IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(BALTIMORE DIVISION)

In re:	*	(Chapter 11)
LUMINENT MORTGAGE CAPITAL, INC.,	*	Case No. 08-21389-DK
LUMINENT CAPITAL MANAGEMENT, INC.,		Case No. 08-21390-DK
MAIA MORTGAGE FINANCE STATUTORY TRUST,	*	Case No. 08-21391-DK
MERCURY MORTGAGE FINANCE STATUTORY TRUST,	*	Case No. 08-21392-DK
MINERVA CDO DELAWARE SPV LLC,	*	Case No. 08-21393-DK
MINERVA MORTGAGE FINANCE CORPORATION,	*	Case No. 08-21394-DK
OT REALTY TRUST,		Case No. 08-21395-DK
PANTHEON HOLDING COMPANY, INC.,	*	Case No. 08-21396-DK
PROSERPINE, LLC,		Case No. 08-21397-DK
SATURN PORTFOLIO MANAGEMENT, INC.,	*	Case No. 08-21398-DK
Debtors.	*	(Jointly Administered Under Case No. 08-21389-DK)

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DISCLOSURE STATEMENT WITH RESPECT TO THE FIRST AMENDED JOINT PLAN OF REORGANIZATION OF LUMINENT MORTGAGE CAPITAL, INC. AND ITS AFFILIATED DEBTORS

Dated: December 31, 2008

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THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE FIRST AMENDED JOINT PLAN OF REORGANIZATION OF LUMINENT MORTGAGE CAPITAL, INC. AND ITS AFFILIATED DEBTORS. NEITHER ACCEPTANCES NOR REJECTIONS OF THE PLAN MAY BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF MARYLAND. THIS DISCLOSURE STATEMENT HAS BEEN SUBMITTED TO THE BANKRUPTCY COURT FOR APPROVAL, BUT HAS NOT YET BEEN APPROVED. INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS SUBJECT TO COMPLETION AND AMENDMENT.

IMPORTANT NOTICE

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. 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 AND HOLDERS OF INTERESTS ENTITLED TO VOTE ON THE PLAN SHOULD READ THIS DISCLOSURE STATEMENT AND ALL EXHIBITS HERETO, INCLUDING THE PLAN, 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 AND THE EXHIBITS ANNEXED TO THE DISCLOSURE STATEMENT AND THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THE TRANSMISSION OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF. AFTER THE DATE HEREOF, THERE CAN BE NO ASSURANCE THAT (A) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN WILL BE MATERIALLY ACCURATE, AND (B) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. THIS DISCLOSURE STATEMENT WAS PREPARED TO PROVIDE HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE

DEBTOR WITH "ADEQUATE INFORMATION" (AS DEFINED IN THE BANKRUPTCY CODE) SO THAT THEY CAN MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. PERSONS OR ENTITIES TRADING IN, OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING, SECURITIES OF THE DEBTOR SHOULD NOT RELY UPON THIS DISCLOSURE STATEMENT FOR SUCH PURPOSES AND SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, AS A STIPULATION OR AS A WAIVER, BUT, RATHER, AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THE DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE LIQUIDATION OR THE PLAN ON HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTOR.

PARTIES SHOULD CONSULT WITH THEIR OWN COUNSEL, ACCOUNTANTS, AND/OR TAX ADVISERS WITH RESPECT TO THE LEGAL EFFECTS AND OTHER CONSEQUENCES OF THE PLAN.

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I. PURPOSE AND FUNCTION OF THIS DISCLOSURE STATEMENT

This Disclosure Statement is submitted by the Debtors, which are the proponents of the Plan. The purpose of the Disclosure Statement is to provide Creditors and other parties in interest who are entitled to vote on the Plan with sufficient information to enable them to make an informed decision as to whether to vote to accept or reject the Plan. The purpose of the Plan is to effect a restructuring of the Debtors' liabilities in a manner that will maximize recoveries by Creditors. ***Defined terms used, but not defined in this Disclosure Statement, shall have the meaning ascribed to such terms in the Plan. Accordingly, please refer to the Plan for definitions of certain important terms used in this Disclosure Statement.***

This Disclosure Statement:

- Summarizes the Plan and the proposed treatment of Creditors under the Plan (Section V, *The Plan*);
- Describes the procedures for soliciting and casting votes on and confirming the Plan (Section III, *Solicitation and Voting Procedures*);
- Describes the background and events leading to the Debtors' decision to commence the Chapter 11 Cases (Section IV, *General Information Regarding the Debtors and Events Leading to the Commencement of the Cases*);
- Describes the Debtors' capital structure (Section IV.B, *The Debtors' Capital Structure*);
- Describes the significant events that have occurred during the Chapter 11 Cases (Section IV.E, *Significant Events During the Chapter 11 Cases*);
- Describes the means for implementing the Plan (Section VI.D.2, *Feasibility*);
- Projects the total percentage recovery that each Class of Allowed Claims and Interests is likely to receive (Section II, *Short Summary of the Plan*); and
- Evaluates liquidation under Chapter 7 of the Bankruptcy Code as an alternative to the Plan (Section IX.A, *Liquidation Under Chapter 7*).

II. SHORT SUMMARY OF THE PLAN

The Plan provides for:

- The consummation of the transactions contemplated by the Exit Financing Agreement on the Effective Date of the Plan, the proceeds of which will be used to make a number of the payments contemplated by the Plan;
- The conversion of Debtor Luminent Mortgage Capital, Inc., from a publicly traded real estate investment trust into a private asset management company and

the issuance of the Reorganized Equity Units and the Reorganized Preferred Equity Units to certain classes of Creditors;

- The payment in full of all Allowed Other Secured Claims;
- The payment in full of all Allowed Priority Non-Tax Claims;
- The payment in full of all Allowed Unclassified Claims;
- The distribution of the Reorganized Equity Units, the Reorganized Preferred Equity Units, the Convenience Class Fund and the Unsecured Distribution Fund; and
- The cancellation of all outstanding Interests in the Debtors.

The following table briefly summarizes the treatment of Allowed Claims and Interests and the provisions of the Plan. For a more detailed description of the terms and provisions of the Plan, see Article V below.

In accordance with Bankruptcy Code § 1123(a)(1), Administrative Claims and Priority Tax Claims have not been classified under the Plan. Similarly, Professional Fee Claims are not classified under the Plan. Section V.A.1. below describes the treatment of such Unclassified Claims.

Class	***Treatment Under the Plan and Entitlement to Vote***	***Estimated Allowed Claims***	***Estimated Recovery***
Class 1 **Priority Non-Tax Claims**	Unimpaired; Not entitled to Vote; Allowed Class 1 Claims will be paid in full in cash.	$0	100%
Class 2 **Secured Claims of ACC Parties**	Impaired; Entitled to Vote; the Holder of the Allowed Class 2 Claim shall receive (i) 51% of the Reorganized Equity Units, (ii) $1,300,000, (iii) the Preferred Equity Units, and (iv) such other consideration as is provided under the terms of the Plan Support Agreement.	$28,883,346	[__]%

Class	***Treatment Under the Plan and Entitlement to Vote***	***Estimated Allowed Claims***	***Estimated Recovery***
Class 3 **Other Secured Claims**	Unimpaired; Not entitled to Vote; Allowed Class 3 Claims will be paid 100% of the Allowed amount of such Claims.	$0	100%
Classes 4(a) and (b) **General Unsecured Claims Against Luminent**	Impaired; Entitled to Vote; Holders of Allowed Class 4(a) Claims will receive their Ratable Portion of (i) the Unsecured Distribution Fund, and (ii) 41% of the Reorganized Equity Units, taking into account the Holders of Allowed Claims in Classes (4)(b) and 5(b) to determine such Ratable Portion. Holders of Allowed Class 4(b) Claims will receive their Ratable Portion of 41% of the Reorganized Equity Units, taking into account the Holders of Allowed Claims in Classes (4)(a) and 5(b) to determine such Ratable Portion.	$297,054,107	[__]%[1]

[1] Assumes all Creditors in Class 4 make the Creditor Release Election and therefore participate in distributions of the Unsecured Distribution Fund under Class 4(a) of the Plan.

Class	***Treatment Under the Plan and Entitlement to Vote***	***Estimated Allowed Claims***	***Estimated Recovery***
Classes 5(a) and (b) **Convenience Class Claims Against Luminent**	Impaired; Entitled to Vote; Holders of Allowed Class 5(a) Claims will receive their Ratable Portion of the Convenience Class Fund; Holders of Allowed Class 5(b) Claims will receive their Ratable Portion of 41% of the Reorganized Equity Units, taking into account the Holders of Allowed Claims in Classes (4)(a) and 4(b) to determine such Ratable Portion.	$2,300,000	13.0%[2]
Class 6 **Subordinated TRUPS Claims**	Impaired; Not entitled to Vote; Allowed Class 6 Claims will not receive any property under the Plan and are deemed to have voted to reject the Plan.	$92,788,000	0%
Class 7 **Subsidiary Debtor Unsecured Claims**	Impaired; Not entitled to Vote; Allowed Class 7 Claims will not receive any property under the Plan and are deemed to have voted to reject the Plan.	$0	0%
Class 8 **Interests**	Impaired; Not entitled to Vote; Allowed Class 8 Interests will not receive any property under the Plan and are deemed to have voted to reject the Plan. Allowed Interests will be cancelled on the Effective Date.	N/A	0%

[2] Assumes all Creditors in Class 5 make the Creditor Release Election and therefore participate in distributions of the Convenience Class Fund under Class 5(a) of the Plan.

III. SOLICITATION AND VOTING PROCEDURES

A. Chapter 11 Generally

Under Chapter 11 of the Bankruptcy Code, a debtor is authorized to take certain actions to reorganize or sell its business for the benefit of its creditors, shareholders and other parties in interest. The confirmation and consummation of a plan of reorganization is the objective of a Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against, and interests in, a debtor, and is implemented only after it has been confirmed by the Bankruptcy Court. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity security holder of the debtor. Subject to certain limited exceptions, the confirmation order discharges the debtor from any debt that arose before the date of confirmation of the plan in exchange for the consideration specified under the confirmed plan.

Generally, the holders of claims against or interests in a debtor that are classified under the plan are permitted to vote to accept or reject the Plan. For the Bankruptcy Court to confirm a plan, the plan must be accepted by at least one class of creditors whose interests or rights are impaired under the plan. The Bankruptcy Code provides that a plan has been accepted by a class of claimants if holders of at least two-thirds in dollar amount and more than one-half in number of the allowed claims of that class have voted in favor of the plan.

ONLY THE VOTES OF HOLDERS WHO SUBMIT PROPERLY COMPLETED BALLOTS VOTING FOR OR AGAINST THE PLAN WILL BE COUNTED FOR PURPOSES OF DETERMINING WHETHER THE REQUISITE ACCEPTANCES OF THE CLASSES OF CLAIMS AND INTERESTS HAVE BEEN RECEIVED. FAILURE BY A HOLDER TO DELIVER A DULY SIGNED BALLOT WILL CONSTITUTE AN ABSTENTION BY THAT HOLDER WITH RESPECT TO THE VOTE ON THE PLAN. ABSTENTIONS WILL NOT BE COUNTED AS VOTES TO ACCEPT OR REJECT THE PLAN AND THEREFORE WILL HAVE NO EFFECT. FURTHERMORE, THE DEBTORS RESERVE THE RIGHT PRIOR TO CONFIRMATION OF THE PLAN TO SEEK TO HAVE ANY PARTY'S VOTE ESTIMATED SOLELY FOR PURPOSES OF COUNTING SUCH VOTE IN ACCORDANCE WITH FEDERAL RULE OF BANKRUPTCY PROCEDURE 3018.

The Bankruptcy Code also requires that the solicitation of acceptances of the proposed plan must be accompanied by a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. That is the purpose of this Disclosure Statement.

The Plan provides for specified distributions to the various Classes of Holders of Claims and Interests, which are described in detail herein. The Debtors believe that the Plan provides consideration to all Classes of Claims and Interests that reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority (including applicable contractual subordination) of Claims and Interests. In addition to the voting requirements

discussed above, the Bankruptcy Court must find that various statutory tests are met before it may confirm the Plan. Many of these tests are designed to protect the interests of Holders of Claims or Interests who do not vote to accept the Plan, but who will be bound by the provisions of the Plan if it is confirmed.

B. Solicitation of Acceptances of the Plan

Under the Plan, all Claims and Interests have been placed in various Classes based on the nature and priority of the Claim or Interest. Each Class is either impaired or unimpaired under the Plan, as such terms are defined in section 1124 of the Bankruptcy Code. A Class of Claims or Interests that is unimpaired is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, accordingly, is not entitled to vote on the Plan. Similarly, a Class of Claims or Interests that does not receive or retain any property under the Plan is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, likewise, is not entitled to vote. Accordingly, acceptances of the Plan are being solicited only from Holders of Claims in impaired Classes that are to receive distributions under the Plan. The only such Classes are Classes 2, 4(a), 4(b), 5(a) and 5(b). As discussed above, for impaired Classes, section 1126 of the Bankruptcy Code provides that an impaired Class of Claims or Interests is deemed to accept the Plan if Holders of at least two-thirds in dollar amount and a majority in number of the Claims who cast Ballots vote to accept the Plan.

Only those Holders who vote to accept or reject the Plan will be counted for purposes of determining whether the Plan is accepted or rejected. Therefore, the Plan could be accepted by any impaired Class of Claims with the affirmative vote of significantly less than two-thirds in dollar amount and a majority in number of the Claims in a Class.

C. Voting on the Plan

The Bankruptcy Court has set February __, 2009 as the deadline for casting ballots approving or rejecting the Plan.

1. Who May Vote

Only Holders of Claims in Classes that are impaired are eligible to vote on the Plan. Accordingly, only Holders of Claims in Classes 2, 4(a), 4(b), 5(a) and 5(b) are eligible to vote.

2. Voting Deadline and Extensions

The Ballot Deadline is *FEBRUARY __, 2009.* You must return your completed Ballot to Shapiro Sher Guinot & Sandler, Attn: Joel Sher, at 2000 Charles Center South, 36 South Charles St., Baltimore, Maryland 21201, so that it is actually received by 5:00 p.m., prevailing Eastern Time, on February __, 2009.

To be counted for purposes of voting on the Plan, all of the information requested on the applicable Ballot must be provided. The Debtors reserve the right, in their sole discretion, to

extend the Ballot Deadline, in which case the term "Ballot Deadline" will mean the latest date on which a Ballot will be accepted. To extend the Ballot Deadline, we will notify you of any extension by oral or written notice and as promptly as practicable mail written notice thereof to each record Holder of Claims entitled to vote. The notice may state that we are extending the Ballot Deadline for a specified period of time or on a daily basis until 5:00 p.m., Eastern Time, on the date on which we have received sufficient acceptances to seek confirmation of the Plan.

3. Voting Procedures

An appropriate Ballot is enclosed in the solicitation package included with this Disclosure Statement. All votes to accept or reject the Plan must be cast by using that Ballot. Votes that are cast in any manner other than on the designated Ballot will not be counted. Ballots must be actually received by Shapiro Sher Guinot & Sandler, at the address indicated on the Ballot, by no later than 5:00 p.m., Eastern Time, on February __, 2009.

If you elect to vote on the Plan, you should complete and sign the Ballot in accordance with the instructions thereon, being sure to fill in the amount of your Claim in the appropriate space provided and check the appropriate box entitled "Accept the Plan" or "Reject the Plan." You may not split your vote on the Plan with respect to a particular Class.

In the event that a Ballot is properly executed, but leaves the amount of the Claim blank, the aggregate amount of the Claim for voting purposes will be the amount shown on the Debtors' books and records and listed in the Debtors' Schedules of Assets and Liabilities, unless otherwise ordered by the Bankruptcy Court. If the aggregate amount of the Claims filled in on your Ballot exceeds the amount indicated by the Debtors' books and records and listed in the Debtors' schedules, the Debtors reserve the right to seek an order of the Bankruptcy Court determining the proper amount of your Claims for voting purposes pursuant to Bankruptcy Rule 3018. Failure of a Holder to deliver a duly signed Ballot will constitute an abstention by that Holder with respect to a vote on the Plan. Abstentions will not be counted as either acceptances or rejections of the Plan. Because abstentions will have no effect on voting with respect to the Plan, it is extremely important that you timely return your Ballot to indicate whether you accept or reject the Plan.

Submission of all Ballots must be made directly to Shapiro Sher Guinot & Sandler in accordance with the instructions on the Ballots. In all cases, sufficient time should be allowed to assure timely delivery. You may receive multiple solicitation packages. You should only vote one Ballot for each Class of which you are a member.

Holders of Claims in Classes 4(a) and 4(b) have the option of making the Convenience Class Election and having such Claim treated under Class 5(a) as a "Convenience Class Claim." As discussed in more detail below, on or about the Distribution Date, Allowed Class 5(a) Claims shall receive their Ratable Portion of the Convenience Class Fund. In order to make the Convenience Class Election, Holders of Class 4 Claims shall have (i) agreed to reduce the face amount of such Claim(s) for purposes of voting and distributions under the Plan to a single Claim in an amount equal to $75,000.00, (ii) made the Creditor Release Election (as discussed below), and (iii) voted all Claims held by such Holder in favor of the Plan.

In addition to the Convenience Class Election, Holders of Unsecured Claims against Luminent shall have the right to make the "Creditor Release Election," which will entitle such Claims to be treated under Class 4(a) or Class 5(a), as appropriate. By making the Creditor Release Election, Holders of Unsecured Claims against Luminent are electing to grant to the "Released Parties" a release of all rights, claims or causes of action that arise as a result of, or are related to, such Holder's relationship with the Debtors. As consideration for making the Creditor Release Election, the Holders of Claims in Classes 4(a) and 5(a) have the right to receive, in addition to other consideration to which they would be entitled under the Plan, their Ratable Portion of the Unsecured Distribution Fund or the Convenience Class Fund, as appropriate. A full description of the treatment of Claims and Interests under the Plan is set forth in Section V.A. below. To make the Creditor Release Election, Holders of Unsecured Claims against Luminent must (i) properly indicate their intent to make the Creditor Release Election in accordance with the instructions on the Ballot, and (ii) vote all Claims held by such Holder in favor of the Plan.

If you have questions concerning the procedure for voting, the option to make the Creditor Release Election, the option to make the Convenience Class Election, or the terms of this Disclosure Statement and/or the Plan, please contact counsel for the Debtors indicated on the first page of this Disclosure Statement. If you did not receive the appropriate Ballot or Ballots, or if you received a damaged Ballot or have lost your Ballot, please contact Joel Sher at (410) 385-4288.

4. Withdrawal of Votes on the Plan

The solicitation of acceptances of the Plan will expire on the Ballot Deadline. A properly submitted Ballot may be withdrawn by delivering a written notice of withdrawal to Shapiro Sher Guinot & Sandler at its address set forth on the Ballot at any time prior to the Ballot Deadline. Thereafter, withdrawal may be effected only with the approval of the Bankruptcy Court, pursuant to Bankruptcy Rule 3018(a).

To be valid, a notice of withdrawal must:

- specify the name of the Holder who submitted the votes on the Plan to be withdrawn;
- contain the description of the Claim; and
- be signed by the Holder in the same manner as on the Ballot.

The Debtors expressly reserve the absolute right to contest the timeliness or validity of any withdrawals of votes on the Plan.

In addition to withdrawal as specified above, any Holder who has previously submitted a properly completed Ballot may revoke and change its vote by submitting to Shapiro Sher Guinot & Sandler prior to the Ballot Deadline a subsequent properly completed Ballot. If more than one timely, properly completed Ballot is received, only the Ballot that bears the latest date will

be counted. If more than one Ballot is submitted, and the later dated Ballot(s) supplement rather than supersede the earlier Ballot(s), the subsequent Ballot(s) must be marked with the words "Additional Votes" or other language customarily used to indicate additional votes that are not meant to revoke earlier votes.

D. Other General Information

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES EQUAL OR GREATER VALUE TO CREDITORS THAN OTHER AVAILABLE ALTERNATIVES. A LIQUIDATION ANALYSIS CONTAINING A COMPARISON OF RECOVERIES UNDER THE PLAN VERSUS A LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE IS ANNEXED HERETO AS EXHIBIT B. THE DEBTORS BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH AND EVERY CLASS OF CREDITORS ENTITLED TO VOTE ON THE PLAN AND RECOMMEND THAT EACH CREDITOR VOTE TO ACCEPT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS GOOD FAITH ESTIMATES AND ASSUMPTIONS WHICH ARE BASED ON FACTS CURRENTLY KNOWN TO THE APPLICABLE DEBTOR AND WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS.

EACH CREDITOR SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY AND CONSULT WITH ITS LEGAL AND/OR BUSINESS ADVISORS AS IT DEEMS APPROPRIATE BEFORE VOTING ON THE PLAN. THIS DISCLOSURE STATEMENT IS NOT LEGAL ADVICE TO YOU. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN BY EACH HOLDER OF A CLAIM ENTITLED TO VOTE THEREON, BUT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW. THE DESCRIPTION OF THE PLAN HEREIN IS ONLY A SUMMARY, AND HOLDERS OF CLAIMS, INTERESTS, AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE PLAN THEMSELVES FOR A FULL UNDERSTANDING OF THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

General information regarding the Debtors, their businesses and material events leading to their commencement of the Cases and the proposal of the Plan is set forth in Article IV. Except where otherwise noted, this information is provided by the Debtors and their management. **THE STATEMENTS AS TO THE APPLICABLE DEBTOR'S FINANCIAL CONDITION CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF [_____], 2008 (UNLESS ANOTHER TIME IS SPECIFIED), AND THERE IS NO REPRESENTATION OR IMPLICATION THAT THE INFORMATION CONTAINED HEREIN WILL NOT HAVE CHANGED AS OF ANY TIME SUBSEQUENT TO THAT DATE, NOR WILL YOU RECEIVE ANY NOTICE OF SUCH CHANGES.**

Certain risk factors and other considerations are described in Article VII below. Alternatives to confirmation and consummation of the Plan are described in Article IX below.

THIS DISCLOSURE STATEMENT INCLUDES CERTAIN STATEMENTS, ESTIMATES AND PROJECTIONS PROVIDED BY THE APPLICABLE DEBTOR AS TO CERTAIN FUTURE MATTERS THAT REFLECT VARIOUS ASSUMPTIONS, WHICH ASSUMPTIONS MAY OR MAY NOT PROVE TO BE CORRECT. THE DEBTORS DO NOT UNDERTAKE ANY OBLIGATION TO PROVIDE ADDITIONAL INFORMATION OR TO CORRECT OR UPDATE ANY OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT OR THE EXHIBITS HERETO.

IV. GENERAL INFORMATION ON THE DEBTORS AND EVENTS LEADING TO THE COMMENCEMENT OF THE CASES

A. The Debtors' Business and Corporate Structure

Debtor Luminent Mortgage Capital, Inc. ("Luminent" or the "Company") is a Maryland corporation that was organized on April 25, 2003 and commenced operations on June 11, 2003. The Company's common stock began trading on the New York Stock Exchange under the trading symbol "LUM" on December 19, 2003. The NYSE suspended the listing of the Company's stock effective May 2, 2008 due to the Company's inability to meet the stock price and capitalization requirements for continued listing on the exchange. Subsequently, the Company's stock began to be quoted on the Over-the-Counter Bulletin Board under the trading symbol "LUMC."

Luminent is the ultimate parent company of the Subsidiary Debtors and operates as a real estate investment trust, or REIT, with its headquarters located in Philadelphia, Pennsylvania. Luminent is an asset management company that historically invested in prime whole loans, U.S. agency and other highly-rated, single-family, adjustable-rate, hybrid adjustable-rate and fixed-rate mortgage-backed securities, which it acquired in the secondary market. Luminent and the Subsidiary Debtors are no longer engaged in active business operations.

Luminent Capital Management, Inc. ("Luminent Capital") is a Delaware corporation that is a wholly-owned subsidiary of the Company. Luminent Capital acts as a collateral manager with respect to CDO's (collateralized debt obligations). Mercury Mortgage Finance Statutory Trust ("Mercury") is a Maryland Business Trust that is wholly-owned by Luminent and historically held all whole mortgage loan purchases intended for owner trust securitizations. Mercury was also created to hold a portion of all mortgage-backed securities purchased from third parties and rated below AAA. Proserpine, LLC ("Proserpine") is a Pennsylvania limited liability company that is wholly-owned by Mercury. Proserpine performed investment and management services for Luminent, Mercury, Saturn (as defined below), Maia (as defined below), and Minerva (as defined below) pursuant to a management agreement.

Debtor Pantheon Holding Company, Inc. ("Pantheon") is a Delaware corporation that is wholly-owned by Luminent. Pantheon acted as a holding company for three other entities and is a qualified REIT subsidiary. Maia Mortgage Finance Statutory Trust ("Maia") is a Maryland

Business Trust wholly-owned by Pantheon that held all whole mortgage loan purchases intended for REMIC securitizations. Saturn Portfolio Management, Inc. ("Saturn") is a Delaware corporation wholly-owned by Pantheon that held all non-whole pool agency mortgage-backed securities and all AAA mortgage-backed securities. Minerva Mortgage Finance Corporation ("Minerva") is a Maryland corporation wholly-owned by Pantheon that (i) held created and retained securities from owner trust and REMIC securitizations, (ii) held a portion of all mortgage-backed securities purchased from third parties and rated below AAA, and (iii) held agency mortgage-backed securities. Minerva CDO Delaware SPV LLC ("Minerva CDO") is a Delaware corporation wholly-owned by Minerva that holds the equity of a certain CDO called Charles Fort CDO I.

Debtor OT Realty Trust ("OT") is a Maryland real estate investment trust and a subsidiary of Minerva that has approximately 100 preferred equity investors. OT owns owner trust certificates and equity notes in the Delaware statutory trust and is treated as a qualified REIT subsidiary for tax purposes.

In 2005, the Company expanded its mortgage loan investment strategy from a holding agency for AAA-rated mortgage-backed securities to include mortgage loan acquisition and securitization, as well as investments in mortgage-backed securities with credit ratings below AAA. In 2007, the Company's strategy grew to include an asset management portfolio, starting with collateralized debt obligations (CDO's). Using a combination of these investment strategies, the Company sought to acquire mortgage-related assets, finance these purchases in the capital markets and use leverage in order to provide an attractive return on stockholders' equity.

The Company, together with its subsidiaries, has historically invested in two core mortgage investment strategies. Under its "Residential Mortgage Credit" strategy, the Company invested in mortgage loans purchased from selected high-quality providers within certain established criteria as well as subordinated mortgage-backed securities and other asset-backed securities that have credit ratings below AAA. The Company's Residential Mortgage Credit portfolio consisted of mortgage-backed securities rated below AAA. Under its "Spread" strategy, the Company invested primarily in U.S. agency and other highly-rated single-family, adjustable-rate and hybrid adjustable-rate mortgage-backed securities. The Company's Spread portfolio consisted of AAA-rated and agency-backed mortgage-backed securities.

The Company is not a "subprime originator." Luminent does not acquire subprime mortgage loans. Since it is not a direct originator of mortgage loans, it is not subject to "early payment default" claims. The Company historically acquired mortgage loans exclusively from well-capitalized originators, who meet the Company's standards for financial and operational quality.

Luminent has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. As such, the Company routinely distributes substantially all of the REIT taxable net income generated from its operations to its stockholders.

On March 28, 2008, the Company announced its intention, subject to stockholder approval, to convert from a Maryland corporation qualified as a REIT to a publicly-traded

partnership ("PTP"). In anticipation of this conversion, the Company formed a new REIT subsidiary, OT, to hold certain retained interests of securitization trusts that are required to be held by a REIT in accordance with the trust documents. Third-party investors hold the preferred stock of OT and Minerva owns the common stock of OT.

B. The Debtors' Capital Structure

(i) Arco Secured Credit Facility

Beginning in August 2007, the Company entered into a number of financing transactions with Arco Capital Corporation Ltd. ("Arco") and issued a warrant (the "Warrant") to Arco enabling it to acquire a 51% economic interest in the Company. Arco has not exercised the Warrant. Continuing into 2008, the Company continued to shift financing from short-term arrangements that are subject to margin calls to long-term financing and financing provided by related parties. The Company's main source of liquidity is monthly principal and interest payments on debt as well as to pay expenses required to support the Company's operations.

Luminent is a party to (a) that certain Amended and Restated Credit Agreement dated as of September 26, 2007 as amended by the First Amendment to the Amended and Restated Credit Agreement dated as of December 7, 2007, the Second Amendment to the Amended and Restated Credit Agreement dated as of May 9, 2008, the Third Amendment to the Amended and Restated Credit Agreement dated as of June 16, 2008 (the "Arco Loan Agreement"), by and between Luminent as borrower, each of Mercury, Pantheon, Maia, Saturn, Minerva, OT, Luminent Capital, Proserpine, and Minerva CDO (collectively, the "Obligors") as guarantors, and Arco as the Lender, and (b) certain documents ancillary to the Arco Loan Agreement (such documents, collectively with the Credit Agreement, the "Prepetition Arco Loan Agreement"). Pursuant to the Prepetition Arco Loan Agreement, Arco agreed to provide a revolving credit facility to Luminent in the amount of up to $60,000,000.00. As of the Petition Date, the total amount due and owing to Arco under the Prepetition Arco Loan Agreement is in excess of approximately $28,883,346.00. The line of credit under the Prepetition Arco Loan Agreement is secured by all of the assets of the Company that are not subject to a previous security interest and is guaranteed by each of the Subsidiary Debtors.

(ii) Expansion Term Loan

Debtors Saturn and Minerva are parties to (a) that certain Credit Agreement dated as of June 16, 2008 (the "Expansion Term Loan Agreement"), by and between Arco, Saturn and Minerva as borrowers, Sovereign Bank, NA, as lender, and Luminent as guarantors and (b) certain documents ancillary to the Expansion Term Loan Agreement (such documents, collectively with the Expansion Term Loan Agreement, the "Expansion Term Loan Agreement Documents"). The total amount outstanding under the Expansion Term Loan Agreement as of the Petition Date is approximately $14.1 million.

(iii) Repurchase Agreements

Debtor Saturn, as seller, and GGRE, LLC ("GGRE" and together with Arco, the "ACC Parties") as buyer, are party to that certain Master Repurchase Agreement dated as of August 14,

2007, Mercury, as seller, and GGRE, as buyer, are party to that certain Master Repurchase Agreement dated as of August 14, 2007, Minerva, as seller, and GGRE, as buyer, are party to that certain Master Repurchase Agreement dated as of August 14, 2007, and Minerva SPV, as seller, and GGRE, as buyer, are party to that certain Master Repurchase Agreement dated as of December 6, 2007 (such Master Repurchase Agreements and all amendments and confirmations related thereto collectively, the "Prepetition GGRE Repurchase Agreements"). The Prepetition GGRE Repurchase Agreements generally serve as a form of secured financing for the Debtors as the Debtors have transferred mortgage-backed securities and whole-loan portfolios to the counter-party at an agreed upon discount to the face value of such mortgage loan or securities. The Debtors then retain the right to repurchase those securities and loan portfolios pursuant to the repurchase provisions of the Prepetition GGRE Repurchase Agreements. As of the Petition Date, the total amount outstanding under the Prepetition GGRE Repurchase Agreements is in excess of approximately $184,054,107.00.

(iv) OT Put Agreement

Debtor OT is party to that certain Put Agreement, dated as of January 22, 2008, by and among Arco and Luminent as purchasers, the preferred shareholders party thereto, REIT Administration, LLC and Charles B. Harrison (the "OT Put Agreement"; together with the Prepetition Arco Loan Agreement and the Prepetition GGRE Repurchase Agreements, the "Prepetition Financing Documents"). Pursuant to the OT Put Agreement, Luminent and Arco are required to purchase certain preferred shares issued by Debtor OT in the event of certain contingencies, including without limitation, the bankruptcy of OT or the failure to timely pay dividends to the preferred shareholders.

(v) Master Netting Agreement

Pursuant to the terms of that certain Collateral Security, Setoff and Netting Agreement dated December 7, 2007 (as amended from time to time), by and among the ACC Parties and the Debtors, substantially all of the Debtors' obligations to the ACC Parties under the Prepetition Financing Documents were secured by the grant security interests and liens upon substantially all of the Debtors' assets.

(vi) Term Notes with WaMu and Greenwich

WAMU Capital Corporation ("WAMU") is the holder of that certain Promissory Note, dated, May 15, 2008, in the original principal amount of $13,000,000.00 (the "WAMU Term Note"), representing a portion of the deficiency claims with respect to repurchase agreements with Mercury and Minerva that were guaranteed by Luminent and that were previously closed out by WAMU following a default and/or an event of default thereunder. The total amount outstanding under the WaMu Term Note as of the Petition Date is in excess of approximately $13,000,000.00.

Similarly, Greenwich Capital Financial Products, Inc. ("Greenwich") is the holder of that certain Promissory Note, dated June 2, 2008, in the original principal amount of $10,000,000.00 (the "Greenwich Term Note"), representing the deficiency claim against Luminent with respect

to certain repurchase agreements with certain of Luminent's subsidiaries and corresponding guarantees by Luminent. The total amount outstanding under the Greenwich Term Note as of the Petition Date is in excess of approximately $10,000,000.00.

(vii) Senior Convertible Notes

In June 2007, Luminent completed a private offering of $90.0 million of convertible senior notes (the "Convertible Notes") that are due in 2027 with a coupon of 8.125%. In connection with the offering, Luminent is a party to that (a) certain Indenture dated as of June 5, 2007 (the "Senior Note Indenture"), by and between Luminent as issuer, Maia, Mercury and Saturn as guarantors, and certain holders of the 8.125% Convertible Senior Notes issued pursuant to the Senior Note Indenture, and (b) certain documents ancillary to the Senior Note Indenture (such documents, collectively with the Senior Note Indenture, the "Senior Note Indenture Documents"). The Convertible Notes issued under the Senior Note Indenture bear interest at the rate of 8.125% per year, payable on June 1 and December 1 of each year, beginning in December 1, 2007. The Convertible Notes will mature on June 1, 2027. Wells Fargo Bank, N.A. (the "Trustee") serves as indenture trustee under the Senior Note Indenture with the following entities or individuals as holders: JMG Triton Offshore Fund, Ltd., William Stern, Watershed Capital Partners, L.P., Watershed Capital Partners (Offshore), Ltd., WCIP Cayman, Ltd., Vicis Capital LLC, Argent Funds Group, Waterstone Market Neutral Master Fund Ltd., Waterstone Market Neutral MAC, Bayerische Hypo-Und Vereinsbank AG, Rreef Reflex Master Portfolio Ltd., CHN Master Account, L.P, AQR Absolute Return Master Account, L.P., DBX Convertible Arbitrage 13 Fund, JP Morgan Securities Inc. and Jack Cregan (collectively, "Convertible Noteholders").

Prior to June 1, 2026, upon the occurrence of specified events, as defined in the Senior Note Indenture Documents, primarily related to the price of Luminent's common stock or change of control transactions, the Convertible Notes are convertible at the option of the holder at an initial conversion rate of 89.4114 shares of Luminent's common stock per $1,000 principal amount of the Convertible Notes. On or after June 1, 2026, the Convertible Notes are convertible at any time prior to maturity at the option of the holder. Upon conversion of the Convertible Notes by a holder, the holder will receive cash up to the principal amount of such Convertible Notes and, with respect to the remainder, if any, of the conversion value in excess of such principal amount, at the option of the Company in cash or in shares of the Company's common stock. Prior to June 5, 2012, the Convertible Notes are not redeemable at Luminent's option, except to preserve the Company's qualification as a REIT. On or after June 5, 2012, the Company may redeem all or a portion of the Convertible Notes at a redemption price equal to the principal amount plus accrued and unpaid interest, including additional interest, if any. As of March 31, 2008, the Company is paying an additional interest rate penalty of 0.50% per annum on the Convertible Notes because the Company has not filed a registration statement with the U.S. Securities and Exchange Commission (the "SEC") to register the securities associated with the convertible debt.

(viii) Junior Subordinated Notes

Luminent is party to (i) that certain Junior Subordinated Indenture between Luminent Mortgage Capital, Inc. and JPMorgan Chase Bank, National Association, as Trustee, dated March 15, 2005 Junior (the "TRUPS Indenture I"), and (ii) that certain indenture between Luminent Mortgage Capital, Inc. and Wilmington Trust Company, as Trustee, dated December 15, 2005 (the "TRUPS Indenture II," and together with the TRUPS Indenture I, the "TRUPS Indentures"). Pursuant to the TRUPS Indentures, the junior subordinated notes consist of 30-year notes issued in March and December of 2005 to Diana Statutory Trust I ("Diana I") and Diana Statutory Trust II ("Diana II," and together with Diana I, the "Diana Trusts"), respectively. The debt issued through the TRUPS Indentures consists of structurally subordinate, unsecured notes or trust preferred securities. These Diana Trusts are unconsolidated affiliates of the Company formed to issue $2.8 million of the trusts' common securities to the Company and to place $90.0 million of preferred securities privately with unrelated third-party investors. The Company pays interest to the Diana Trusts quarterly. The Diana Trusts remit dividends pro rata to the holders of the common and preferred trust securities based on the same terms as the junior subordinated notes.

C. Events Leading to Chapter 11 filing

During the summer of 2007, the mortgage industry and the financing methods the industry had historically relied upon deteriorated significantly and in an unprecedented fashion. As was well publicized in the media, during the last eighteen months, the subprime mortgage market experienced a period of substantial market deterioration. Subprime mortgage loans, which amounted to approximately twenty percent of the nation's mortgage lending in 2006, saw delinquency rates rise to where they ended up five times higher than the delinquency rates for prime borrowers. In reaction to the rising delinquency rates, mortgage lenders tightened lending standards across the board, thereby reducing the options available to homeowners who may be facing potential rate adjustments and who have a desire to refinance. The lack of available capital also has served to depress overall home prices, thereby devaluing the collateral securing the obligations under the mortgages, as the pool of potential purchasers that qualify for financing to acquire a home has shrunk.

As a result of those market conditions, the secondary market for many fixed income securities, especially mortgage-backed securities, effectively closed. As a result, the Company simultaneously experienced a significant increase in margin calls from its repurchase agreement counterparties, or repurchase agreement lenders, and a decrease in the amount of financing its lenders would provide on a given amount of collateral. Prices for even the highest quality AAA-rated bonds dropped precipitously. These events resulted in a rapid and significant loss of liquidity forcing the Company to sell investment assets at significant losses and write down investments held in its portfolio to reflect reductions in the fair value of the investments.

D. Plan Support and Forbearance Agreement

Prior to the Petition Date, defaults and events of default that would, with the passage of time, constitute a default have occurred under various of the Debtors' credit facilities (the "Credit Facilities") described above, including the Credit Agreement Documents, the Expansion Term Loan Agreement Documents, the MRAs, the Senior Note Indenture Documents, the

TRUPS Indentures, and the WAMU Term Note. As a result of the existing defaults under the MRAs, GGRE closed out and otherwise exercised its contractual remedies under the MRAs, and the ACC Parties exercised their rights to (i) take control of various of the Debtors' deposit accounts (collectively, the "Frozen Deposit Accounts"), and (ii) receive payment of some or all of the funds on deposit in the Frozen Deposit Accounts (the "Frozen Deposit Account Funds").

After good faith, arms' length negotiations, the ACC Parties, WAMU, the Trustee and the Convertible Noteholders (together with the Debtors, the "Parties") agreed with the Debtors to engage in various transactions intended to restructure and recapitalize the Debtors (collectively, the "Restructuring Transactions"). In connection with documenting the agreement regarding the Restructuring Transactions, the Parties entered into that certain Plan Support and Forbearance Agreement, dated September 4, 2008, a copy of which (including all exhibits) is attached to this Disclosure Statement as Exhibit C.

In order to implement the Restructuring Transactions, (i) the Debtors agreed to commence these voluntary bankruptcy cases and seek confirmation of the Plan, which contains the terms and conditions required under the Plan Support Agreement, (ii) the ACC Parties agreed to (a) provide a debtor-in-possession financing facility to the Debtors in accordance with the timetable and amounts contained in the budget set forth in the Plan Support Agreement, (b) fund the payment on the Effective Date of the Convenience Class Fund and the Unsecured Distribution Fund, in exchange for the issuance to the ACC Parties or their designees of Reorganized Preferred Equity Units, (c) fund the payment on the Effective Date of the amounts to be paid on account of the Federal Tax Claims, and (d) provide post-confirmation financing to the Reorganized Debtors in accordance with the terms of the Exit Financing Agreement. In connection with and as consideration for the ACC Parties' release of the Frozen Deposit Accounts, the release of the Frozen Deposit Account Funds, the commitment to provide DIP Financing and post-confirmation financing and the commitment to fund the Convenience Class Fund and the Unsecured Distribution Fund, the Debtors and each of the Creditors to the Plan Support Agreement have agreed to release each of the ACC Parties from any and all claims pursuant to the terms and conditions as set forth in the Plan Support Agreement.

In order to facilitate the Restructuring Transactions, each of the creditor parties to the Plan Support Agreement agreed to forbear in exercising their respective remedies against the Debtors and to cast all votes that they or any of their affiliates is entitled to cast to accept the Plan. Pursuant to the Plan Support Agreement, the Debtors agreed to file the Plan and Disclosure Statement, to seek to obtain confirmation of the Plan as soon as reasonably practicable, and to cause the Effective Date of the Plan to occur on or before March 2, 2009.

E. Significant Post-Petition Date Filings and Events

1. Payment of Certain Prepetition Obligations

On the Petition Date, the Debtors filed a number of "first day" motions, which were designed to ensure the Debtors' ability to continue to operate with minimal disruption following the filing of these Cases. Specifically, the Debtors requested authority to pay certain pre-Petition Date obligations, primarily related to outstanding amounts owed to their employees in the

ordinary course of business. On September 11, 2008, the Bankruptcy Court entered an order authorizing the Debtors to make payments related to outstanding wage, vacation, severance and related withholding tax obligations.

2. Post-Petition Financing

Shortly after the Petition Date, the Debtors filed their Motion for Entry of an Order Pursuant to Sections 105, 363, 364 and 507 of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and 9014, (A) Authorizing the Debtors to Obtain Post-Petition Secured Financing on an Interim and Final Basis, (B) Approving Agreements Relating to the Foregoing, (C) Scheduling a Final Hearing and Prescribing the Form and Manner of Notice Thereof, and (D) Granting Related Relief (the "DIP Motion"). By the DIP Motion, the Debtors requested authority to enter into and perform under that certain Post-Petition Loan and Security Agreement (the "DIP Agreement"), dated September 5, 2008, by and among the Debtors, as borrowers, and Arco, as lender. The DIP Agreement provides for loans of up to $3.2 million. On September 15, 2008, the Court entered an interim order authorizing the Debtors to borrow up to $400,000 under the DIP Agreement.

On September 29, 2008, the Debtors borrowed $200,00 under the DIP Agreement in accordance with its terms. On October 6, 2008, the Court entered a final order authorizing the Debtors to borrow up to $3,200,000 under the DIP Agreement.

On October 6, 2008, Arco alleged that an event of default occurred under the DIP Agreement because the Debtors allegedly requested and obtained a funds transfer in violation of the DIP Agreement. As a result, Arco purported to accelerate the Debtors' obligations under the DIP Agreement, declared the DIP Agreement to be terminated and reduced its commitment to lend under the DIP Agreement to zero. The Debtors did not agree that an event of default had occurred under the DIP Agreement and contested that an event of default occurred by filing emergency motion papers with the Bankruptcy Court. After a contested hearing, the Bankruptcy Court determined that the event of default alleged by Arco had not occurred and that the Debtors were not in default under the terms of the DIP Agreement.

3. Retention of Professionals

a. Hunton & Williams LLP

To assist them in carrying out their duties as debtors-in-possession, and to represent their interests otherwise in the Cases, the Debtors, on the Petition Date, filed with the Bankruptcy Court an application seeking entry of an order authorizing the Debtors to retain Hunton & Williams LLP as their co-counsel. On September 25, 2008, the Bankruptcy Court entered an order approving the application on a final basis.

b. Shapiro Sher Guinot & Sandler

To assist them in carrying out their duties as debtors-in-possession, and to represent their interests otherwise in the Cases, the Debtors, on the Petition Date, filed with the Bankruptcy Court an application seeking entry of an order authorizing the Debtors to retain Shapiro Sher

Guinot & Sandler as their co-counsel. On September 25, 2008, the Bankruptcy Court entered an order approving the application on a final basis.

c. Faegre & Benson LLP

On October 6, 2008, the Debtors filed with the Bankruptcy Court an application seeking entry of an order authorizing the Debtors to retain Faegre & Benson LLP as corporate counsel. On November 24, 2008, the Bankruptcy Court entered an order approving the application on a final basis.

d. O'Shea Partners LLP

On October 6, 2008, the Debtors filed with the Bankruptcy Court an application seeking entry of an order authorizing the Debtors to retain O'Shea Partners LLP as corporate counsel. On November 26, 2008, the Bankruptcy Court entered an order approving the application on a final basis.

e. KPMG LLP

On November 18, 2008, the Debtors filed with the Bankruptcy Court an application seeking entry of an order authorizing the Debtors to retain KPMG LLP to provide tax compliance and tax consulting services. On December 1, 2008, the Bankruptcy Court entered an order approving the application on a final basis.

4. Official Committee of Unsecured Creditors

On September 16, 2008, the United States Trustee appointed an official committee of unsecured creditors (the "Creditors Committee") in these Cases. Pursuant to orders of the Bankruptcy Court, the Creditors Committee has retained Arent Fox LLP as its bankruptcy counsel and Mahoney Cohen & Company, CPA, P.C. as its financial advisor.

5. Settlement and Amendment Agreement

In order to consensually resolve certain disputes that arose between the Debtors and the ACC Parties with respect to the Plan Support Agreement and the DIP Agreement, the Parties entered into that certain Settlement and Amendment Agreement, dated December 22, 2008, a copy of which (including all exhibits) is attached to the Plan as Exhibit B. Subject to approval of the Bankruptcy Court, the Settlement and Amendment Agreement amends certain terms of the Plan Support Agreement and the DIP Agreement and requires the Parties to take other actions designed to bring about the timely consummation of the Restructuring Transactions.

V. THE PLAN

THE FOLLOWING SUMMARY PROVIDES ONLY A GENERAL OVERVIEW OF THE PLAN, WHICH IS QUALIFIED IN ITS ENTIRETY BY, AND SHOULD BE READ IN CONJUNCTION WITH, THE PLAN AND THE MORE DETAILED

DISCUSSION APPEARING ELSEWHERE IN THIS DISCLOSURE STATEMENT.

A. Classification and Treatment of Claims and Interests

The Plan designates nine Classes of Claims, including two sub-classes, one Class of Interests and leaves certain Claims unclassified. The following sections describe more fully the classification and treatment of Claims and Interests under the Plan.

1. Unclassified Claims – Administrative Claims and Priority Tax Claims

(a) Administrative Claims

Administrative Claims are those Claims asserted against the applicable Debtor, as the case may be, that constitute a cost or expense of administration of the Cases allowed under Code § 503(b), including any actual and necessary costs and expenses of preserving any of the Assets of the applicable Debtor, any actual and necessary costs and expenses of operating the Debtors' business, any allowance of compensation and reimbursement of expenses of professionals to the extent allowed by the Court and certain other amounts as set forth in the Plan. The Bankruptcy Code does not require Administrative Claims to be classified under a plan. It does, however, require that Allowed Administrative Claims be paid in full in cash in order for a plan to be confirmed, unless a Holder of such a Claim consents to different treatment.

The Plan establishes bar dates for Administrative Claims arising after the administrative bar date set previously established by the Court and prior to the Confirmation Date. The Claims Bar Date for applications or requests for payment of Administrative Claims arising after the administrative bar date previously established by the Court and prior to the Confirmation Date—other than Cure Claims and Administrative Claims for goods or non-professional services provided to the Debtors during the Cases in the ordinary course of business—shall be the first Business Day that is twenty (20) days after the Confirmation Date.

Pursuant to the Plan, on the Distribution Date, or as soon thereafter as is reasonably practicable, the Holder of each Allowed Administrative Claim shall receive cash in an amount equal to the unpaid portion of such Allowed Claim, or some other, less favorable treatment as is agreed upon by the Debtors and the Holder of such Allowed Administrative Claim; provided, however, that Allowed Administrative Claims for goods or non-professional services provided to the Debtors during the Cases in the ordinary course of the Debtors' business shall be paid or performed in accordance with the terms and conditions of the particular transactions and any agreements relating thereto.

(b) Priority Tax Claims

Priority Tax Claims are Claims asserted by governmental units entitled to priority under Bankruptcy Code § 507(a)(8). The Bankruptcy Code does not require Priority Tax Claims to be classified under a plan, but requires that such claims receive the treatment described below unless the Holder of such Claim consents to different treatment. Any Holder of an Allowed

Priority Tax Claim shall receive (i) the amount of the Holder's Allowed Priority Tax Claim in one cash payment on or promptly after the Distribution Date or, where applicable, when the tax ultimately becomes Allowed or otherwise due, or (ii) payment of such Allowed Claim over a period not to exceed five (5) years with interest. A Priority Tax Claim that is a Disputed Claim shall not receive any distribution unless and until such Claim becomes an Allowed Priority Tax Claim. To the extent that some or all of an Allowed Secured Claim for taxes does not qualify as a Priority Tax Claim, but is a valid Allowed Secured Claim, it will be classified as a Class 3 Other Secured Claim.

2. Class 1 – Priority Non-Tax Claims

Class 1 consists of all Allowed Priority Non-Tax Claims. Common examples of such Claims include wage claims earned within 180 days of the Petition Date entitled to priority under section 507 of the Bankruptcy Code that do not exceed the sum of $10,950.00 for each individual employee. Pursuant to authority granted by the Bankruptcy Court, the Debtors have paid, or will have paid, substantially all of these Claims on a current basis and, therefore, anticipate that few, if any, Class 1 Claims will exist on the Effective Date of the Plan. To the extent that there are any such Claims, the Plan provides that such Claims will be paid in full on or shortly after the Distribution Date. Accordingly, Class 1 Claims are unimpaired and are not entitled to vote on the Plan pursuant to Bankruptcy Code section 1126(f).

3. Class 2 – Secured Claims of ACC Parties

Class 2 consists of all Allowed Secured Claims held by the ACC Parties that arise under the Prepetition Financing Documents and that are secured by Liens on any Assets, which Liens were granted under (a) the Prepetition Financing Documents, and/or (b) any other related documents or agreements. Pursuant to the Plan Support Agreement, the Plan provides that on the Distribution Date, Arco or its designee shall receive in full and final satisfaction of the Class 2 Claims and Class 4 Claims held by the ACC Parties (i) 51% of the Reorganized Equity Units, (ii) $1,300,000, (iii) the Preferred Equity Units, and (iv) such other consideration as is provided for under the terms of the Plan Support Agreement. Class 2 is an impaired Class and entitled to vote on the Plan.

4. Class 3 – Other Secured Claims

Class 3 consists of Other Secured Claims, which Claims include any right of setoff or recoupment. The Debtors do not believe that any Other Secured Claims will exist on the Effective Date of the Plan. To the extent that there are any such Claims, the Plan provides that on the Effective Date, the Holders of such Allowed Claims shall receive (x) all amounts to which such Holder is entitled on account of such Allowed Class 3 Claim on the later of (i) the Distribution Date, or as soon thereafter as is reasonably practicable, and (ii) the date when such Allowed Claim becomes due and payable according to its terms and conditions, or (y) such other, less favorable treatment as is agreed upon by the Debtors and the Holder of such Allowed Class 3 Claim. Accordingly, Class 3 Claims are unimpaired and are not entitled to vote on the Plan pursuant to Bankruptcy Code section 1126(f).

5. Class 4(a) – Releasing General Unsecured Claims Against Luminent

Class 4(a) consists of all Allowed Unsecured Claims against Luminent to the extent the Holders of such Claims have properly made the Creditor Release Election. On the Distribution Date, or as soon thereafter as is reasonably practicable, each Holder of an Allowed Claim in Class 4(a) shall receive (x)(i) its Ratable Portion of the Unsecured Distribution Fund, and (ii) its Ratable Portion of 41% of the Reorganized Equity Units, taking into account the Holders of Allowed Claims in Classes (4)(b) and 5(b) to determine such Ratable Portion, or (y) such other, less favorable treatment as is agreed upon by the Debtors and the Holder of such Allowed Claim. Class 4(a) is an impaired Class and is entitled to vote on the Plan.

6. Class 4(b) – Non-Releasing General Unsecured Claims Against Luminent

Class 4(b) consists of all Allowed Unsecured Claims against Luminent to the extent the Holders of such Claims have not properly made the Creditor Release Election. On the Distribution Date, or as soon thereafter as is reasonably practicable, each Holder of an Allowed Claim in Class 4(b) shall receive (x) its Ratable Portion of 41% of the Reorganized Equity Units, taking into account the Holders of Allowed Claims in Classes (4)(a) and 5(b) to determine such Ratable Portion, or (y) such other, less favorable treatment as is agreed upon by the Debtors and the Holder of such Allowed Claim. Class 4(b) is an impaired Class and is entitled to vote on the Plan.

7. Class 5(a) – Releasing Convenience Class Claims Against Luminent

Class 5(a) consists of all Allowed Convenience Claims against Luminent to the extent the Holders of such Claims have properly made the Creditor Release Election. On the Distribution Date, or as soon as reasonably practical thereafter, each Holder of an Allowed Claim in Class 5(a) shall receive (x) its Ratable Portion of the Convenience Class Fund, or (y) such other, less favorable treatment as is agreed upon by the Debtors and the Holder of such Allowed Claim. Class 5(a) is impaired and entitled to vote on the Plan.

8. Class 5(b) – Non-Releasing Convenience Class Claims Against Luminent

Class 5(b) consists of all Allowed Convenience Claims against Luminent to the extent the Holders of such Claims have not properly made the Creditor Release Election. On the Distribution Date, or as soon as reasonably practical thereafter, each Holder of an Allowed Claim in Class 5(b) shall receive (x) its Ratable Portion of 41% of the Reorganized Equity Units, taking into account the Holders of Allowed Claims in Classes 4(a) and 4(b) to determine such Ratable Portion, or (y) such other, less favorable treatment as is agreed upon by the Debtors and the Holder of such Allowed Claim. Class 5(b) is impaired and entitled to vote on the Plan.

9. Class 6 – Subordinated TRUPS Claims

Class 6 consists of all Allowed Claims that are Subordinated TRUPS Claims. The Plan provides that Holders of Allowed Claims in Class 6 shall receive no property or distribution under the Plan. Class 6 is an impaired Class and conclusively deemed to have voted to reject the Plan pursuant to Bankruptcy Code § 1126(g).

10. Class 7 – Subsidiary Debtor Unsecured Claims

Class 7 consists of all Allowed Claims that are Unsecured Claims against the Subsidiary Debtors. The Plan provides that Holders of Class 7 Claims shall receive no property or distribution under the Plan. Class 7 is an impaired Class and conclusively deemed to have voted to reject the Plan pursuant to Bankruptcy Code section 1126(g).

11. Class 8 – Interests

Class 8 consists of all Interests. The Plan provides that on the Effective Date, Interests shall be cancelled and the Holders of such Interests shall receive no property or distribution under the Plan. Class 8 is an impaired Class and conclusively deemed to have voted to reject the Plan pursuant to Bankruptcy Code section 1126(g).

B. Disputed Claims and Interests

No distribution shall be made with respect to any Disputed Claim, even if a portion of the Claim is not disputed, until the entire Claim is resolved by a Final Order. At such time as a Disputed Claim becomes an Allowed Claim, the Holder of such Allowed Claim shall receive the cash and/or other distributions to which such Holder is then entitled to under the Plan, but in no event prior to the later of (i) the Distribution Date, (ii) the date that an order regarding such Claim becomes a Final Order or (iii) in accordance therewith when assets become available for distribution to the Holder of such Claim under the Plan.

C. Means for Implementation of the Plan

The Plan is premised upon the consummation of transactions contemplated by the Exit Financing Agreement and the Plan Support Agreement. Each of the principal transactions are described below.

1. Consummation of the Transactions Contemplated by the Exit Financing Agreement and Plan Funding

On the Effective Date, the Reorganized Debtors shall execute the documents required to close and perform the transactions contemplated by the Exit Financing Agreement. Proceeds from the Exit Financing Agreement will be used to (i) repay the Debtors' obligations to Arco under the DIP Facility, (ii) fund the distribution to the ACC Parties required under the Plan, and (iii) provide the Reorganized Debtors with working capital for their business operations. In addition, on the Effective Date, the ACC Parties shall fund the (i) Unsecured Distribution Fund and (ii) the Convenience Class Fund, which amounts shall be distributed by the Debtors to the Holders of Allowed Claims in Classes 4(a) and 5(a) under the Plan.

2. Conversion of Luminent to a Private Company, Issuance of Reorganized Equity and Dissolution of Certain Subsidiary Debtors

Effective as of the Effective Date, the existing Interests of Luminent shall be cancelled and Luminent shall issue both the Reorganized Equity Units and the Reorganized Preferred

Equity Units and Luminent shall take such steps as are necessary to memorialize the conversion from a public to a private company. The Reorganized Equity Units shall be distributed as follows: (i) 51% to Arco, or its designee, on account of Arco's Allowed Class 2 Claims; (ii) 41% to Holders of Allowed Unsecured Claims in Classes 4(a), 4(b) and 5(b), or to the Disputed Claims Reserve to the extent that Disputed Unsecured Claims exist; and (iii) 8% to Reorganized Luminent to be distributed in accordance with the employee incentive program described in the Plan Support Agreement. All of the Reorganized Preferred Equity Units shall be distributed to Arco, or its designee, in accordance with the Plan Support Agreement and the Plan.

3. Injunction

Except to the extent otherwise provided in the Plan, the Confirmation of the Plan shall serve to satisfy all Claims or causes of action arising out of any Claim addressed by the terms of the Plan and will operate as an injunction against (i) the commencement or continuation of an action, the employment of process, or an act, to collect or recover from, or offset against, property of the Debtors except as provided in the Plan and (ii) the commencement or continuation of an action, the employment of process, or an act, to collect or recover from, or offset against, property of any Released Party on account of any claims, rights or causes of action released pursuant to Sections 9.2, 9.3 or 9.4 of the Plan; provided, however, that nothing contained herein shall preclude such persons from exercising their rights pursuant to and consistent with the terms of the Plan.

4. Releases of ACC Parties and Creditor Release Parties by Debtors

As of the Effective Date, the Debtors, their estates, the Reorganized Debtors and the successors and assigns of any of them, and any other person that claims or might claim through, on behalf of, or for the benefit of any of the foregoing, shall be deemed to have irrevocably and unconditionally, fully, finally and forever waived, released, acquitted and discharged each of the ACC Released Parties and the Creditor Release Parties from any and all claims, Causes of Action, actions, fees, costs and expenses, of any type whatsoever, direct or derivative, contract or tort, legal or equitable, known or unknown, common law or statutory, contingent or fixed, liquidated or unliquidated, matured or unmatured, that arise out of or relate in any way to any or all of the Debtors and/or the Financings or any claim, act, fact, transaction, occurrence, statement or omission in connection therewith occurring up to and including the Effective Date. Notwithstanding the releases contained in Section 9.2 and 9.4 of the Plan, the foregoing is not intended to release the ACC Parties' and the Creditor Release Parties' obligations under the Plan Support Agreement.

Similarly, the Plan provides that as of the Effective Date, to the fullest extent permissible under applicable law, as such law may be extended or interpreted subsequent to the Effective Date, all Holders of Claims that have made the Creditor Release Election, in consideration for the obligations of the Released Parties under this Plan and the Plan Support Agreement, will be deemed to forever release, waive and discharge each of the Released Parties from any and all claims, Causes of Action, actions, fees, costs and expenses, of any type whatsoever, contract or tort, legal or equitable, known or unknown, common law or statutory, contingent or fixed, liquidated or unliquidated, matured or unmatured, that arise out of or relate in any way to any or

all of the Debtors and/or the Financings or any claim, act, fact, transaction, occurrence, statement or omission in connection therewith occurring up to and including the Effective Date.

5. United States Trustee Fees

Each of the Debtors' Estates will pay quarterly fees to the Office of the United States Trustee until their respective cases are closed under Section 350 of the Bankruptcy Code and provide relevant reports to show the amount of such fee that is due.

D. Executory Contracts and Unexpired Leases

The following shall be the treatment of Executory Contracts:

1. Rejection of Certain Executory Contracts

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into in connection with the Plan, on the Effective Date, pursuant to Bankruptcy Code § 365, the Debtors will reject each of the Executory Contracts listed on Exhibit 7.1 to the Plan; provided, however, that the Debtors reserve the right, at any time prior to the Effective Date, to amend Exhibit 7.1 to (a) delete any Executory Contract listed therein, thus providing for its assumption pursuant to Section 7.2 of the Plan or (b) add any Executory Contract thereto, thus providing for its rejection pursuant to Section 7.1 of the Plan. The Debtors will provide notice of any amendments to Exhibit 7.1 to the non-Debtors parties to the Executory Contracts affected thereby and to those parties entitled to notice pursuant to Bankruptcy Rule 2002. Each contract and lease listed on Exhibit 7.1 will be rejected only to the extent that such contract or lease constitutes an Executory Contract. Listing a contract or lease on Exhibit 7.1 will not constitute an admission by the Debtors or the Reorganized Debtors that the contract or lease is an Executory Contract or that the Debtors or Reorganized Debtors have any liability thereunder.

2. Executory Contracts Assumed if Not Rejected

On the Effective Date, except for an Executory Contract that was previously assumed, assumed and assigned or rejected by an order of the Bankruptcy Court or that is rejected pursuant to Section 7.1 of the Plan, each Executory Contract of every kind and nature entered into by the Debtors prior to the Petition Date that has not previously expired or terminated pursuant to its own terms prior to the Effective Date will be assumed pursuant to section 365 of the Bankruptcy Code, except: (i) any Executory Contract that is the subject of a separate motion to reject filed pursuant to section 365 of the Bankruptcy Code by the Debtors before the entry of the Confirmation Order, provided, however, that upon denial or withdrawal of any such motion, such executory contract or unexpired lease shall automatically be deemed assumed as of the Effective Date; and (ii) any agreement, obligation, security interest, transaction or similar undertaking that the Debtors believe is not an Executory Contract that is later determined by the Bankruptcy Court to be an Executory Contract that is subject to assumption or rejection under section 365 of the Bankruptcy Code, which agreements shall be subject to assumption or rejection within 30 days of any such determination. Any order entered after the Confirmation Date by the Bankruptcy Court, after notice and hearing, authorizing the rejection of an Executory

Contract shall cause such rejection to be a prepetition breach under sections 365(g) and 502(g) of the Bankruptcy Code, as if such relief were granted and such order were entered prior to the Confirmation Date. The Confirmation Order will constitute an order of the Bankruptcy Court approving the assumption of the Executory Contracts as provided for by Section 7.2 of the Plan, pursuant to section 365 of the Bankruptcy Code, as of the Effective Date.

3. Cure Claims Related to the Assumption of Executory Contracts

To the extent that any Cure Claim constitutes a monetary default, such Cure Claim will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the Debtors' option: (a) by payment of the Cure Claim on the Distribution Date or (b) on such other terms as are agreed to by the parties to the Executory Contract. If a dispute arises regarding (x) the amount of any Cure Claim, (y) the ability of the Reorganized Debtors or assignee to provide adequate assurance of future performance under the contract or lease, or (z) any other matter pertaining to the assumption of such Executory Contract, the payment of the Cure Claim set forth in the preceding sentence will be made following the entry of a Final Order resolving the dispute and approving the assumption.

4. Bar to Rejection Damages

If the rejection of any Executory Contract under the Plan gives rise to a Claim by the non-Debtor party or parties to such Executory Contract, such Claim, to the extent that it is timely filed and is an Allowed Claim, shall be classified in Class 4 or Class 7 as appropriate; provided, however, that the Unsecured Claim arising from such rejection shall be forever barred and shall not be enforceable against the Debtors, the Reorganized Debtors, their successors or properties, unless a proof of such Claim is filed and served on the Reorganized Debtors within twenty (20) days after the date of notice of the entry of the order of the Court rejecting the Executory Contract, which may include, if applicable, the Confirmation Order. To the extent Rejection Claims initially are Disputed Claims, but subsequently become Allowed Claims, the Reorganized Debtors shall pay such Rejection Claims in accordance with the Plan, but nothing herein shall constitute a determination that any such rejection gives rise to or results in a Claim or constitutes a waiver of any objections to such Claim by the Debtors, the Reorganized Debtors or any party in interest.

E. Vesting of Assets

Except as otherwise provided in the Plan or the Confirmation Order, upon the Effective Date, but effective as of the Confirmation Date, all Assets, wherever situated, shall vest in the Reorganized Debtors free and clear of all Claims, Liens, and Interests of all Persons of whatever type or nature whatsoever.

F. Retention of Jurisdiction

1. General Scope of Retention of Jurisdiction

Following the Effective Date, the Bankruptcy Court shall retain jurisdiction over these Cases to the extent legally permissible, including without limitation such jurisdiction as is necessary to ensure that the purposes and intent of the Plan are carried out.

2. Claims and Actions

The Bankruptcy Court shall retain jurisdiction (a) to classify, resolve objections to, and determine or estimate pursuant to Bankruptcy Code § 502(c) all Claims against, and Interests in, the Debtors and (b) to adjudicate and enforce all claims and causes of action owned by the Debtors or the Reorganized Debtors.

3. Specific Jurisdiction

Without in any way limiting the scope of the Bankruptcy Court's retention of jurisdiction over these Cases as otherwise set forth in the Plan, the Bankruptcy Court shall retain jurisdiction for the following specific purposes:

(a) To determine all questions and disputes regarding title to the respective Assets of the Debtors, all causes of action, controversies, disputes or conflicts, whether or not subject to any pending action as of the Effective Date, between the Debtors and any other party, including without limitation any right to recover Assets pursuant to the provisions of the Bankruptcy Code;

(b) To modify the Plan after the Effective Date pursuant to the Bankruptcy Code, the Bankruptcy Rules, and applicable law;

(c) To enforce and interpret the terms and conditions of the Plan or the Confirmation Order;

(d) To enforce and interpret the terms and conditions of the Plan Support Agreement;

(e) To enter such orders, including, but not limited to, such future injunctions as are necessary to enforce the respective title, rights and powers of the Reorganized Debtors, and to impose such limitations, restrictions, terms and conditions on such title, rights and powers as the Bankruptcy Court may deem necessary;

(f) To enter a final decree closing the Cases;

(g) To correct any defect, cure any omission or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to implement the purposes and intent of the Plan;

(h) To determine any and all objections to the allowance or classification of Claims;

(i) To adjudicate all claims or controversies to a security or ownership interest in any of the Debtors' Assets or in any proceeds thereof;

(j) To determine any and all applications for allowances of compensation and reimbursement of expenses and the reasonableness of any fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code;

(k) To determine any applications or motions pending on the Effective Date for the rejection, assumption or assumption and assignment of any Executory Contract and to hear and determine, and, if need be, to liquidate any and all Claims arising therefrom;

(l) To determine any and all motions, applications, adversary proceedings and contested matters that may be pending on the Effective Date or filed thereafter;

(m) To remedy any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, to the extent authorized by the Plan or the Bankruptcy Court;

(n) To determine all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement or consummation of the Plan;

(o) To consider and act on the compromise and settlement of any Claim against or cause of action by or against the Debtors arising under or in connection with the Plan;

(p) To issue such orders in aid of execution of the Plan as may be authorized by Bankruptcy Code § 1142;

(q) To determine such other matters or proceedings as may be provided for under Title 28 or any other title of the United States Code, the Bankruptcy Code, the Bankruptcy Rules, other applicable law, the Plan or in any order or orders of the Bankruptcy Court, including, but not limited to, the Confirmation Order or any order which may arise in connection with the Plan or the Confirmation Order;

(r) To make such orders as are necessary or appropriate to carry out the provisions of the Plan;

(s) To adjudicate all claims of any nature by any person which may be adverse or otherwise affect the value of the property of the Estates dealt with by the Plan;

(t) To determine any other matters not inconsistent with the Bankruptcy Code; and

(u) To make such orders and/or take such action as is necessary to enjoin the interference with the implementation or the consummation of the Plan.

4. Failure of Bankruptcy Court to Exercise Jurisdiction

If the Bankruptcy Court abstains from exercising, declines to exercise, or is otherwise without jurisdiction over any matter arising out of the Cases, including the matters set forth in Article IX of the Plan, the provisions of the Plan shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

5. Revocation and Withdrawal of the Plan

Subject to the terms of the Plan Support Agreement, the Debtors reserve the right to revoke or withdraw the Plan at any time before entry of a Confirmation Order. If the Debtors, or one of the individual Debtors, as the case may be, revoke or withdraw the Plan prior to the Confirmation Date, or if the confirmation or the Effective Date does not occur with respect to one or more of the Debtors, then the Plan shall be deemed to be null and void as to that Estate. In such event, nothing contained herein, in the Plan or in any document relating to the Plan shall be deemed to constitute an admission of validity, waiver or release of any Claims by or against the Debtors or any Person or to prejudice in any manner the rights of the Debtors or any Person in any proceeding involving the Debtors.

6. Section 1145 Exemption.

Pursuant to Bankruptcy Code § 1145(a), neither section 5 of the Securities Act of 1933 nor any State or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, shall apply with respect to a security being offered, sold or transferred under the Plan in exchange for a Claim against the Debtors, including without limitation the Reorganized Equity Units and the Reorganized Preferred Equity Units.

7. Section 1146(a) Exemption

Pursuant to Bankruptcy Code § 1146(a), the issuance, transfer or exchange of any security under the Plan or the making or delivery of any instrument of transfer pursuant to, in implementation of, or as contemplated by the Plan, or the re-vesting, transfer or sale of any real or personal property of the Debtors or the Reorganized Debtors pursuant to, in implementation of, or as contemplated by the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee.

VI. CONFIRMATION AND CONSUMMATION PROCEDURE

A. Disclosure and Solicitation

This Disclosure Statement is presented to the Holders of Claims and Interests that are entitled to vote on the Plan to satisfy the requirements Sections 1125 and 1126 of the Bankruptcy Code. Section 1125 of the Bankruptcy Code requires that full disclosure be made to all Holders of Claims and Interests in impaired Classes which receive or retain property pursuant to a plan at the time, or before, solicitation of acceptances of such plan is commenced.

B. Acceptance of the Plan

As more fully stated in Article III of this Disclosure Statement, the Bankruptcy Code defines acceptance of a plan by a Class of creditors or interest-holders as acceptance by holders of more than two-thirds in dollar amount and more than one-half in number of the Claims of that Class that have timely voted on a plan. A vote may be disregarded if the Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

A vote to accept or reject the Plan can only occur by proper submission of a duly executed Ballot. Failure of a holder to vote does not constitute a vote to reject the Plan by that holder. Each Holder of a Claim or Interest should seek such independent legal and/or business advice as it deems appropriate regarding whether to vote to accept or reject the Plan.

C. Classification

The Debtors are required under Section 1122 of the Bankruptcy Code to classify the Claims and Interests into Classes that contain Claims and Interests that are substantially similar to the other Claims or Interests in such Class. The Plan can be confirmed so long as there is at least one consenting Class of impaired Claims under the Plan (not including the votes of insiders), and so long as the other requirements for confirmation are met.

D. Confirmation

The Bankruptcy Code requires the Court, after notice, to hold a Confirmation Hearing. At the Confirmation Hearing, the Court will confirm the Plan only if all the requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation of a plan are that the Plan be (i) accepted by all impaired Classes of Claims and Interests or, if rejected by an impaired Class, that the Plan "not discriminate unfairly" and be "fair and equitable" as to such impaired Class; (ii) feasible; and (iii) in the "best interests" of rejecting Holders of Claims and Interest impaired under the Plan.

1. Acceptance

Classes 2, 4(a), 4(b), 5(a), and 5(b) are impaired under the Plan and, therefore, must accept the Plan in order for it to be Confirmed without application of the "fair and equitable" test. Because Classes 6, 7 and 8 are impaired under the Plan and deemed to have rejected the Plan

under Section 1126(g) of the Bankruptcy Code, the Court must determine that the Plan is "fair and equitable" with respect to the rejecting Class. The "fair and equitable" test is described below under the heading Confirmation Without Acceptance by All Impaired Classes.

2. Feasibility

The Plan is premised on the closing of the Exit Financing Agreement, the conversion of Debtor Luminent into a private company, and the consummation of the other transactions contemplated by the Plan Support Agreement. Upon the occurrence of the closing of those transactions, the Debtors believe that sufficient proceeds will exist to implement the terms of the Plan and make all of the distributions provided for therein.

3. Best Interests Test

With respect to each impaired Class, confirmation of the Plan requires that each Holder of an Allowed Claim or Allowed Interest in such Class either (i) accepts the Plan or (ii) 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 Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Under the Debtors' Liquidation Analysis attached as Exhibit B hereto, the Debtors estimate that in a Chapter 7 liquidation case, Holders of Unsecured Claims in Classes 4(a), 4(b), 5(a) and 5(b) likely would not receive any property from the Debtors' Estates. Accordingly, the treatment provided to such Classes under the Plan is substantially better than such Classes would receive in a Chapter 7 liquidation. See Article IX, Alternatives to Confirmation and Consummation of the Plan, and the Debtors' Liquidation Analysis attached as Exhibit B hereto for a further discussion of why Debtors believe that Plan is in the best interests of Holders of Claims and Interests.

4. Confirmation Without Acceptance By All Impaired Classes

The Bankruptcy Code provides that, so long as at least one Class of Claims that is impaired under the Plan accepts the Plan (without respect to the votes cast by insiders), the Debtors may seek confirmation of the Plan over the objections of any non-consenting Class, provided that the Debtors demonstrate that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting Classes. These "cramdown" provisions for confirmation of the Plan, despite the non-acceptance of one or more impaired Classes of Claims or Interests, are set forth in Bankruptcy Code § 1129(b).

The Bankruptcy Code establishes different "fair and equitable" tests for Holders of Secured Claims, Unsecured Claims and Interests. The respective tests are as follows:

(a) Secured Creditors

Either (i) each impaired Holder of Secured Claim of the rejecting Class (a) retains its liens in the collateral securing such Claim or in the proceeds thereof to the extent of the allowed amount of the Secured Claim and (b) receives deferred cash payments in at least the allowed amount of such Secured Claim with a present value at the Effective Date at least equal to such creditor's interest in its collateral or in the proceeds thereof or

(ii) the Plan provides each impaired Holder of a Secured Claim with the "indubitable equivalent" of its Secured Claim.

(b) Unsecured Creditors

Either (i) each impaired Holder of an Unsecured Claim of the rejecting Class receives or retains under the Plan property of a value equal to the amount of its Allowed Claim or (ii) the Holders of Claims and Interests that are junior to the Claims of the dissenting Class do not receive or retain any property under the Plan.

(c) Interest Holders

Either (i) each Interest Holder of the rejecting Class receives or retains under the Plan property of a value equal to the greater of (a) the fixed liquidation preference or redemption prices, if any, of the Interest it holds or (b) the value of such Interest or (ii) the Holders of Interests that are junior to such Interest do not receive or retain any property under the Plan.

The Debtors believe that the Plan meets the applicable tests described above, even in the event that it is rejected by the Holders of one or more Classes of Claims and Interests.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. Federal Income Tax Consequences of the Plan to the Debtors

The following is a general summary of certain significant U.S. federal income tax consequences of the Plan to the Debtors and the Holders of certain Claims and Interests. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury Department regulations promulgated thereunder ("Treasury Regulations"), judicial decisions and current administrative rulings and practice as in effect on the date hereof. These authorities are all subject to change at any time by legislative, judicial or administrative action, and such change may be applied retroactively in a manner that could adversely affect Holders of Claims or Interests and the Debtors.

Due to a lack of definitive judicial or administrative authority or interpretation, the complexity of the application of the Tax Code and Treasury Regulations to the implementation of the Plan, the possibility of changes in the law, the differences in the nature of various Claims and Interests and the potential for disputes as to legal and factual matters, the tax consequences discussed below are subject to substantial uncertainties.

1. Net Operating Loss Carryover.

The Debtors, whose tax returns are not prepared on a consolidated basis, have substantial net operating loss ("NOL") carryover from their taxable year ending December 31, 2007. Those NOL carryovers likely will not be available to the Reorganized Debtors given the change in ownership provisions of the Tax Code and the income recognized by the Debtors from cancellation of indebtedness discussed below.

2. Realization of Cancellation of Indebtedness Income.

Generally, a taxpayer recognizes cancellation of indebtedness ("COD") income upon satisfaction of its outstanding indebtedness for less than its adjusted issue price. The amount of COD income is, in general, the excess of (i) the amount of the indebtedness satisfied, over (ii) the amount of cash and the fair market value of any other consideration (including any new indebtedness issued by the taxpayer or stock of the taxpayer) given in exchange for the indebtedness satisfied.

Each of the Debtors generally must include in its gross income the amount of any COD income that is realized during the taxable year. However, COD income is not included in gross income to a debtor if the discharge occurs in a formal Title 11 bankruptcy case or when the debtor is insolvent (except with respect to certain discharged intercompany debt which is discussed below). Rather the debtor generally must instead, after determining its tax for the taxable year of discharge, reduce its NOLs and any capital losses and loss carryovers first and then, as of the first day of the next taxable year, reduce the tax basis of its assets by the amount of COD income excluded from gross income. Pursuant to applicable Treasury Regulations, the tax basis of the debtor's assets used in its trade or business or held for investment are to be reduced before reducing the tax basis in the debtor's inventory, accounts receivables or notes. As an exception to the order of reduction described above, a taxpayer may elect to reduce its tax basis in its depreciable assets first, then its NOLs. COD income realized from the discharge of intercompany debt is generally not excluded from gross income but rather is offset by a corresponding bad debt deduction to the intercompany lender. The Debtors believe that as a result of the transactions contemplated by the Plan they may realize significant COD income.

3. Alternative Minimum Tax.

A corporation generally must pay an alternative minimum tax ("AMT") equal to 20 percent of its alternative minimum taxable income ("AMTI") reduced by certain credits allowable for AMT purposes to the extent that the AMT exceeds the tax of the corporation calculated at the normal progressive income tax rates. In calculating the AMTI, a corporation's income and losses are subject to various adjustments. For example, in computing AMTI, a corporation's NOLs are adjusted for the adjustments and preferences under the AMT sections of the Tax Code and such resulting NOLs can be utilized to fully offset the corporation's AMTI (determined before the NOL deduction). However, COD income that is excluded from taxable income under the rules discussed above similarly is excluded from AMTI. The Debtors do not expect to be subject to payment of any alternative minimum tax in connection with the transactions contemplated by the Plan or the for the current tax year.

B. Federal Income Tax Consequences of the Plan to Holders of Claims and Interests

The Debtors will withhold distributions provided under the Plan and required by law to be withheld and will comply with all applicable reporting requirements of the Tax Code. Under the Tax Code, interest, dividends and other "reportable payments" may under certain circumstances be subject to "backup withholding". Backup withholding generally applies if the Holder (i) fails to furnish his social security number or other taxpayer identification number

("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to report interest or dividends, or (iv) under certain circumstances fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is his correct TIN and the Holder is not subject to backup withholding. Your Ballot contains a place to indicate your TIN.

VIII. CERTAIN RISK FACTORS AND OTHER CONSIDERATIONS

A. Risk of Breach of the Plan Support Agreement or Non-Closing of Exit Financing Agreement

Both the Exit Financing Agreement and the Plan Support Agreement contain various contingencies and require the Debtors to meet various deadlines. The failure to satisfy the specified contingencies, conditions or meet the deadlines set forth in either the Exit Financing Agreement or the Plan Support Agreement will give the ACC Parties or the other parties to the Plan Support Agreement the right to terminate that agreement. If the Plan Support Agreement is terminated, the Debtors likely would not have the means to effectuate the distributions contemplated by the Plan.

B. Risk of Failure to Reach Agreement with the IRS

The Plan Support Agreement provides that a condition precedent to Arco's obligations to enter into the Exit Finance Agreement is that the Debtors reach an agreement with the Internal Revenue Service regarding the terms and amount of the Federal Tax Claims. While the Debtors believe that such an agreement can be reached, failure to reach such an agreement would constitute an event of default under the Plan Support Agreement and would excuse Arco's obligations to perform thereunder, including Arco's commitment to consummate the financing contemplated by the Exit Financing Agreement. Without the funding provided under the agreement, the Debtors believe it is unlikely that they will be in a position to make the distributions contemplated by the Plan.

Moreover, without an agreement regarding the amount of the Federal Tax Claims, it is unlikely that the Debtors could satisfy the requirements of Section 1129 of the Bankruptcy Code for confirmation of the Plan.

C. Forward Looking Statements in this Disclosure Statement May Prove to be Inaccurate

Many of the statements included in this Disclosure Statement contain forward-looking statements and information relating to the Debtors. These forward-looking statements are generally identified by the use of terminology such as "may," "will," "could," "should," "potential," "continue," "expect," "intend," "plan," "estimate," "project," "forecast," "anticipate," "believe," or similar phrases or the negatives of such terms. These statements are based on the beliefs of management as well as assumptions made using information currently available to management. Such statements are subject to risks, uncertainties and assumptions, as well as other matters not yet known or not currently considered material by management. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements do not guarantee future performance. You should recognize these statements for what they are and not rely on them as facts. None of the Debtors undertakes any obligation to update or revise any of these forward-looking statements to reflect new events or circumstances after the date of this Disclosure Statement.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed or consummated, the alternatives include, in addition to dismissal of the Cases, (i) liquidation of the Debtors under Chapter 7 of the Bankruptcy Code or (ii) an alternative Chapter 11 plan.

A. Liquidation Under Chapter 7

If no plan can be confirmed or the Court determines other cause exists for conversion, the Cases may be converted to cases under Chapter 7 of the Bankruptcy Code. In Chapter 7, a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution to creditors in accordance with priorities established by the Bankruptcy Code.

The Debtors believe that liquidation under Chapter 7 likely would result in no distributions to Creditors with Unsecured Claims (in contrast to the expected distributions under the Plan) due to the lack of viable alternatives for the Debtors. Absent the consideration being provided by the ACC Parties under the Plan Support Agreement, there is little or no likelihood that there would be unencumbered assets available. Moreover, conversion to Chapter 7 and the appointment of a chapter 7 trustee would result in substantial additional Administrative Claims related to the attorneys and other professionals necessary to assist such trustee and their need to extensively study these Cases in order to fulfill their fiduciary duties, as well as the delays attendant to the Chapter 7 trustee's need analyze issues and research the background of Debtors, their assets and liabilities and the recovery analysis. Indeed, the Debtors' Liquidation Analysis concludes that under a Chapter 7 liquidation, it is unlikely that any distributions would be made to creditors holding Unsecured Claims against the Debtors. A copy of the Liquidation Analysis is Annexed hereto as Exhibit B.

B. Alternative Plan(s) of Reorganization

If the Debtors' exclusive period to file a plan of reorganization and solicit acceptances of a plan of reorganization expires pursuant to § 1121 of the Bankruptcy Code, other parties could propose their own plans of reorganization for the Debtors. The Debtors believe that the transactions and settlements reflected in the Plan and this Disclosure Statement will result in quicker and higher recoveries for all constituencies than any alternative scenario.

The Debtors believe that confirmation and implementation of the Plan are preferable to either of the above-described alternatives and recommend that all Creditors vote in favor of the Plan.

X. CONCLUSION

The Debtors believe that acceptance of the Plan is in the best interest of Creditors and recommend that you vote to accept the Plan.

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By: /s/ Zachary H. Pashel
Name: Zachary H. Pashel
Title: President and Chief Executive Officer

MERCURY MORTGAGE FINANCE STATUTORY TRUST

By: /s/ Zachary H. Pashel
Name: Zachary H. Pashel
Title: President and Chief Executive Officer

PANTHEON HOLDING COMPANY

By: /s/ Zachary H. Pashel
Name: Zachary H. Pashel
Title: President and Chief Executive Officer

MAIA MORTGAGE FINANCE CORP.

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Name: Zachary H. Pashel
Title: President and Chief Executive Officer

LUMINENT CAPITAL MANAGEMENT, INC.

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Name: Zachary H. Pashel
Title: President and Chief Executive Officer

SATURN PORTFOLIO MANAGEMENT, INC.

By: /s/ Zachary H. Pashel
Name: Zachary H. Pashel
Title: President and Chief Executive Officer

MINERVA MORTGAGE FINANCE CORP.

By: /s/ Zachary H. Pashel
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Title: President and Chief Executive Officer

MINERVA CDO DELAWARE SPV LLC

By: /s/ Zachary H. Pashel
Name: Zachary H. Pashel
Title: President and Chief Executive Officer

OT REALTY TRUST

By: /s/ Zachary H. Pashel
Name: Zachary H. Pashel
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PROSPERPINE LLC

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