputes in the Bankruptcy Case. The Investors Committee recommends that the Plan be approved and that the parties vote to accept the Investors Committee's Plan.

DATED this 27th day of March, 2009.

The Official Committee of Investors

By /s/ Joseph L. Baldino
Printed Name Joseph L. Baldino
Title Member of Official Committee of Investors

Prepared and submitted by:
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