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IN THE UNITED STATES BANKRUPTCY COURT

THE DISTRICT OF ARIZONA

In re:	Chapter 11 Proceedings
NORTHERN 120, LLC,	Case No. 2:09-bk-28417-GBN
Debtor.	**DEBTOR'S SECOND AMENDED DISCLOSURE STATEMENT FOR SECOND AMENDED PLAN OF REORGANIZATION DATED AUGUST 31, 2010**

I. INTRODUCTION

This document is the Second Amended Disclosure Statement of Northern 120, L.L.C., an Arizona limited liability company (the "Debtor"), the debtor in the above-entitled Chapter 11 bankruptcy proceeding. This second amended disclosure statement is submitted by the Debtor pursuant to 11 U.S.C. § 1125.

11 U.S.C. § 1125(b) prohibits the solicitation of acceptances or rejections of a plan of reorganization unless such plan is accompanied by a copy of the Disclosure Statement which has been approved by the Bankruptcy Court.

The purpose of this Disclosure Statement is to provide creditors and interested parties in this bankruptcy proceeding with such information as may reasonably be deemed sufficient to allow creditors and interested parties to make an informed decision regarding the Debtor's Second Amended Plan of Reorganization dated August 31, 2010 (the "Plan").

Unless otherwise noted, those portions of the Plan and this Disclosure Statement providing factual information concerning the Debtor, its assets and liabilities, have been prepared from information submitted by the Debtor and its retained professionals. The Debtor and other professionals employed by the Debtor have utilized all relevant, non privileged information provided by the Debtor in preparing this Disclosure Statement and the Plan.

This Disclosure Statement contains information that may influence your decision to accept or reject the Debtor's proposed Plan. Please read this document with care.

The financial information contained in this Disclosure Statement has not been subjected to an audit by an independent certified public accountant. For that reason, the Debtor is not able to warrant or represent that the information contained in this Disclosure Statement is without any inaccuracy. To the extent practicable, the information has been prepared from the Debtor's financial books and records and great effort has been made to ensure that all such information is fairly represented. Projections and opinions included herein, or in the Plan, are based upon the experience and expertise of the Debtor's management after reasonable research and consideration. A summary of the experience of Stephen A. Kohner, a principal of the Debtor with oversight of its operations, is attached hereto as Exhibit "H."

This Disclosure Statement and the Plan will classify all creditors into Classes. The treatment of each Class of creditors will be set forth in this Disclosure Statement and in the Plan. You should carefully examine the treatment of the Class to which your Claim will be assigned.

This Disclosure Statement requires approval by the Bankruptcy Court after notice and a hearing pursuant to 11 U.S.C. §1125(b). Once approved, the Disclosure Statement will be distributed with the Debtor's proposed Plan for voting. Approval of the Disclosure Statement by the Bankruptcy Court does not constitute either certification or approval of the Debtor's Plan by the Bankruptcy Court or that the Disclosure Statement is without any inaccuracy.

The Bankruptcy Court will confirm the Plan if the requirements of §1129 of the Bankruptcy Code are satisfied. The Bankruptcy Court must determine whether the Plan has been accepted by each impaired Class entitled to vote on the Plan. Impaired Classes entitled to vote on the Plan are

those Classes of claims whose legal, equitable, or contractual rights are altered, as defined under §1124 of the Bankruptcy Code. An impaired Class of claims is deemed to have accepted the Plan if at least two thirds (2/3) in amount of those claims who vote and more than one half (1/2) in number of those claims who vote have accepted the Plan. An impaired Class of interests is deemed to have accepted the Plan if the Plan has been accepted by at least two thirds (2/3) in amount of the allowed interests who vote on the Plan.

Even if each Class of creditors does not accept the Plan, the Plan can be confirmed under §1129(b) of the Bankruptcy Code, so long as one impaired Class of creditors accepts the Plan. This is referred to as the "cram down" provision. The failure of each Class to accept the Plan could very well result in a conversion of this case to a Chapter 7 or dismissal of the Chapter 11, and the secured creditors repossessing their collateral and disposing of it in a commercially reasonable manner with no obligation to unsecured creditors.

Only the votes of those creditors or interested parties whose ballots are timely received will be counted in determining whether a Class has accepted the Plan.

II. DEFINITIONS

The definitions set forth in Article I of the Plan apply in this Disclosure Statement except to the extent other definitions are set forth in this Disclosure Statement.

III. THE DEBTOR, BACKGROUND, AND EVENTS PRECIPITATING THE CHAPTER 11.

A. Background

On November 5, 2009, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Arizona.

The Debtor is an Arizona limited liability company founded on March 19, 2003, and engaged in the development of a residential subdivision located in Maricopa County, Arizona (the "Development"). The Debtor is owned by the SAK Family Limited Partnership ("SAK"), its sole manager and member. The day to day operations of the Debtor are managed by Stephen A. Kohner.

1. The Northern Loan

The Northern Real Property was acquired by the Debtor on March 31, 2003, through a special warranty deed, recorded at No. 20030387332, in the office of the Maricopa County Recorder. The funds used to acquire and develop the Northern Real Property were obtained through a loan arranged by ML, but actually funded by and for the beneficial interest of numerous Direct Investors. The date of the original loan was March 26, 2003, with an available principal amount of $7,247,000, an interest rate of 12.5%, and a maturity date of March 28, 2006.[1] This loan was then refinanced on November 30, 2004, with an available principal amount of $8,630,000, an interest rate of 12.5%, and a maturity date of March 28, 2006. This loan was then refinanced a second time on May 8, 2006, with an available principal amount of $10,775,000, an interest rate of 12.75%, and a maturity date of November 15, 2007. Certain modifications to the loan were also agreed to in 2008. The refinanced and modified loan is known, herein, as the Northern Loan.

Because the Northern Real Property is adjacent to real property owned by a separate but related entity, Citrus, both the Debtor and Citrus are listed as "Makers" under the Northern Note even though Citrus has no interest in the Northern Real Property that secured the Northern Loan.

ML and now ML Manager assert a first position lien on the Northern Real Property, as well as the real estate owned by Citrus, based upon various Loan Documents.

2. The Citrus Loan

Adjacent to a portion of the Northern Real Property is a tract of real property owned by a separate entity: Citrus. Citrus is also a debtor in bankruptcy under is own case at Case No. 2:09-bk-28416-RJH. Citrus' members are the same as those of the Debtor.

As explained above, because of the proximity of the land they each owned and their shared members, Citrus was a "Maker" on the Northern Note. And, likewise, the Debtor became a "Maker" on the Citrus Note.

[1] The Note indicates that the Northern 120 has a designated loan amount of $20,000,000. However, this amount was a feature of the loan that, under certain conditions, allowed the loan to be increased to this amount. Thus, the amounts designated in this and in the refinanced loans are the actual amounts involved.

The history of the alleged loan involving Citrus and ML essentially mirrors that of the Northern Loan. There was an original alleged loan that was used by Citrus to fund the purchase and development of the Citrus Real Property. The original loan was entered into on November 15, 2004, in the principal amount of $24,000,000, an interest rate of 12.25% and a maturity date of January 5, 2007. This loan was later refinanced on June 6, 2006, with a new principal amount of $26,650,000, with an interest rate of 12.75%, and with a maturity date of December 20, 2007. Certain modifications to the loan were also agreed to in 2008. The refinanced and modified loan is known, herein, as the Citrus Loan.

While ML Manager claims to be secured in both the Citrus Real Property and the Northern Real Property and alleges that the Citrus Loan and the Northern Loan are cross-collateralized, such that the Northern Real Property serves as collateral for the Citrus Loan. The Debtor disputes this contention, and because the Debtor has no interests in the Citrus Real Property, the debt associated therewith is treated under the Plan as being fully unsecured with respect to the Debtor.

3. Events That Precipitated the Bankruptcy Filing

Due to the extraordinary financial crisis occurring throughout the United States, the Debtor was unable to realize the potential of the Northern Development within the timeframe originally envisioned, and thereby meet its alleged obligations under the Northern Loan. For over a year before the Petition Date the Debtor recognized that the change in the economy would necessitate a reworking of the Citrus Loan and Northern Loan so that they would comport with the economic reality of the marketplace. Despite concerted efforts to negotiate with ML, as the alleged representative of the Direct Investors, ML never responded in a constructive and consistent manner, and it proceeded to file a notice of trustee's sale. And it was only on the eve of that trustee's sale that ML did, finally respond, but by this time the pending foreclosure was so imminent that there was insufficient time to negotiate and the Debtor had to file for bankruptcy to protect the estate.

Thus, the Debtor's filing was precipitated by a pending trustee's sale. However that exigency was largely a function of ML's inability to respond to the Debtor's attempts to resolve issues between them.

B. Business Plan and Projections

The Debtor intends to go forward with the development of the Northern Real Property, subject to the terms of the Plan. The Debtor's approach to the development will essentially mirror the original development plans of the Debtor, but will now be adjusted to reflect the present market conditions. Financial projections showing the Debtor's ability to fund the Plan are attached hereto as Exhibit "I." These projections are based upon the experience and expertise of the Debtor's management after reasonable research and consideration. A summary of the experience of Stephen A. Kohner, a principal of the Debtor who played a substantial role in the preparation of these projections, is attached hereto as Exhibit "H."

C. Operations

In order to provide for efficient and productive operations and to keep the Debtor's business competitive the Debtor intends to retain the operational structure that existed pre-petition. The issues confronted by the Debtor that led to the bankruptcy filing were the product of extraordinary market changes, and not the operations or management of the Debtor. Thus, a change in the operational or management structure is not in the best interests of the Debtor or its creditors, and will only add transactional costs to the reorganization, as well as result in the loss of institutional knowledge and relationships essential to the reorganization.

D. Preferences and Fraudulent Conveyances

To the extent that a preference or fraudulent conveyance occurred before the bankruptcy filings, such transfer may be recoverable by the bankruptcy estate for the benefit of the estate under Sections 544, 547, or 548 of the Bankruptcy Code. To date, no complaints have been filed under any of these theories. To the extent any such claims exist, they are specifically preserved for the benefit of the bankruptcy estate. Any recovery that is obtained will be obtained for the benefit of the estate.

E. Conclusion

The Debtor filed its Bankruptcy case to stop a pending foreclosure that was an attempt by ML Manager to wrest control of the Northern Development from the Debtor. The foreclosure and

resulting bankruptcy may have been avoided if ML Manager had responded to and negotiated with the Debtor in the year preceding the Petition Date.

The Plan proposes to satisfy the Allowed Priority Claims and Allowed Secured Claims in full. The Plan also gives the Direct Investors the ability to elect how they wish to be treated, either receiving an immediate cash payment for their interest, or allowing them to participate in the potential upside the Northern Development may experience over the next 5 years. Unsecured Creditors will receive far more under the Plan than they would recover in a Chapter 7 Liquidation. Finally, the Debtor believes that a fire sale of the Northern Real Property would significantly reduce the return to Secured Creditors, and would not result in any recovery to the Unsecured Creditors. Thus, support of the Plan is in the best interest of all Creditors.

IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11

A. Administrative Proceedings

The Debtor filed its Petition for Relief under Chapter 11 on November 5, 2009, and a first meeting of creditors was held on December 17, 2009.

B. Status Conference

On December 29, 2009, the Court set a status conference on the Debtor's case for April 6, 2010.

C. Motion to Lift Stay

On December 23, 2009, ML Manager filed a motion to lift the automatic stay with respect to the Northern Real Property. The Debtor filed its objection to the motion on January 14, 2010. The lift stay motion and objection are now pending before the Court, and shall be determined in connection with confirmation of the Plan.

D. Retention of Professionals

On February 2, 2010, the Debtor's bankruptcy counsel, Polsinelli & Shughart, P.C. ("PS"), filed its petition to be retained as bankruptcy counsel nunc pro tunc and on a going-forward basis. By order of the Court entered March 2, 2010, the Debtor's retention of PS was approved.

V. DESCRIPTION OF ASSETS AND LIABILITIES OF THE DEBTOR

The values ascribed to the assets below are based on the Debtor's best estimate and other factors such as the purchase price, comparable sales, and tax assessments.

A. Assets

1. **Real Property** – The Northern Real Property is comprised of approximately 120 acres of land. Based on a recent appraisal performed by Integra Realty Resources dated June 3, 2010 the Northern Real Property has a fair market value of $1,560,000, which equates to approximately $13,000 per acre. A copy of the appraisal is attached hereto as Exhibit "E."

2. **Bank Accounts** – At the time of the filing of the petition for relief herein, the Debtor had the following bank accounts:

a. National Bank of Arizona Account - $0.06

3. **Equipment and other Property** – $8,500.

B. Liabilities

1. Priority

a. **Arizona Department of Revenue** – The Debtor was current on taxes owed to the Arizona Department of Revenue ("ADOR") and does not expect ADOR to have a claim.

b. **Internal Revenue Service** – The Debtor was current on taxes owed to the Internal Revenue Service ("IRS") and does not expect IRS to have a claim.

2. Secured

a. **Direct Investors** - The Debtor's statements and schedules list numerous Direct Investors with alleged Allowed Secured Claims secured by the Northern Real Property. The aggregate value of these claims, according to the Debtor's schedules, is $10,976,541.82.

b. **Jensen Norbert** - The Debtor's statements and schedules list Jenson Norbert as a Secured Creditor with a claim in the approximate amount of $8,500 related to a purchase-money security interest in a Panasonic DP-C322 copier,

SN #FEG44L00134 purchased by the Debtor. The Debtor believes that the Secured claim of Mr. Norbert is equal to the value of the printer: $8,500.

c. **Maricopa County** - The Debtor's statements and schedules list the Maricopa County Treasurer as a secured creditor with a Claim in the approximate amount of $49,552.78, related to property taxes and secured by statute on the Northern Real Property. The Debtor believes that this Claim is fully secured.

3. Unsecured

a. The Debtors statements and schedules list unsecured claims totaling $33,365.

C. Financial Reports

The Debtor's monthly operating reports are current and copies can be obtained from the Court's electronic docket.

D. Administrative Expenses

The Debtor anticipates its administrative expenses will consist primarily of attorneys' fees for PS. PS is currently in possession of a pre-petition retainer in the amount of $25,000, and the Debtor anticipates that the attorneys' fees will be less than $100,000. There may be additional administrative expenses for related costs such as accountants, management companies, experts and appraisal fees.

VI. PLAN SUMMARY

The following statements concerning the Plan are merely a summary of the Plan and are not complete. The statements are qualified entirely by express reference to the Plan. Creditors are urged to consult with counsel or each other in order to understand the Plan fully. The Plan is complete, inasmuch as it proposes a legally binding agreement by the debtor, and an intelligent judgment cannot be made without reading it in full.

Pursuant to the Plan, assuming some creditors elect the Cash Option, the Reorganized Debtor will retain and develop a portion of the Northern Real Property in a manner best-suited to the current financial climate. Additionally, with respect to those creditors that elect the Retention

Option, the Reorganized Debtor will hold an exclusive option that will allow the purchase of a portion of the Northern Real Property at any time prior to the fifth anniversary of the Effective Date. The flexibility provided the Debtor through the combination of property capable of development immediately, and the possibility, but not requirement, of additional expansion in the event of a recovery of the real estate market, positions the Reorganized Debtor to honor its commitments under the Plan without fear of supervening market conditions.

The sums to be infused into the Reorganized Debtor pursuant to the Plan will come from SAK through a loan from Huntington Financial, LLC (the "Funder") as set forth in a commitment letter dated June 18, 2010 (the 'Commitment Letter"). A copy of the Commitment Letter is attached hereto as Exhibit "A." The funding will be made by SAK for the benefit of the Interest Holders. This infusion will give the Debtor the funds necessary to pay all administrative claims, and to, as appropriate, pay the Allowed Secured claims of Secured Creditors, fund a reserve account (the "Reserve Account") to pay for operating and other needs, and otherwise fund the Debtor as the market returns. The infusion will also be used to pay any remaining priority claims and to set aside $200,000 for the payment of the Allowed Unsecured Claims of all Unsecured Creditors.

The Debtor anticipates that the Funder will provide an additional commitment in the approximate amount of $85,000 to fund the payments due under the Plan to Jensen Norbert, Maricopa County and creditors electing the Retention Option.

The Direct Investors are key stakeholders under the Plan, and so a discussion of their treatment is warranted here, as it will impact the development of the Northern Real Property. The basic contours of the Plan allow the Direct Investors to choose between one of two options: (a) cash or (b) participation with the Debtor in the future potential upside of the Northern Development. This second alternative includes the right to acquire proportionally a membership interest in a, to be formed, Limited Liability Company (the "LLC") which will acquire in fee title, subject to no liens or encumbrances, other than current taxes and an option reserved by the Debtor to part of the Northern Real Property. The rights described here shall be referred to as the "Retention Option."

As described in greater detail in Exhibit "B" hereto, the Cash Option is designed to accommodate the needs of those Direct Investors who require immediate access to cash. It will allow these Direct Investors to receive payment in full on their Allowed Secured Claims plus an additional 2%, on the Effective Date of the Plan, while still allowing the possibility of an unsecured deficiency claim. The Debtor believes this option is vital for those Direct Investors who need to free up capital at the soonest possible date to either invest elsewhere, or to simply pay the day-to-day expenses they presently face. In exchange for the cash payment, Direct Investors electing this option will release their interest and lien in the Northern Development to the Debtor and release their secured claims against the Debtor subject to the terms of the Plan. Moreover, there is also the opportunity for these Direct Investors to receive an additional 3% on their claims in exchange for a full release of any claims a Direct Investor may have against the Debtor, including any deficiency, and guarantors, including Stephen A. Kohner and his spouse.

Under the Retention Option, detailed in Exhibit "B" hereto, Direct Investors may elect to participate in the potential upside for that portion of the Northern Real Property on which they have a claim (the "Optioned Parcel"). Such participation will be had through the receipt of a proportional interest in the LLC, and will require the waiver of any unsecured deficiency claim. All the Direct Investors selecting this option will become members in the LLC. Their membership interest in the LLC will be equal to their percentage interest in the Northern Loan divided by the total percentage interest in the Northern Loan of all Direct Investors who elect the Retention Option. The form of operating agreement of the LLC is set forth in Exhibit "C" hereto. Pursuant to the Plan, the LLC shall be the fee-simple owner of a portion of the Northern Real Property that is proportional in size and value to the aggregate percentage interest in the Northern Loan held by the Direct Investors electing the Retention Option.

The property owned by the LLC will be subject to an option (the "Option," a copy of which is attached hereto as Exhibit "G") in favor of the Debtor with a term of 5 years from the effective date (the "Option Term"). Under the terms of the Option, in order for the option to remain in effect, the Debtor will make semi-annual payments equal to 1.75% of the aggregate Allowed

Secured Claims of those Direct Investors who elected the Retention Option (the "Option Payments"), and the option holder shall be required to keep property taxes current. So long as the Option remains in effect, the Debtor will have the sole right to purchase the Optioned Parcel within the Option Term, and there may not be any development or encumbrance of the of the Optioned Parcel without the express written consent of the Reorganized Debtor.

Because the Cash Option will result in the Debtor having free and clear title to a portion of the Northern Real Property, while the Retention Option will result in LLC having title, subject only to the Option, of another portion of the Northern Real Property, a partition in kind of the Northern Real Property will be conducted as a part of the Plan. In simple terms, the Northern Real Property will be divided in proportion to the interests that are owned by the Reorganized Debtor as a result of the Cash Option and those transferred to LLC under the as a result of the Retention Option.[2] By example, if Direct Investors representing 92% of the interests in the Loan elect the Cash Option, then 92% of the Northern Real Property will be owned by the Reorganized Debtor, and the remaining 8% would belong to the LLC. The Northern Real Property would thereafter be partitioned in kind so that title to the 92% thereof held by the Debtor would be entirely and legally separate from the 8% parcel held by the LLC. This would allow the Debtor to develop the Debtor's parcel immediately, and without deference to the parcel held by the LLC. Likewise, this would allow the participating Direct Investors to own and control the Optioned Parcel through their participation in the LLC, subject to the Option, until the market recovers. Assuming the Option is eventually exercised, the Reorganized Debtor would then pay the Strike Price (as defined in the Option Agreement, hereafter the "Strike Price"), and obtain fee simple title to the Optioned Parcel. If the Option is not exercised, then the Option would be terminated and the LLC would, thereafter, be able to do as it wished with the Optioned Parcel. Although subject to modification to account for the proportion of Direct Investors that elect the Retention Option, attached hereto as Exhibit "D" is Debtor's proposed partition plan for the Northern Real Property.

[2] The extent to which any creditors make the 1111(b) election will also impact the partition of the Northern Real property. If any creditors make the election, a portion of the Northern Real Property held by the Reorganized Debtor will remain subject to the liens of the electing creditors as discussed herein.

In sum, the Plan provides for the full payment of the Allowed Claims of Priority Creditors and Secured Creditors. The Plan affords the Direct Investors the ability to elect between receiving cash today or awaiting a return of the market. The Plan also provides for an infusion of substantial New Value that will augment the value of the Estate, and ensure that even if Unsecured Creditors are not paid in full, they will receive a payment that far exceeds what they would obtain in a Chapter 7 liquidation.

VII. TREATMENT OF CLASSES

A. Priority Claims: Class 1

1. Administrative Claims: 1-A

Unless they agree to an alternative form of treatment, the Allowed Claims of Class 1-A shall be paid in full, in cash, on or before the Effective Date or as the same are Allowed and ordered paid by the Court. Any Class 1-A Claim not allowed as of the Effective Date shall be paid as soon thereafter as it is allowed by the Court according to the terms of this Class.

This Class is not impaired.

2. Tax Claims: 1-B

This Class consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8) which are not otherwise treated as Secured Claims herein. As provided in 11 U.S.C. §1129(a)(9)(C), unless they agree to an alternative form of treatment, the Allowed Priority Claims of Class 1-B shall be paid in full, in cash, on or before the Effective Date, or, at the Debtor's option, such Allowed Claims shall be paid, on account of such Allowed Claim, deferred cash payments, over a period not extending more than five years after the Petition Date, of a value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim. Any Class 1-B Claims not allowed as of the Effective Date shall be paid as soon thereafter as they are allowed by the Court according to the terms of this Class.

This Class is not impaired.

B. Secured Claims of Opt-In Direct Investors: Classes 2-A through 2-JJJ

Class 2 consists of sub-classes 2-A through 2-JJJ. Each Class 2 sub-class will consist of the

Allowed Secured Claim of a Direct Investor who has opted into NOCIT Loan LLC ("NOCIT"), an Arizona Limited Liability Company created by ML Manager in connection with ML's bankruptcy proceedings.

The Debtor has classified these Direct Investors as opt-in investors based on information provided by ML Manager, and so it relies entirely on ML Manager for the accuracy of this information. The Debtor believes that each Direct Investor who opted into NOCIT is entitled to vote on the Plan. The burden is on ML Manager or NOCIT to prove its authority to vote on behalf of the Direct Investors who opted into NOCIT. However, assuming that ML Manager or NOCIT does have the authority to act on behalf of the Direct Investors who have allegedly opted into NOCIT, then there will be one vote on behalf of all members who are a part of this Class. If the alleged opt-in Direct Investors are not members of NOCIT, or if they are ultimately entitled to vote on their own behalf as individual Direct Investors, then each of the Direct Investors comprising this Class will have one vote.

The Plan affords the members of this Class the ability to elect between one of two treatments: a Cash Option and a Retention Option. These options are described in detail in Exhibit "B" to hereto. As with the issue of voting, the ability of this Class to choose between the two treatment options will, ultimately, be driven by who, if anyone, has the authority to act on behalf of those comprising the Class, or if the Direct Investors are entitled to act on their own behalf. As set forth above, the Debtor believes that the Direct Investors who elected to join NOCIT are each entitled to vote for the Plan, and until an Order is entered by the Court to the contrary, the Debtor will assume that it must afford all Direct Investors the opportunity to act on their own behalf. If ML Manager or NOCIT has the authority to act on behalf of all the Direct Investors in this Class, then, on behalf of that group, it will elect between the Cash Option and the Retention Option. If it does not, in fact, have the authority to act on the behalf of these Direct Investors, then each of the Direct Investors will be able to individually select the Cash Option or Retention Option.

The election between the Cash Option and Retention Option must be made on the Ballot accompanying the Plan. If no affirmative election is made, or if a Direct Investor, ML Manager, or

NOCIT, fails to return a ballot, then they will be deemed to have elected the Cash Option for the treatment of its Allowed Secured Claim. If a Direct Investor, ML Manager, or NOCIT, elects to vote against the Plan, and the Plan is ultimately confirmed, they will be deemed to have chosen the Cash Option, and will be treated accordingly.

Class 2 as a whole—or each sub-class of this Class, depending on the resolution of the authority issue—is impaired under the Plan.

C. Secured Claims of Opt-Out Direct Investors: Classes 3-A through 3-BB

Class 3 consists of sub-classes 3-A through 3-BB. Each Class 3 sub-class consists of the Allowed Secured Claim of a Direct Investor who has opted out of NOCIT.

The Debtor has record of these Direct Investors as opt-out investors based on information provided by ML Manager, and so it relies entirely on ML Manager for the accuracy of this information. The Debtor believes that the Direct Investors who elected not to join NOCIT are each entitled to vote for the Plan. The burden is upon ML Manager to prove its authority to vote for Direct Investors who opted out of NOCIT, and until that burden is overcome the Debtor will assume that it must afford all Direct Investors the opportunity to act on their own behalf.

Each member of this Class will, individually, have the ability to vote in support of or against the Plan. Each of the Direct Investors in this Class is entitled to elect between the Cash Option or the Retention Option. These Options are described in detail in Exhibit "B" hereto.

The election between the Cash Option and Retention Option must be made on the Ballot accompanying the Plan. If no affirmative election is made, or if a Direct Investor fails to return a ballot, then the Direct Investor will be deemed to have elected the Cash Option for the treatment of its Allowed Secured Claim. If a Direct Investor elects to vote against the Plan, and the Plan is ultimately confirmed, they will be deemed to have chosen the Cash Option, and will be treated accordingly.

Each sub-class of this Class is impaired under the Plan.

D. Secured Claim of Jensen Norbert: Class 4

This Class consists of the Allowed Secured Claim of Jensen Norbert, which is secured by a

purchase money security interest in a Panasonic DP-C322 copier, SN # FEG44L00134. Commencing on the Effective Date of the Plan, Mr. Norbert will be repaid in four equal quarterly installments, including interest at the Plan Rate unless the Bankruptcy Court determines that another rate is more appropriate, in which case the Debtor shall make quarterly interest-only payments at the rate determined by the Bankruptcy Court, and pay the remaining principal balance upon the second anniversary of the Effective Date.

E. Secured Claim of Maricopa County: Class 5

This Class consists of the Allowed Secured Claim of the County of Maricopa, Arizona (the "County"), that is secured by a Senior Secured Claim in the Northern Real Property. As set forth herein, this is an impaired class.

Commencing on the Effective Date, this Claim will be paid in equal quarterly payments of principal and interest over a term of one (1) year. Interest will be charged at the statutory rate plus 2%. The County will retain its existing security interest in the Northern Real Property until this claim has been satisfied in full.

F. General Unsecured Claims: Class 6

This Class consists of all the Allowed Unsecured Claims of Creditors in this case not specifically dealt with elsewhere under the Plan. Under the Plan, the Unsecured Creditors will be entitled to share pro-rata in the sum of $200,000. This sum will be infused into the Reorganized Debtor by SAK. Consequently, Unsecured Creditors will receive more under the Plan on their Allowed Unsecured Claims than they would if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

G. Interest Holders: Class 7

This Class consists of the Allowed Interests of the Debtor's Interest Holder. SAK is the sole Interest Holder in the Debtor. SAK will retain its interest in the Debtor in exchange for the New Value SAK infuses into the Reorganized Debtor as a part of the Plan. The precise amount of the New Value will depend upon the elections made by the Creditors in this case, but will, in any event, consist of an amount sufficient to fund: (a) the payment of all Allowed Administrative

Claims on the Effective Date; (b) the payment of those Direct Investors selecting the Cash Option; (c) the payment of the sums set to be infused for the benefit of Unsecured Creditors; (d) the Reserve Account; and (d) any additional sums necessary for the Debtor to carry out its Plan and fund operations.

Pursuant to the Plan, others may bid to take the place of SAK. Such bids must match the offer of SAK, including the obligation to pay all administrative expenses of Debtor's case, and all other payments due under the terms of the Plan, including payment of cash to those Direct Investors selecting the Cash Option, the semi-annual Option Payments to those Direct Investors selecting the Retention Option, and all other costs. The bidding will take place at the time of a final hearing on confirmation of the Plan, and shall be directed by the Court. Any party wishing to participate as a bidder must file a notice of intent to bid 20 days in advance of the final hearing on confirmation, notifying all interested parties, including the Debtor, SAK and the Funder. A competing bidder must also place $200,000 in escrow 15 days prior to the final confirmation hearing as a demonstration of its ability to pay the cost of the Plan, and must also demonstrate its ability to fund the balance of the Plan.

VIII. THE 1111(b) ELECTION

If the Opt-In or Opt-Out investors, individually or collectively, elect for their Claims to be treated as fully secured pursuant to 11 U.S.C. 1111(b) (the "Electing Creditors") their entire Allowed Claim will be treated as fully secured and they will not have any claims in Class 6. Neither the Cash Option nor the Retention Option will be available to the Electing Creditors. Each Electing Creditor will receive a promissory note from the Reorganized Debtor with a term of 30 years (the "1111(b) Note"), with payments amortized over its full term, which shall bear interest at a market rate as determined by the Court. The payments required to be made under the 1111(b) Note will be in an amount such that the Electing Creditors will receive a value, as of the Effective Date of the Plan, that is not less than the value of such Electing Creditor's Allowed Secured Claim,

and, in aggregate, will equal or exceed the full amount of such Electing Creditors' Allowed Claim.[3] Immediately upon payment, in full, of the 1111(b) Note, the Electing Creditors' Allowed Claims, and their security interests in the Northern Real Property, will be deemed satisfied, extinguished, released and discharged, in full.

Electing Creditors shall retain their respective liens on the Northern Real Property, as described in the partition plan attached hereto as Exhibit "D," to the full extent of their Allowed Claim, until the 1111(b) Note is paid in full. Pursuant to the Plan, a portion of the Northern Real Property will be owned by the Reorganized Debtor by virtue of creditors electing the Cash Option. Another portion of the Northern Real Property will be owned by creditors, subject to an option in favor of the Reorganized Debtor, electing the Retention Option. The liens of the Electing Creditors shall attach to the remaining portion of the Northern Real Property (the "1111(b) Parcel"). Because, in addition to the number of Electing Creditors, the number of creditors electing the Cash Option and the Retention Option are unknown, a precise division of the Northern Real Property is impossible. Nevertheless, attached as Exhibit "D" to the Disclosure Statement is a partition plan describing, in general, the proposed partition of the Northern Real Property.

At any time, the Reorganized Debtor, in its sole and absolute discretion, may sell part or all of the 1111(b) Parcel. In the event of such a sale, the Electing Creditors will receive a pro rata distribution that shall be applied to the principal balance of their respective 1111(b) Note (the "Principal Paydown"). The amount of any such Principal Paydown shall be at least the amount of money necessary to satisfy that portion of the Electing Secured Creditors' Allowed Secured Claim attributable to the square footage being sold. The Reorganized Debtor shall only accept offers that, after subtraction of costs to be borne in transacting the sale, will result in the receipt of funds sufficient to satisfy the pro rata portion of the Electing Creditors' Allowed Secured Claim attributable to the parcel being released. For example, in order for the Reorganized Debtor to accept an offer for 25% of the 1111(b) Parcel, the purchase price must be sufficient to cover all

[3] Because the Debtor does not know whether ML Manager will be permitted to act on behalf of all investors, and if not, how many investors may make the 1111(b) election, it is presently impossible to calculate the amount of the payments to be made under the 1111(b) Note.

sales costs and still result in receipt by the Reorganized Debtor of 25% of the Electing Creditors' aggregate Allowed Secured Claim. The Debtor reserves the right to pay a larger Principal Paydown to the Electing Creditors upon any sale.

In exchange for the receipt of the Principal Paydown, the Electing Creditors will be deemed to have fully, unconditionally and unequivocally released their secured interests in that portion of the Northern Real Property being sold, and that portion of the Northern Real Property shall be deemed to be sold free and clear of any and all liens, claims and encumbrances.

IX. RETAINED CAUSES OF ACTION

The Debtor specifically retains all causes of action. Retained causes of action include, but are not limited to, all avoidance actions, fraudulent conveyance actions, preference actions, and other claims and causes of action of every kind and nature whatsoever, arising before the Effective Date which have not been resolved or disposed of prior to the Effective Date, whether or not such claims or causes of action are specifically identified in the Disclosure Statement.

Any recovery obtained from retained causes of action shall become an additional asset of the Debtor, unless otherwise ordered by the Court, and shall be available for distribution in accordance with the terms of the Plan.

X. MANAGEMENT

The Debtor intends to retain the Debtors existing management structure. The Debtor's difficulties were the result of the precipitous downturn in the economy, a downturn the depth and severity of which could not have been predicted. By retaining the management structure, the Debtor will benefit from the specific knowledge the former management had of the Debtor and the existing plans for the development of the Northern Real Property.

XI. DISBURSING AGENT

The Reorganized Debtor shall act as the Disbursing Agent under the Plan.

XII. DOCUMENTATION OF PLAN IMPLEMENTATION

In the event any entity which possesses an Allowed Secured Claim or any other lien in any of the Debtor's property for which the Plan requires the execution of any documents to incorporate

the terms of the Plan fails to provide a release of its lien or execute the necessary documents to satisfy the requirements of the Plan, the Debtor may record a copy of this Plan or the Confirmation Order with the appropriate governmental agency and such recordation shall constitute the lien release and creation of any necessary new liens to satisfy the terms of the Plan. If the Debtor deems advisable, it may obtain a further Order from the Court that may be recorded in order to implement the terms of the Plan.

XIII. LIQUIDATION ANALYSIS

If the Northern Real Property were liquidated, the recovery would, by definition, be no more than fair market value of the Northern Real Property. Based on a recent appraisal performed by Integra Realty Resource the fair market value of the Real Property is $1,560,000. The Debtor believes that the liquidation value of the Northern Real Property is considerably less than the fair market value because it would be sold as a part of a fire sale, and under the cloud imparted by the Mortgages Ltd. bankruptcy, and the failure of property put up for sale by ML Manager to obtain worthwhile returns. Moreover even a sale at fair market value would require the payment of a brokerage fee that is being saved under this Plan.

Consequently, because the Plan, through payment of a premium, provides that Direct Investors who choose the Cash Option will receive an amount in excess of the appraised present fair market value of the Northern Real Property, these Direct Investors are clearly better off. Those Direct Investors selecting the Retention Option are also better off because they not only obtain title to a portion of the Northern Real Property, but they are also entitled to the Option Payments and an option strike price potentially far greater than present fair market value. Likewise, Maricopa County will receive a payment in excess of that to which it is statutorily entitled, and Mr. Norbert will also receive a payment in full on his Allowed Secured Claim. And, finally, whereas in a liquidation the Unsecured Creditors would receive nothing, under the Plan they are entitled to share in the distribution of at least $200,000.

In sum, all Creditors are better off under the Plan than in a liquidation of the Debtor. In a liquidation under chapter 7, the Direct Investors would receive less than fair market value, and the

Unsecured Creditors would receive nothing.

XIV. EFFECT OF CONFIRMATION

Except as otherwise provided in the Plan or the Court's order confirming the Plan, the Confirmation Order acts as a discharge, effective as of the Effective Date, of any and all debts of the Debtor that arose at any time before the entry of the Confirmation Order, including but not limited to, all principal and any and all interest accrued thereon, pursuant to §1141(d)(l) of the Bankruptcy Code. The discharge of the Debtor shall be effective as to each claim regardless of whether a proof of claim was filed, whether the claim is an allowed claim, or whether the holder thereof votes to accept the Plan.

XV. IMPLEMENTATION AND FUNDING OF DEBTOR'S PLAN

The Plan will be implemented by the Debtor through SAK obtaining a loan from the Funder. This implementation will include the management and disbursement of the funds infused by SAK as set forth above and in accordance with the terms of the Plan.

XVI. TAX CONSEQUENCES

Pursuant to §1125(a)(1) of the Bankruptcy Code, the Debtor is to provide a discussion of the potential material federal tax consequences of the Plan to the Debtor, any successor to the Debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the Plan. Adequate information need not include such information about any other possible or proposed plan, and in determining whether the Disclosure Statement provides adequate information, the Court shall consider the complexity of the case, the benefit of additional information to creditors and other parties in interest, and the cost of providing additional information.

Neither the Debtor nor its lawyers can make any statements with regard to the tax consequences of the Plan on any of the creditors. Although they would note that to the extent the creditor is not paid in full their Allowed Claim, they should consult with their tax advisor concerning the possibility of writing off for tax purposes that portion of their Allowed Claim that is

not paid. Each creditor in this case, when analyzing the Plan, should consult with its own professional advisors to determine whether or not acceptance of the Plan by the creditor will result in any adverse tax consequences to the creditor.

The Bankruptcy Tax Act generally provides that the Debtor does not have to recognize income from the discharge of indebtedness. The Plan contemplates significant discharge of indebtedness; however, because the Debtor is in bankruptcy, it will not have to recognize the discharge of indebtedness as income for tax purposes.

XVII. NON-ALLOWANCE OF PENALTIES AND FINES

No distribution shall be made under this Plan on account of, and no other Allowed Claim, whether Secured, Unsecured, Administrative, or Priority, shall include any fine, penalty, exemplary or punitive damages, late charges, default interest, or other monetary charges relating to or arising from any default or breach by the Debtor, and any Claim on account thereof shall be deemed disallowed, whether or not an objection was filed to it.

XVIII. EXECUTORY CONTRACTS

The Debtor rejects all executory contracts and unexpired leases not otherwise assumed herein. The executory contracts and unexpired leases assumed by the Debtor herein are identified in Exhibit "F" attached hereto, or as assumed by separate order of the Court. Claims for any executory contracts or unexpired leases rejected by the Debtor shall be filed no later than ten (10) days after the earlier of Confirmation or the date the executory contract or unexpired lease is specifically rejected. Any such Claims not timely filed and served shall be disallowed.

XIX. VOTING PROCEDURE

The Plan divides the claims of Creditors and the Interests of Interest-Holders into separate Classes. All Classes of claimants are encouraged to vote; however, only the vote of holders of Claims or Interests that are impaired by the Plan will have a significant impact upon the confirmation process. Generally, this includes Creditors who, under the Plan, will receive less than full payment of their Claims on the Effective Date of the Plan.

All creditors entitled to vote on the Plan must cast their vote by completing, dating, and

signing the ballot which has been mailed to them with this Disclosure Statement. The ballot contains instructions concerning the deadline for submitting the ballot and the address to which the ballot should be mailed.

With specific reference to the Direct Investors who will elect their treatment as part of Classes 2-A through 2-JJJ, if they are acting independently, then they must also select treatment they prefer on their ballots between the Cash Option and the Retention Option.

With specific reference to the Direct Investors who will elect their treatment as part of Classes 3-A through 3-BB, then they must also select treatment they prefer on their ballots between the Cash Option and the Retention Option.

XX. MODIFICATION OF PLAN

In addition to its modification rights under §1127 of the Bankruptcy Code, the Debtor may amend or modify its Plan at any time prior to Confirmation without leave of the Court. The Debtor or the Reorganized Debtor may propose amendments and/or modifications of its Plan at any time subsequent to Confirmation with leave of the Court and upon notice to Creditors. After Confirmation of the Plan, the Debtor or the Reorganized Debtor may, with approval of the Court, as long as it does not materially or adversely affect the interests of Creditors, remedy any defect or omission or reconcile any inconsistencies of the Plan, or in the Confirmation Order, if any may be necessary to carry out the purposes and intent of their Plan.

XXI. CLOSING OF THE CASE

If the Court does not close this case on its own motion, the Reorganized Debtor will move the Court to close this case once the Plan is deemed substantially consummated. Until substantial consummation, the Reorganized Debtor will be responsible for filing pre- and post-confirmation reports required by the United States Trustee and paying the quarterly post-confirmation fees of the United States Trustee, in cash, pursuant to 28 U.S.C. §1930, as amended. Pursuant to 11 U.S.C. §1129(a)(12), all fees payable under Section 1930 of Title 28, as determined by the Court at the hearing on confirmation of the Plan, will be paid, in cash, on the Effective Date.

XXII. RETENTION OF JURISDICTION

The Court will retain jurisdiction until the Plan has been fully consummated for, including but not limited to, the following purposes:

A. The classification of the Claims of any Creditors and the re-examination of any Claims which have been allowed for the purposes of voting, and for the determination of such objections as may be filed to the Creditor's Claims. The failure by the Debtor to object to or examine any Claim for the purpose of voting shall not be deemed to be a waiver of the Debtor's rights to object to or to re-examine the Claim in whole or in part.

B. To determine any Claims which are disputed by the Debtor, whether such objections are filed before or after Confirmation, to estimate any Unliquidated or Contingent Claims pursuant to 11 U.S.C. § 502(c)(1) upon request of the Debtor or any holder of a Contingent or Unliquidated Claim, and to make determinations on any objection to such a Claim.

C. To determine all questions and disputes regarding title to the assets of the estate, and determination of all causes of action, controversies, disputes, or conflicts, whether or not subject to action pending as of the date of Confirmation, between the Debtor and any other party, including but not limited to, any rights of the Debtor to recover assets pursuant to the provisions of the Bankruptcy Code.

D. The correction of any defect, the curing of any omission or any reconciliation of any inconsistencies in the Plan, or the Confirmation Order, as may be necessary to carry out the purposes and intent of the Plan.

E. The modification of the Plan after Confirmation, pursuant to the Bankruptcy Rules and the Bankruptcy Code.

F. To enforce and interpret the terms and conditions of the Plan.

G. To enter orders, including injunctions, necessary to enforce the title, rights, and powers of the Debtor, and to impose such limitations, restrictions, terms, and conditions of such title, right, and power as this Court may deem necessary.

H. To enter an order concluding and terminating this case.

XXIII. DISCLAIMER

Court approval of this Disclosure Statement and the accompanying Plan of Reorganization, including the exhibit attached hereto, is not a certification of the accuracy of the contents thereof. Furthermore, Court approval of these documents does not constitute the Court's opinion as to whether the Plan should be approved or disapproved.

XXIV. RISKS

The risk of the Plan lies with the Reorganized Debtor's ability to fund the Plan. More specifically, the sums necessary to pay the administrative costs, Direct Investors electing the Cash Option, taxes, and the sums allotted for the Unsecured Creditors are the critical expenses. So long as they are funded the Plan should be successfully consummated. If they are not funded appropriately, then the Plan may not succeed.

Because the Direct Investors selecting the Retention Option will either receive the Option Payments and Strike Price, or obtain title to the Optioned Parcel free and clear of the Option, their principal risk is that the balance of the funding obligations described in the prior paragraph are not funded, causing the Plan to fail.

Thus, the primary risk for all stakeholders with an interest in the Plan is its funding.

XXV. PROPONENTS RECOMMENDATION/ALTERNATIVES TO THE PLAN

The Debtor recommends that all creditors entitled to vote for the Plan do so. The Debtor's Plan would pay Direct Investors the full amount of their secured claims and provide funds to pay Unsecured Creditors. The alternatives to confirmation of the Plan would be either conversion of this case to a case under Chapter 7 of the Bankruptcy Code or its dismissal.

Dismissal of this case would result in the foreclosure of the Northern Real Property by ML Manager.

Conversion will result in the appointment of a Chapter 7 trustee and, most likely, the hiring of an attorney by the trustee. Expenses incurred in administering the Chapter 7 case would take priority in the right to payment over allowed, administrative expenses incurred in the Chapter 11 case. Both Chapter 7 and Chapter 11 administrative expenses take priority over the payment of

unsecured claims without priority. In other words, conversion would likely decrease the net amount available to pay currently existing creditors.

The most likely effect of conversion of the case to a Chapter 7 would be a foreclosure on the Northern Real Property by ML Manager, and, as a result, Unsecured Creditors would receive nothing.

For all these reasons, the Debtor urges you to vote to accept the Plan and to return your ballots in time to be counted.

[Signatures on the following page]

DATED: August 31, 2010.

POLSINELLI SHUGHART PC

By: _____
Mark W. Roth
Wesley D. Ray
Security Title Plaza
3636 N. Central Ave., Suite 1200
Phoenix, AZ 85012

Attorneys for the Debtor

NORTHERN 120, LLC

By: SAK FAMILY LIMITED PARTNERSHIP
Its: Member/Manager

By: SAK INVESTMENTS, LLC
Its: General Partner

By: _____
Stephen A. Kohner
Its: Manager

EXHIBIT A

Huntington Financial L.L.C. 3143 E Fairfield St. Mesa, AZ 85213
Phone: 602-388-8949 Fax: 480-463-4394

Northern 120, L.L.C.
2222 W. Pinnacle Peak Road, Suite 240
Phoenix, AZ 85027
Attention: Stephen A. Kohner

Re: $ 2,138,000 Loan Commitment

Dear Mr. Kohner:

We are pleased to advise you that Huntington Financial, LLC, an Arizona limited liability company ("Lender") is willing to make a Loan Commitment of up to (Two Million One Hundred Thirty Eight Thousand Dollars ($2,138,000) ("Loan"), to the Borrower described below, subject to the following terms and conditions.

1. **Borrower**. With respect to the Loan, SAK Family Limited Partnership, an Arizona limited partnership."

2. **Purpose of Loan**. The Loan shall be used by Borrower solely for the following purposes of Northern 120, L.L.C., an Arizona limited liability company ("Northern"):

(i) to pay all administrative claims of Northern in that certain bankruptcy proceeding known as *In re Northern 120, L.L.C.*, Case No. Case No. 2:09-bk-28416-RJH (herein, the "Bankruptcy Case") (herein, the "Bankruptcy Case"), pending in U.S. Bankruptcy Court for the District of Arizona (herein, the "Bankruptcy Court"), estimated not to exceed Two Hundred Thousand Dollars ($200,000).

(ii) to purchase the Allowed Secured claims of all Secured Creditors in the Bankruptcy Case to the extent that such creditors agree to sell their claims as provided in the Plan of Reorganization, in an amount not to exceed One Million Six Hundred Thirty Eight Thousand Dollars ($1,638,000).

(iii) to set aside Two Hundred Thousand Dollars ($200,000) for the payment of the Allowed Unsecured Claims of all Unsecured Creditors.

(iv) to pay any remaining priority claims in the Bankruptcy Case.

(v) to fund a reserve account not to exceed One Hundred Thousand Dollars ($100,000) (the "Reserve Account"), to pay for operating and other needs of Northern as the real estate market returns from its current downturn.

all as subject to a confirmed Plan of Reorganization in the Bankruptcy Case, and the terms and conditions set forth in Section 10 below.

The Loan will have an Extension feature whereupon the Borrower may extend the Loan in 24 month increments, with the payment of an extension fee, and by meeting the terms and conditions of the Lender outlined herein.

3. Interest. The Loan shall bear interest at a fixed rate per annum (the "Interest Rate") equal to 120 percent of the then Applicable Federal Rate for short term loans, as established by the Internal Revenue Service, on the amount then funded.

4. Payment of Interest. Simple interest on the Loan shall accrue from the date the Loan, or each advance thereof, is funded (herein, the "Closing Date") and shall be due and payable on the second anniversary of the Closing Date (herein, the "Maturity Date"). Should the Borrower request and the Lender approve an extension of the Loan, the Maturity Date will be extended and all sums owing will continue to accrue until the earlier of the Extension Maturity Date or the sale of the Real Property.

5. Payment of Principal Balance. The principal balance of the Loan, together with any other sums due and owing pursuant to the Loan Documents, plus all accrued interest shall be due and payable on the Maturity Date; provided, however, that if Borrower satisfies the conditions precedent to the extension of the Loan then the full outstanding principal balance of the Loan, plus all accrued interest and all other sums due and owing pursuant to the Loan Documents shall continue to accrue until the earlier of the Extension Maturity Date or the sale of the Real Property.

6. Default Rate. A default interest rate equal to the Interest Rate plus three percent (3.0%) shall apply during any period in which an event of default exists and continues for a period of five (5) days.

7. Prepayment. The Loan may be prepaid at any time, in whole or in part, provided that any such prepayment is (i) accompanied by accrued interest on the amount paid and any and all other sums then due to Lender, and (ii) permitted in accordance with the Confirmed Plan (hereafter defined).

EXHIBIT A

8. Security. Northern currently owns approximately 120 acres of unimproved real estate located at the northwest corner of Northern Avenue and North Cotton Lane, Peoria, Arizona (herein, the "Real Property") and which is subject to a Deed of Trust (herein, the "Mortgages Ltd Deed of Trust"). The Plan calls for Northern to offer to satisfy the claims of the Secured Creditors having an interest in the Mortgages Ltd. Deed of Trust in return for the release of their interest in the Mortgages Ltd Deed of Trust.

The Loan will be secured with a new first Deed of Trust and Assignment of Rents in favor of Lender covering that portion of the Real Property released from the Mortgages Ltd Deed of Trust and retained by Northern ("Lender's Deed of Trust"), all as set forth in the Plan of Reorganization.

9. Loan Fee. Borrower shall pay to Lender a fee (the "Loan Fee") of 1% (One Percent) of any funded amount on the Closing Date. The Loan Fee shall be deemed fully earned upon the funding of the Loan.

10. Conditions Precedent to the Closing of the Loan. The following shall be delivered to Lender prior to the Closing of the Loan, all in form, manner and substance satisfactory to Lender, in Lender's sole discretion:

10.1 **Loan Documents**: A promissory note and the Lender's Deed of Trust to evidence and secure the Loan (the "Loan Documents").

10.2 **Title to Property**: Evidence that prior to the Closing, Northern has good and marketable title to the Real Property.

10.3 **Perfection of Liens**: Evidence that the liens and security interests to be assigned to Lender upon the Real Property have been duly perfected as a first priority lien and security interest.

10.4 **Power and Authority:** Such documents as Lender shall require to establish (a) the proper organization and good standing of Borrower, notwithstanding its current bankruptcy, and (b) the authority of Borrower to execute the Loan Documents, and to evidence that Borrower has obtained all approvals and consents which are necessary to enable Borrower to execute the Loan Documents and to consummate the Loan.

10.5 **Bankruptcy Court Approval**: The Bankruptcy Court shall have approved a plan of reorganization for Borrower in the Bankruptcy Case, and all periods during which an appeal may be taken from such plan of reorganization shall have expired (or those parties who would be entitled to take such an appeal shall have waived the right to such an appeal in a manner satisfactory to Lender) (such approved plan of reorganization following the expiration of all such appeal rights being referred to herein as the "Confirmed Plan"). The consummation of the Loan, the execution and delivery of the Loan Documents, the acceptance by Borrower of this Commitment with respect to the terms outlined, together with the taking of all acts necessary in order to effectuate any of the foregoing, shall be authorized and approved by the Confirmed Plan, which must be satisfactory to Lender in all respects.

EXHIBIT A

11. Conditions Precedent to Extension and Advances under the Loan. The following conditions shall be satisfied, and any documentation required thereby delivered to Lender, prior to any Extension or Advance under the Loan Documents, all in form, manner and substance satisfactory to Lender, in Lender's sole discretion:

11.1 **Bankruptcy Court Approval**: To the extent that, in Lender's judgment, any further approval from the Bankruptcy Court in the Bankruptcy Case is necessary for the authority of Borrower to enter into the Loan Documents and to perform Borrower's and Northern's obligations thereunder, such approval shall have been given in form and substance satisfactory to Lender.

11.2 **Approval by Secured Creditors:** Lender has received notification that one or more interests holders of Allowed Secured Claims has elected to release his interest in the Mortgages Ltd. Deed of Trust in return for payment as provided for in the Plan of Reorganization and Lender has approved all documents relating to such sale and assignment.

11.3 **Marketing Plan:** Lender shall have reviewed and found satisfactory Northern's plans, budgets and projections for the development and sale of the Real Property including any 'Phasing" of the project. Without limiting the generality of the foregoing, such plans and budgets shall demonstrate to the satisfaction of Lender, in light of then existing market conditions: (i) that the proceeds of any additional advances shall be sufficient to install all on-site and off-site improvements for the development of residential lots specified in the plan, and (ii) that upon the improvement of the lots in the manner described by the preceding clause (i), Northern can reasonably expect to generate revenues from the sales of such lots in an amount sufficient to obtain the release of such lots from the lien of the Lender's Deed of Trust at a release price of 105% of the per lot pro rata amount of then Indebtedness owed to Lender.

11.5 **Insurance**: Evidence that there is in effect such casualty and hazard insurance, business interruption, product and public liability, workmen's compensation, builder's risk, title and other insurance as may be required by Lender, written by insurers and in form and amounts satisfactory to Lender.

11.6 **Material Adverse Change**: Prior to the Closing of any additional advances, no information shall have come to the attention of Lender which has caused Lender to reasonably believe that there has been a material adverse change in the financial condition of Borrower, Northern or the Real Property from that existing as of the date Northern's Plan of Reorganization became the Confirmed Plan.

11.7 **Environmental Assessment**: Evidence satisfactory to Lender that the subject transaction is environmentally acceptable. Lender has the right to require Borrower and Northern to retain the services of a firm acceptable to Lender and knowledgeable in environmental matters to perform an environmental investigation of the Real Property and the surrounding areas. Such investigation may include, but not be limited to, soil and ground water testing to fully identify the scope of any environmental issues impacting the transaction. All

costs incurred in performing such investigation shall be borne by Borrower. The scope and results of such investigation must be satisfactory to Lender, in its sole discretion. In addition to the foregoing environmental review, Borrower shall be required to execute, as one of the Loan Documents, an Environmental Indemnity Agreement in favor of Lender.

11.8 **Loan Fee**: In consideration of Lender Advancing additional funds, Borrower shall pay to Lender a fee (the "Advance Fee") of 1% (One Percent) of the advance, which fee shall be deemed fully earned and payable upon the Funding of the Advance.

11.9 **Loan Costs**: Payment of the Advance Fee to Lender. Any other known third party expenses (including, without limitation, appraisal fees, reasonable attorneys' fees and costs, Lender's actual out-of-pocket costs, and environmental assessment fees) shall also have been paid by Borrower.

11.10 **Survey:** Borrower shall provide, at its own cost and expense, an ALTA certified survey of the Real Property, in form and content and from surveyors acceptable to Lender and to the title insurance company which shall issue title policies in favor of Lender.

11.11 **Releases:** The Confirmed Plan shall set forth or the Deed of Trust in favor of Lender shall otherwise provide a release schedule with respect to the Real Property pursuant to which Northern will be entitled to obtain the release of individual lots within the Real Property from the Deed of Trust, for the payment of a pre-agreed release price calculated by reference to some percentage of the per acre pro rata amount of the Indebtedness owed to Lender, but not greater than the amount set forth in Section 11.4, clause (ii), above. In addition, either the Confirmed Plan shall contain or the Lender Deed of Trust shall have otherwise agreed to give consents to such easements, temporary easements, rights of access, and such other rights as may be necessary to implement the development of the Real Property subject to the Lender Deed of Trust in the manner anticipated for the Marketing Plan hereunder.

11.11 **Site Inspection**: Satisfactory on-site inspections by Lender or its representatives of the Real Property, if requested by Lender.

11.12 **Material Agreements**: Review and approval by Lender of all material agreements to which Borrower and/or Northern is a party and which relate to the development of the property.

12. Contents of the Loan Documents. The Loan Documents shall (a) prohibit the merger or consolidation of Northern or Borrower with any other entity, and the transfer of control of Northern or Borrower; (b) require the delivery to Lender of such periodic and annual financial statements of Northern or Borrower as Lender shall require; and (c) contain such other covenants and conditions as Lender deems appropriate, including without limitation, the following specific provisions:

12.1 **Commencement of Construction**: Lender shall require that construction activities with respect to the installation of on-site and off-site improvements and the development of the lots described in the Marketing plan, will commence on or before the later to

occur of (i) twenty-seven (27) months following the Initial Closing Date, (ii) December 1, 2013, or such alternate later date as shall be approved.

12.3 **Limitations on Distributions by Borrower:** While the Loan is outstanding, Northern and Borrower shall only be permitted to make quarterly distributions to its members in an amount sufficient for the payment of federal and state income taxes payable by such members resulting from the inclusion in such members' taxable income of the members' pro rata share of the income of Northern or Borrower, subject to reasonable assumptions as to the marginal tax bracket to which the members thereof generally are subject.

12.4 **Financial Statements**: Northern and Borrower shall be required to furnish to Lender, within ninety (90) days after the end of each fiscal year of such entity, the following internally prepared financial statements: a statement of profit and loss, a balance sheet, and a cash flow statement as of the end of such year, all in reasonable detail and certified by the principal financial officer of such entity.

12.5 **Progress Reports**: After the commencement of the improvements, Northern and Borrower shall furnish to Lender, within thirty (30) days after the end of each fiscal quarter of such entity, a report setting forth (a) the status and progress of such improvements, (b) the remaining proceeds of the Loan available to complete such improvements, and (c) after sales efforts in respect to the lots have initiated, a report detailing the progress of such sales efforts, including, without limitation, (i) the lot number and acreage of those lots under contract, (ii) the sales price for each such lot, (iii) the lot number and acreage of those lots as to which sales have closed, and (iv) the final sales price for each such closed lot.

12.6 **Additional Debt:** Neither Northern nor Borrower shall obtain or incur any additional indebtedness during the term of the Loan without Lender's prior written consent, and any such additional indebtedness shall be subject to either being permitted by the Confirmed Plan or the approval of the Bankruptcy Court, to the extent the Bankruptcy Court continues to have jurisdiction.

12.7 **Construction Covenants:** The Loan Documents shall contain such terms and provisions as are customary with respect to construction lending, in order to assure timely and proper payment of all amounts owed to those persons providing labor and material for the construction process, to prevent any liens from arising against the Real Property, and to preserve and protect the priority of Lender's deed of trust, including, without limitation, procedures requiring that Northern (i) demonstrate the proper application of amounts previously funded toward payment for all such labor and materials, and (ii) deliver lien releases confirming receipt of such amounts by the applicable providers.

12.8 **Additional Covenants**: Lender's Loan Documents shall include, at Lender's discretion, such additional covenants, conditions, provisions, reporting requirements, events of default, and remedies as Lender deems customary in documentation with respect to credit facilities in the nature of the Loan.

13. **Profit Participation.** At such time as the full outstanding principal balance, together with all accrued interest, on the Loan has been paid in full, Lender shall be entitled to receive, from the sale of the remaining lots improved as part of the Marketing Plan, an equity participation from the sale of each such lot in an amount equal to twenty-five percent (25%) of the net sales proceeds (after deduction for (i) any payment required to obtain a release from the Senior Deed of Trust and (ii) reasonable closing costs associated with such sale) until such time as Lender has received cumulative payments in respect of such equity participation in an amount equal to an additional fifty percent (50%) of the total principal amount funded by Lender. The Loan Documents shall detail the mechanism for the payment of the foregoing amounts, and Lender shall be entitled to preserve the lien of Lender's deed of trust on the Real Property until such time as Lender has received the maximum equity participation payable hereunder.

14. **Conversion Right**. At any time prior to the repayment of the Loan in full, Lender shall have the right to convert the then remaining unpaid principal balance of the Loan into an equity interest in Northern at a conversion rate to be negotiated between Northern and Lender prior to the closing of any additional Advances under the Loan Documents. In the event Northern and Lender are unable to agree upon a mutually acceptable conversion formula, then Lender shall be entitled to refuse to grant any extension or additional advances under the Loan Documents.

15. **Fees and Expenses.** Whether or not the Loan closes, Borrower shall pay to Lender on demand all reasonable attorneys' fees and costs, appraisal fees, title and recording charges, and all other costs and expenses reasonably incurred by Lender in preparing for or making either such Loan.

16. **Choice of Law**. This Commitment, and the Loan Documents, shall be governed by and construed under the laws of the State of Arizona. In the event of any litigation with respect to this Commitment, or the Loan Documents, Lender and Borrower consent to the jurisdiction of the state and federal courts located in the State of Arizona, and waive objection to the venue of an action heard in a court located in the State of Arizona.

17. **Jury Trial**. Given the fact that any controversy which may arise under any of the Loan Documents or with respect to the transactions contemplated hereby or thereby would be based upon difficult and complex issues, the parties agree that any lawsuit arising out of such controversy will be tried in a court of competent jurisdiction by a judge sitting without a jury.

18. **Acceptance and Expiration and Term**. This Commitment shall not become effective unless a copy of this Commitment, executed by Borrower, is delivered to Lender on or before July 17, 2010, at Lender's offices at 3317 E. Fox St, Mesa, AZ 85213. It is anticipated that the Closing of the Loan shall occur no earlier than ten (10) days after all applicable appeal periods with respect to a Confirmed Plan have expired or been irrevocably waived, each as demonstrated to Lender's satisfaction. The Closing of the Loan shall occur in Phoenix, Arizona.

19. **Entire Agreement**. This Commitment represents the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior oral and written agreements or understandings.

EXHIBIT A

We welcome this opportunity to be of service to you by offering this financing and look forward to working with you on this transaction.

Very truly yours,

Huntington Financial, LLC, an Arizona limited liability company corporation

By: _____
Name: Ivan Huntington
Title: Manager

ACCEPTED AND AGREED TO this 18 day of June, 2010.

SAK Family Limited Partnership, an Arizona limited partnership

By: SAK Investments, L.L.C., an Arizona limited liability company, its General Partner

By: _____
Stephen A. Kohner, its Manager

EXHIBIT B

TREATMENT OF THE DIRECT INVESTORS UNDER THE PLAN

As set forth in the Plan, Direct Investors are able to elect between one of two treatments under the Plan. This choice of treatments is the same for those Direct Investors who have opted into NOCIT, which was formed by ML Manager to administer interests in the Northern Loan, and for those Direct Investors who have elected to remain independent and opted out.

As set forth in the Plan and Disclosure Statement, the Debtor believes that Direct Investors who did not opt into NOCIT have the right to vote on the plan. The issue of whether ML Manager has the right to vote for Direct Investors whether they have opted into NOCIT or not needs to be determined by the Bankruptcy Court. The Debtor believes that the duty to establish what rights ML Manager has with respect to the Direct Investors rests with ML Manager. Unless and until ML Manager can unequivocally establish its authority, the Debtor must, out of an abundance of caution, assume that all the Direct Investors are entitled to act on their own behalf. Thus, you will note that the Plan places the Direct Investors into two general Classes—Class 2, Opt-In Direct Investors; and Class 3, Opt-Out Direct Investors—but in each Class it continues to list each Direct Investor individually.

With this in mind, the options a Direct Investor may elect and the effect of those elections are described below.

CASH OPTION

By selecting the Cash Option, a Direct Investor, or its authorized representative, elects to receive a cash payment (the "Cash Payment") as of the Effective Date of the Plan in full satisfaction of its Allowed Secured Claim. The Cash Payment will be based on the fair market value of the Northern Real Property (the "FMV") as determined by the Court during the hearing on confirmation of the Plan. Based on a recent appraisal the Debtor believes that the FMV is

$1,560,000 and will proceed to establish this value as the FMV of the Northern Real Property. An additional 2% above the FMV will be given to ensure that the Cash Payment is greater than the FMV. The amount of the Cash payment will be calculated by taking the FMV, adding the 2% interest, and multiplying this by the percentage interest of a particular Direct Investor. In exchange for the cash payment, Direct Investors electing this option will release their interest and lien in the Northern Development to the Debtor and release their secured claims, but not any unsecured deficiency claims, against the Debtor subject to the terms set forth herein.

In addition to the Cash Payment, the Direct Investors who select the Cash Option may also elect to receive an additional 3% above the value of their Allowed Secured Claim in exchange for a full release of any claims a Direct Investor may have against the Debtor and guarantors, including Stephen A. Kohner and his spouse.

Thus, the Cash Payment is calculated as follows:

Cash Payment = (FMV + (2% * FMV) + (3%*FMV)) * DI%

FMV	=	Fair Market Value of the Northern Real Property
2%	=	Percentage paid to ensure that Direct Investors receive more than the FMV
3%	=	The extra percentage paid if the personal guaranties are released
DI%	=	The percentage interest of a particular Direct Investor in the Northern Loan

Simultaneously with the payment of the Cash Payment to any Direct Investor, the interests of that investor in the Northern Real Property will be terminated and, as set forth in greater detail below, a corresponding portion of the Northern Real Property will be retained by the Reorganized Debtor. This retained parcel of the Northern Real Property will be free and clear of any liens, claims, interests or other encumbrances.

RETENTION OPTION

By selecting the Retention Option, Direct Investors will be electing to participate with the Debtor in awaiting a return of the real-estate market. All the Direct Investors selecting this

treatment will acquire proportionally a membership interest in a, to be formed, Limited Liability Company (the "LLC"). The LLC will become the fee-simple owner, subject to no liens or encumbrances other than current taxes and an option reserved by the Debtor, of a portion of the Northern Real Property (the "Optioned Parcel") that is proportional in size and value to the aggregate value of their Allowed Secured Claims as compared to the Claims of all Direct Investors in the Debtor's case. In other words, if the aggregate of the participating Direct Investors represent 8% of the interests in the Northern Loan, then 8% of the total Northern Real Property would be transferred to the participating Direct Investors.

However, as implied by its name, the Optioned Parcel will be subject to the Option, the form of which is attached as Exhibit "G" to the Disclosure Statement. So long as the Option is in place, the participating Direct Investors will be barred from developing or encumbering the Optioned Parcel without the express written consent of the Reorganized Debtor.

Pursuant to the Option, the Debtor will make semi-annual Option Payments to the participating Direct Investors through the LLC, and in exchange the Debtor will have the right to purchase the Optioned Parcel for the Strike Price at any time the Option Term of 5 years. The Strike Price will be equal to the greater of the FMV of the Optioned Parcel at the end of the Option term or 80% of the principal amount of the Northern Loan attributable to the Direct Investors electing the Retention Option. The procedure to determine FMV for the Strike Price is set forth in the Option form attached to the Disclosure Statement as Exhibit "G."

If the Strike Price is paid, the participating Direct Investors, through the LLC, will be required to transfer the Optioned Parcel to the Debtor, at which time the participating Direct Investors and the LLC will no longer have any interest in the Optioned Parcel, and all rights and interests therein will vest in the Reorganized Debtor.

EXHIBIT B

Conversely, if the Debtor should fail to make the Option Payments, or if it should choose not to pay the Strike Price, then the participating Direct Investors through, the LLC, will be free to dispose of the Optioned Parcel as they see fit.

The Option Payments will be paid to the LLC beginning on the Effective Date of the Plan, and every 6 months thereafter, and will be determined using the following formula:

Option Payment = (FMV * 3.5%)) / 2

FMV = Fair Market Value of the Optioned Parcel

3.5% = Percentage of face value paid for the Option

The LLC will be entitled to receive the Option Payments and Strike Price. By electing this treatment, Direct Investors are agreeing to a full release of the Debtor and guarantors under the Loan, including Stephen A. Kohner and his spouse

PARTITION OF THE NORTHERN REAL PROPERTY

As set forth above, in the event that some Direct Investors elect the Cash Option and some elect the Retention Option, the Northern Real Property will be partitioned in kind so as to create two parcels.

1. The Reorganized Debtor's parcel will belong to the Reorganized Debtor in fee simple, and be free and clear of all liens and encumbrances; and

2. The Optioned Parcel will belong to the participating Direct Investors in fee simple, and be subject to the Option.

Attached to the Disclosure Statement as Exhibit "D" is Debtor's proposed partition plan. The plan assumes that all Direct Investors who opted not to transfer their loan interests to NOCIT would opt to become a member of the LLC and that Direct Investors who opted to transfer their loan interests to NOCIT will take the Cash Option . Such Plan shall be modified and filed with the Court, within 10 days after the return of the ballots, if these assumptions prove

to be incorrect. The partition in kind will be conducted under the terms for such an action as set forth in the Arizona Revised Statues, including A.R.S. 12-1211 *et seq*.

EXHIBIT C

OPERATING AGREEMENT
OF
NORTHERN 120, DIRECT INVESTORS, L.L.C.,
AN ARIZONA LIMITED LIABILITY COMPANY

BY THIS OPERATING AGREEMENT (this "Agreement"), made and entered into as of this _____ day of _____, 2010, by and among STERNBERG ENTERPRISES PROFIT SHARING PLAN and those persons listed in exhibit “A” attached hereto.

ARTICLE I

FORMATION, NAME, PURPOSES,
DEFINITIONS

1.1 Formation. Pursuant to the Arizona Limited Liability Company Act (the "Act"), the parties have formed an Arizona limited liability company effective upon the filing of the Articles of Organization of the Company with the Arizona Corporation Commission. The parties shall immediately, and from time to time hereafter, as may be required by law, execute all amendments of the Articles of Organization, and do all filing, recording and other acts as may be appropriate to comply with the operation of the Company under the Act.

1.2 Intent. It is the intent of the Members that the Company shall always be operated in a manner consistent with its treatment as a "partnership" for federal and state income tax purposes. It also is the intent of the Members that the Company not be operated or treated as a "partnership" for purposes of Section 303 of the federal Bankruptcy Code. No Member shall take any action inconsistent with the express intent of the parties hereto.

1.3 Name. The name of the Company shall be:

"Northern 120, DIRECT INVESTORS LLC".’

1.4 Place of Business. The principal place of business of the Company shall be _____ Arizona, 850__, or such other place as the Members shall determine in their sole discretion.

1.5 Purpose. The Company has been formed to engage in any lawful business and may engage in any activities that are directly related to the accomplishment of such purpose. It is the intent however to limit the Company’s activity to acquiring, holding and selling real property, that is acquired subject to the reservation of an option to purchase the property, pursuant to a confirmed Plan Of Reorganization in The United States Bankruptcy Court, District of Arizona, Case No. 2:09-bk-28416 RJH .

1.6 Term. The Company shall commence upon the filing of its Articles of Organization and shall continue until such time as it shall be terminated under the provisions of Article IX hereof.

1.7 Members. The name and address of each of the Members of the Company are set forth in Exhibit “A” attached hereto.

1.8 Agent for Service of Process. The name and business address of the agent for service of process for the Company is _____, Phoenix Arizona, or such other person the Members shall appoint from time to time.

EXHIBIT C

1.9 Definitions. Whenever used in this Agreement, the following terms shall have the following meanings:

A. "Act" shall mean the Arizona Limited Liability Company Act, as presently in effect or as it may be amended in the future.

B. "Additional Capital Contribution" shall mean the contributions made, if any, pursuant to Section 2.2 of this Agreement.

C. "Additional Member" shall mean any person who is admitted to the Company as an Additional Member pursuant to Article VIII of this Agreement.

D. "Administrative Member" shall mean a committee of three of three of the Members, selected pursuant to this Agreement.

E. "Agreement" shall mean this written Operating Agreement. No other document or oral agreement among the Members shall be treated as part of or superseding this Agreement unless it is reduced to writing and it has been signed by all of the Members.

F. "Bankruptcy Proceeding" shall mean Chapter 11 Case No. 2:09-bk-28416 RJH In the United States Bankruptcy Court, District of Arizona,

G. "Capital Account" shall mean the account established and maintained for each Member in accordance with this Agreement and applicable Treasury Regulations.

H. "Capital Contribution" shall mean any contribution to the capital of the Company in cash, property or services by a Member whenever made

I. "Code" shall mean the Internal Revenue Code, as amended from time to time.

J "Company" shall refer to NORTHERN 120, DIRECT INVESTORS L.L.C.

K. "Distributable Cash" means all cash, revenues and funds received from Company operation, less the sum of the following to the extent paid or set aside by the Members:

(i) All cash expenditures incurred incident to the normal operation of the Company's business; and

(ii) Such cash Reserves as the Members deem reasonably necessary to the proper operation of the Company's business.

L. "Fiscal Year" means the Company's fiscal year, which shall be the calendar year.

M ."Initial Capital Contribution" shall mean the initial contributions to the capital of the Company made as a result of making an election for the Retention Option described in the Reorganization Plan to exchange each members interest in the Northern 120 LLC Loan for a membership interest herein. Values of the initial contribution will be based on the values established pursuant to the above described Bankruptcy proceeding and shall be reflected on the books and records of the Company.

N. "Interest" shall mean the proportion that a Member's positive Capital Account (if any) bears to the aggregate positive Capital Accounts of all Members whose Capital Accounts have positive balances.

EXHIBIT C

O "Losses" shall mean, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year under the cash method of accounting and as reported, separately the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any expenditures described in Section 705(a)(2)(B) of the Code.

P. "Majority-In-Interest" shall mean Members owning a simple majority of the Percentage Interest.

Q. "Member" shall mean each of the parties who execute a counterpart of this Agreement as a Member (directly or through a power of attorney) and each of the parties who may hereafter become Substituted Members.

R. "Organization Expenses" shall mean those expenses incurred in connection with the formation of the Company.

S "Percentage Interest" shall be the percentage interests in the capital, profits and losses of the Company set forth in Section 6.1 hereof.

T. "Plan of Reorganization" is the confirmed Plan of Reorganization pursuant to the Bankruptcy Proceeding.

U "Profits" shall mean, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year under the cash method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any income described in Section 705(a)(1)(B) of the Code.

V. "Person" shall mean any individual and any legal entity, and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

W. "Reserves" means, with respect to any fiscal period, funds set aside or amounts allocated during such period to reserves which shall be maintained in amounts deemed sufficient by the Administrative Member for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.

X "Treasury Regulations" shall mean the Regulations issued by the Treasury under the Code.

Y. "Withdrawal Event" shall mean those events and circumstances listed in Act.

ARTICLE II

CAPITALIZATION OF THE COMPANY

2.1 Initial Capital Contributions. Each Member has made the following contributions to the Company as listed in Exhibit "B" attached hereto.

2.2 Additional Capital Contributions. Each Member hereby agrees, upon the written request of the Manager, to make Additional Capital Contributions to pay the obligations of the Company. The Obligation to make Additional Capital Contributions shall be a personal obligation of each Member and shall be enforceable

by the Company and each of its Members. Notwithstanding anything herein to the contrary, the obligation to contribute shall be solely for the benefit of the Members and no creditor or Non-Member shall have a right to enforce the provision of this Section 2.2. The right of a Member to enforce may not be assigned voluntarily or by operation of law. The failure of a Member to make Additional Capital Contributions shall constitute a material breach of this Agreement and shall be treated as grounds for a "good cause" removal of the Member pursuant to Section 3.6 hereof. If a Member fails to make Additional Capital Contributions, all amounts distributable by the Company to the Member in any capacity, shall be suspended, and the Member's right to receive distributions from the Company shall not be restored until the Member shall have paid in full to the Company the delinquent Additional Capital Contribution, plus interest on such amount at the Rate of seventeen percent (17%) per annum from the date such Additional Capital Contribution should have been paid to the date it is paid by the Member plus any damages to the Company attributable to the failure to timely pay the Additional Capital Contribution, plus reimbursement of any reasonable costs and expenses incurred to the Company or any Member to enforce the collection of the delinquent Capital Contribution (the sum of such amounts hereinafter referred to as the "Delinquency Amount") or, at the election of a Majority-in-Interest of the Members who have defaulted in making contributions, such Delinquency Amount shall have been recouped from amounts otherwise distributable to the Member pursuant to paragraph 6.3 hereof, or upon termination of the Company pursuant to Article IX hereof.

2.3 Capital Accounts.

A. Debits and Credits. A separate Capital Account shall be maintained for each Member in accordance with the applicable provisions of the Treasury Regulations:

(i) Each Member's Capital Account shall be credited with such Member's Capital Contributions, such Member's distributive share of Profits allocated to such Member in accordance with the provisions of this Agreement, any items in the nature of income or gain that are specially allocated pursuant to Section 6.4 hereof, and the amount of any Company liabilities that are assumed by such Member or that are secured by any Company property distributed to such Member.

(ii) Each Member's Capital Account shall be debited by the amount of cash distributed to such Member in accordance with this Agreement, the gross asset value of any other Company property distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Losses allocated to such Member in accordance with this Agreement, any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.4, and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company.

(iii) In the event any interest in the Company is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(iv) In the event the gross asset values of the Company assets are adjusted pursuant to this Agreement, the Capital Accounts of all Members shall be adjusted simultaneously to reflect the aggregate net adjustment, as if the Company had recognized gain or loss equal to the amount of such aggregate net adjustment and the resulting gain or loss had been allocated among the Members in accordance with this Agreement.

B. Interpretation and Changes. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with the Code and applicable Treasury Regulations and shall be interpreted and applied in a manner consistent therewith. In the event the Manager shall determine, after consultation with Company counsel, that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto are allocated or computed, in order to comply with

such applicable federal law, the Administrative Member shall make such modification without the consent of any other Member, provided the Administrative Manager determines in good faith that such modification is not likely to have a material adverse effect on the amounts properly distributable to any Member upon the termination of the Company and that such modification will not increase the liability of any Member to third parties.

ARTICLE III

RIGHTS AND DUTIES OF MEMBERS

3.1 Management. The Members shall manage the business and affairs of the Company. Subject to §4.3 and unless otherwise set forth in this agreement, Members decisions shall be made by an affirmative vote of a Majority In Interest Subject to the provisions herein, the Members shall direct, manage and control the business of the Company to the best of his ability and shall have full and complete authority, power and discretion to make any and all decisions and to do any and all things which the Members shall deem to be reasonably required to accomplish the business and objectives of the Company. The Members shall appoint a committee of three Administrative Members to perform or oversee the performance of the administrative functions of the Company. If more than one class of claimants as described in the Plan of Reorganization become Members then one of the members of the administrative committee shall be selected by a vote of the majority in interest of the class A Members and one of the members of the administrative committee shall be selected by a vote of the majority in interest of the class B Members the third member of the Administrative Committee shall be selected by the first two members. For this purpose if Class 2 claimants and Class 3 claimants as described in the Plan of Reorganization become members pursuant to the Plan then Class 2 claimants are designated as Class A Members and class 3 claimants shall be designated as Cass B Members.

3.2 Certain Powers Administrative Member. The Administrative Member, subject to the directions of the Members, shall have power and authority, on behalf of the Company:

A. To purchase liability and other insurance to protect the Company's property and business;

B. To lease all or any portion of the Real Property and any other Company real and/or personal properties in the name of the Company;

C. To invest any Company funds temporarily (by way of example but not limitation) FDIC insured accounts and in time deposits and short-term governmental obligations;

D. To employ accountants, legal counsel, or other experts to perform services for the Company and to compensate them from Company funds;

E. To act as "tax matters partner" pursuant to Section 6221 of the Code;

F. After approval of the Members, to enter into any and all other agreements on behalf of the Company, with any other Person or Entity for any purpose, in such forms as the Members may approve;

G. To do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business; and

J After obtaining Member’s affirmative approval, to execute on behalf of the Company all instruments and documents, including, without limitation, checks, drafts, notices and other negotiable instruments, deeds of trust, documents providing for the disposition of the Company's property, and any other instruments or documents necessary to the business of the Company;

K Upon the affirmative vote of Members as required pursuant to § 4.3 below, the Administrative Member shall:

(ii) To sell or otherwise dispose of all or part of the assets of the Company so long as such disposition is not in violation of or cause of a default under any other agreement to which the Company may be bound;

(iii) To make an assignment for the benefit of creditors of the Company, file a voluntary petition in bankruptcy or appoint a receiver for the Company, provided such action has been approved in advance in writing by a Majority-In-Interest of the Members;

3.3 Administrative Member has no Exclusive Duty to Company. The Administrative Member shall not be required to exercise its duties for the Company as its sole and exclusive function and it may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Administrative Member's or to the income or proceeds derived there from. However no person shall be authorized to serve on the Administrative Committee who, except the for ownership of a direct interest in a loan originated by Mortgages LTD. Inc., has duties to others, or claims rights against the Company or any of its members that do, may or give the appearance of, a conflict with the interests against the Company or its Members.

3.4 Bank Accounts. The Administrative Member may from time to time open bank accounts in the name of the Company, and the Manager may be the signatory thereon. Nothing herein shall preclude the Manager from authorizing other Members to be signatories thereon.

3.5 Indemnity of the Members. The Company to the fullest extent permitted by Arizona law shall indemnify the administrative and other Members.

3.6 Removal. The Administrative Member may be removed at any time, with or without cause, by the affirmative vote of a Majority-In-Interest of the Members. .

3.7 Compensation. No compensation shall be paid to any Member of the Company but shall be entitled to reimbursements for all costs it reasonably incurs.

ARTICLE IV

RIGHTS AND OBLIGATIONS OF MEMBERS

4.1 Limitation of Liability. Each Member's liability for the debts and obligations of the Company shall be limited.

4.2 List of Members. Upon written request of any Member, the Administrative Member shall provide a list showing the names, last known addresses and interests of all Members in the Company.

4.3 Approval of Sale of Assets. The Real Property Owned by the Company, or part thereof is being acquired pursuant to a Court confirmed Plan of Reorganization, Under the Plan the Company is acquiring its property ownership subject to the reservation of an option to purchase said property to be exercised five years from the effective date of the Plan. Members are acquiring their Memberships interest with the expectation that the option will be exercised and the company will realized the option price. Therefore, as long as the option remains in effect, no sale of the property is authorized without an affirmative vote of 100 % of the Membership Interest. If the option is not exercised or, if the option lapses the Members shall have the right, by the affirmative vote of a 67% in-Interest of each class of the Members, to approve the sale, exchange or other

disposition of the Company's assets. For this purpose if Class 2 claimants and Class 3 claimants as described in the Plan of Reorganization become members pursuant to the Plan then Class 2 claimants are designated as Class A Members and class 3 claimants shall be designated as Cass B Members.

4.4 Company Books. The Administrative Member shall maintain and preserve at the Company's registered office, during the term of the Company, and for five (5) years thereafter, all accounts, books, and other relevant Company documents, including, without limitation, a copy of the Articles of Organization initially filed with the Arizona Corporation Commission, copies of this Agreement, together with any supplements, modifications or amendments hereto, any prior operating agreements no longer in effect, written agreements by a member to make a capital contribution to the Company, copies of the Company's federal, state and local income tax returns and reports and copies of all financial statements. Upon reasonable request, each Member shall have the right, during ordinary business hours, to inspect and copy such Company documents at the Member's expense.

4.5 Priority and Return of Capital. No Member shall have priority over any other Member, either as to the return of Capital Contributions or as to Profits, Losses or distributions; provided that this Section shall not apply to contributions made by Members, above such Member's pro-rata share of a contribution requirement because other Members have defaulted in making their required contributions..

4.6 Tax Election. Upon the transfer of an interest in the Company as permitted under the provisions of this Agreement, or in the event of the death of a Member, the Company shall elect, pursuant to Section 754 of the Internal Revenue Code of 1986, to adjust the basis of the Company's property and the Capital Account of the affected Member as allowed by Section 734(b) and Section 743(b) of the Internal Revenue Code of 1986 at the request of the transferee of such Member's Percentage Interest. The Managing Member shall elect for the Company to be taxed as a partnership on the first income tax return of the company.

ARTICLE V

MEETINGS OF MEMBERS

5.1 Annual Meeting. An annual meeting of the Members shall be held on the January 3rd of each year, or at such other time at the request of any of the Members, commencing with the year 2003, for the purpose of the transaction of such business as may come before the meeting.

5.2 Special Meetings. Special meetings of the Members, may be held for any purpose or purposes, unless otherwise prescribed by statute, may be called by any Member.

5.3 Place of Meetings. The Members may designate any place, either within or outside the State of Arizona, as the place of meeting for any meeting of the Members. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be held at the Company's place of business.

5.4 Notice of Meetings. Except as provided in Section 5.5, written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than three nor more than fifty days before the date of the meeting, either personally, by mail,email, or by facsimile, by or at the direction of the Administrative Member,or person calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two calendar days after being deposited in the United States mail, addressed to the Member at his or her address as it appears on the books of the Company, with postage thereon prepaid or if notice is transmitted by fax, such notice shall be deemed to be delivered on the date of such facsimile transmission to the fax number, if any, for the respective member that has been supplied by said Member to the Manager and identified as such Member's facsimile number.

5.5 Meeting of All Members. If all of the Members shall meet at any time and place, either within or outside of the State of Arizona, and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken.

5.6 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

5.7 Quorum. A Majority-In-Interest of the Members, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Interests so represented may adjourn the meeting from time to time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for a period of more than sixty (60) days, or if after the adjournment a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at a meeting.

5.8 Manner of Acting. If a quorum is present, the affirmative vote of a Majority-In-Interest of the Members shall be the act of the Members, (and not of thopse present) unless the vote of a greater or lesser proportion or number is otherwise required by the Act, by the Articles of Organization, or by this Agreement.

5.9 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Administrative Member of the Company before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

5.10 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by all of the Members entitled to vote and delivered to the Administrative Member of the Company for inclusion in the minutes or for filing with the Company records. Action taken under this Section is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date. The Record Date for determining Members entitled to take action without a meeting shall be the date the first Member signs a written consent.

5.11 Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the Person entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VI

PROFITS, LOSSES; DISTRIBUTIONS

6.1 Percentage Interests. The Percentage Interests of the Members are as follows ar set forth in Exhibit “B”: attached hereto

6.2 Profits and Losses. Profits and Losses of the Company proportionate to their respective percentage interests.

6.3 Distributions. Except as provided in Section 6.4, all distributions of cash or other property

shall be made to the Members in proportion to their Percentage Interests on the record date of such distribution. Except as provided in Section 6.4 and for authorized retentions, all distributions shall be made by the Administrative Member within 30 days after receipt of option payments, proceeds of sale or otherfunds. All amounts withheld pursuant to the Code or any provisions of state or local tax law with respect to any payment or distribution to the Members from the Company shall be treated as amounts distributed to the Members pursuant to this Section 6.3.

6.4 Special Allocations.

A. Qualified Income Offset. In the event any Member, in such capacity, unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4) (regarding depletion deductions), 1.704-1(b)(2)(ii)(d)(5) (regarding certain mandatory allocations under Treasury Regulations regarding family partnerships, the so-called varying interest rules, or certain in-kind distributions), or 1.704-1(b)(2)(ii)(d)(6) (regarding certain distributions, to the extent they exceed certain expected offsetting increases in a Member's Capital Account), items of Company income and gain shall be specially allocated to such Members in an amount and a manner sufficient to eliminate, as quickly as possible, the deficit balances in the Member's Capital Account created by such adjustments, allocations or distributions. Any special allocations of items of income or gain pursuant to this subsection A shall be taken into account in computing subsequent allocations of Profits pursuant to this Article VI, so that the net amount of any items so allocated and the Profits, Losses or other items allocated to each Member pursuant to this Article VI shall, to the extent possible, be equal to the net amount that would have been allocated to each such Member pursuant to this Article VI as if such unexpected adjustments, allocations or distributions had not occurred.

B. Section 704(c) Allocations. In accordance with Section 704(c) of the Code and the applicable Treasury Regulations issued there under, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company, shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value. In the event the Gross Asset Value of any Company property is adjusted pursuant to this Agreement, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take into account any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Section 704(c) of the Code and the Treasury Regulations there under. The Managing Member in any manner that reasonably reflects the purpose of this Agreement shall make any elections or other decisions relating to such allocations. Allocations made pursuant to this subsection B are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

C. Other Allocations. The Administrative Member shall make such other special allocations as are required in order to comply with any mandatory provision of the applicable Treasury Regulations or to reflect a Member's economic interest in the Company determined with reference to such Member's right to receive distributions from the Company and such Member's obligation to pay its expenses and liabilities.

D. Acknowledgment. The Members are aware of the income tax consequences of the allocations made by this Article VI hereof and hereby agree to be bound by the provisions of this Article VI hereof in reporting their share of Company income and loss for income tax purposes.

6.5 Limitation Upon Distributions. No distribution shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, except liabilities to Members on account of their contributions.

6.6 Accounting Method. The books and records of account of the Company shall be

maintained in accordance with the cash method of accounting.

6.7 Interest On and Return of Capital Contributions. No Member shall be entitled to interest on the Member's Capital Contribution or to the return of the Member's Capital Contribution, except as otherwise specifically provided for herein.

6.8 Loans to Company. Nothing in this Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company.

6.9 Accounting Period. The Company's accounting period shall be the calendar year.

6.10 Records, Audits and Reports. At the expense of the Company, the Manager shall maintain records and accounts of all operations and expenditures of the Company. At a minimum, the Company shall keep at its principal place of business the following records:

A. A current list of the full name and last known business, residence, or mailing address of each Member and Manager, both past and present;

B. A copy of the Articles of Organization of the Company and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;

C. Copies of the Company's federal, state, and local income tax returns and reports, if any, for the three most recent years;

D. Copies of the Company's currently effective written Operating Agreement and all amendments thereto, copies of any prior written operating agreement no longer in effect, copies of any writings permitted or required with respect to a Member's obligation to contribute cash, property or services, and copies of any financial statements of the Company for the three most recent years;

E. Minutes of every annual, special, and court-ordered meeting;

F. Any written consents obtained from Members for actions taken by Members without a meeting; and

G. A copy of the intended Articles of Organization and all amendments.

6.11 Returns and Other Elections. The Administrative Member shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. The Manager shall elect to file as a partnership. Copies of such returns, or pertinent information there from, shall be furnished to the Members within a reasonable time after the end of the Company's fiscal year.

The Manager shall make all elections that are to be made by the Company under federal or state laws.

ARTICLE VII

RESTRICTIONS ON TRANSFERABILITY

Without the written consent of all Members, no Member shall have any right to retire or

withdraw voluntarily from the Company or to voluntarily commit an act that constitutes a Withdrawal Event. Any voluntary act of a Member that constitutes a withdrawal from the Company shall constitute a material breach of this Agreement and the Company shall be entitled to collect damages for such breach. Such damages shall offset any cash or other property otherwise distributable to such Member by the Company. The admission of a transferee of an Interest as a Member shall not effect the dissolution of the Company.

ARTICLE VIII

ADDITIONAL MEMBERS

After the formation of the Company, any Person acceptable to the Majority-In-Interest of the Members may become a Member of the Company for such consideration, as the Members by their unanimous vote shall determine. No assignee of an interest of a Member shall become a Member of the Company without the written consent of a Majority-In-Interest of each class the Members. No new Members shall be entitled to any retroactive allocation of losses, income or expense deductions incurred by the Company. The Manager may, at the time an additional Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of loss, income and expense deductions to an additional Member for that portion of the Company's tax year in which an additional Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated there under.

ARTICLE IX

DISSOLUTION AND TERMINATION

9.1 Dissolution.

A. The Company shall be dissolved upon the occurrence of any of the following events:

(i) December 31, 2075;

(ii) By the unanimous written agreement of all Members;

(iii) Upon the entry of a decree of dissolution under A.R.S. Section 29-785;

(iv) Upon the acquisition by one Person of all of the outstanding Interests; or

9.2 Effect of Filing of Dissolving Statement. Upon the dissolution of the Company, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business, but its separate existence shall continue until Articles of Termination have been filed with the Arizona Corporation Commission or until a decree dissolving the Company has been entered by a court of competent jurisdiction.

9.3 Winding Up, Liquidation and Distribution of Assets.

A. Upon dissolution, an accounting shall be made by the Company's independent accountants of the accounts of the Company and of the Company's assets, liabilities and operations, from the date of the last previous accounting until the date of dissolution. The Manager shall immediately proceed to wind up the affairs of the Company.

B. If the Company is dissolved and its affairs are to be wound up, the Manager shall

EXHIBIT C

(1) sell or otherwise liquidate all of the Company's assets as promptly as practicable (except to the extent the Members may determine to distribute any assets to the Members in kind), (2) allocate any profit or loss resulting from such sales to the Members' Capital Accounts in accordance with Article VI hereof, (3) discharge all liabilities of the Members (other than liabilities to Members), including all costs relating to the dissolution, winding up, and liquidation and distribution of assets, (4) establish such reserves as may be reasonably necessary to provide for contingent liabilities of the Company (for purposes of determining the Capital Accounts of the Members, the amounts of such reserves shall be deemed to be an expense of the Company), (5) discharge any liabilities of the Company to the Members other than on account of their interests in Company capital or profits, and (6) distribute the remaining assets in the following order;

(i) If any assets of the Company are to be distributed in kind, the net fair market value of such assets as of the date of dissolution shall be determined by independent appraisal or by agreement of the Members. Such assets shall be deemed to have been sold as of the date of dissolution for their fair market value, and the Capital Accounts of the Members shall be adjusted pursuant to the provisions of Article VI and Section 2.3 of this Agreement to reflect such deemed sale.

(ii) The positive balance of each Member's Capital Account as determined after taking into account all Capital Account adjustments for the Company's taxable year during which the liquidation occurs, shall be distributed to the Members, either in cash or in kind, as determined by the Members, with any assets distributed in kind being valued for this purpose at their fair market value. Any such distributions to the Members in respect of their Capital Accounts shall be made in accordance with the time requirements set forth in Section 1.704-1(b)(2)(ii)(b)(2) of the Treasury Regulations.

C. Notwithstanding anything to the contrary in this Agreement, upon a liquidation within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Treasury Regulations, if any Member has a negative deficit Capital Account balance (after giving effect to all contributions, distributions, allocations and other Capital Account adjustments for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any contribution to the capital of the Company, and the negative balance of such Member's Capital Account shall not be considered a debt owed by such Member to the Company or to any other person for any purpose whatsoever.

D. Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated.

E. The Manager shall comply with any applicable requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets.

9.4 Articles of Termination. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefore and all of the remaining property and assets have been distributed to the Members, Articles of Termination shall be executed and filed with the Arizona Corporation Commission.

9.5 Return of Contribution Non-Recourse to Other Members. Except as provided in Section 2.2 and by law, upon dissolution, each Member shall look solely to the assets of the Company for the return of his or her Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the cash or other property contribution of one or more Members, such Member or Members shall have no recourse against any other Member.

EXHIBIT C

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party or to an executive officer of the party to whom the same is directed or, if sent by registered or certified mail, postage and charges prepaid, addressed to the Member's and/or Company's address, as appropriate, which is set forth in this Agreement, if sent by facsimile or if sent by email in the manner set forth below. Except as otherwise provided herein, if mailed, any such notice shall be deemed received upon actual receipt, as evidenced by the certified or registered mailing receipt. If transmitted by way of facsimile, or email such notice shall be deemed to be delivered on the date of such facsimile email transmission to the fax number or email address , if any, for the respective Member to the Administrative Member and identified as such Member's facsimile number or email address, so long as the sender has received back written acknowledgment of receipt or other written verification that the recipient received its facsimile or email transmission. Unless notification of a change of address is given to the Manager and all other Members by any Member or other addressee, notices shall be sent as follows:

To: SHELDON H. STERNBERG;
STERNBNERG ENTERPRISES. PROFIT SHARING PLAN
5730 N. Echo Canyon Drive
Phoenix Arizona, 85018
602-808-9884
Fax No.: 602.808 9074
Email:ssternberg@q.com

To Those persons and entities listed in Exhibit “A” attached hereto

10.2 Books of Account and Records. Proper and complete records and books of account shall be kept or shall be caused to be kept by the Administrative Member in which shall be entered fully and accurately all transactions and other matters relating to the Company's business in such detail and completeness as is customary and usual for businesses of the type engaged in by the Company. Such books and records shall be maintained as provided in Section 4.4. The books and records shall at all times be maintained at the principal executive office of the Company and shall be open to the reasonable inspection and examination of the Members or their duly authorized representatives during reasonable business hours.

10.3 Application of Arizona Law. This Agreement and its application and interpretation shall be governed exclusively by its terms and by the laws of the State of Arizona.

10.4 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company any right that he or she may have to maintain any action for partition with respect to the property of the Company.

10.5 Amendments. This Agreement may not be amended except by the unanimous written agreement of all of the Members.

10.6 Execution and Additional Instruments. Each member, electing the retention option appoints and constitutes Sheldon H Sternberg as such persons attorney in fact to execute this Operational Agreement. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with

any laws, rules or regulations.

10.7 Construction. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders and vice versa; and the word "person" or "party" shall include a corporation, firm, partnership, proprietor- ship or other form of association.

10.8 Headings. The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision hereof.

10.9 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

10.10 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

10.11 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

10.12 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns.

10.13 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

10.14 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Members have executed this Operating Agreement the day and year first above written.

MEMBERS:

_____

_____

_____

_____

EXHIBIT C

CONSENT OF SPOUSE

The undersigned, as a non-designated spouse having a community interest in the Membership account of my spouse, the designated Manager, does hereby consent to the terms and conditions of this Operating Agreement of Northern 120, Direct Investors, L.L.C., an Arizona Limited Liability Company, and particularly paragraph 10.15 thereof.

Dated this _____ day of _____, 19___.

_____
SYLVIA STERNBERG

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 22nd day of May 2002, personally appeared before me, the undersigned Notary Public, SYLVIA STERNBERG, who acknowledged that she executed the foregoing instrument for the purposes therein expressed.

My Commission Expires: _____
Notary Public

_____

EXHIBIT "D"

PARTITION PLAN

This Partition Plan assumes that all those creditors controlled by the ML Manager will elect the Cash Option in lieu of any recovery of any part of the Northern Real Property and that 100% of the Opt-Out Direct Investors will elect the Retention Option and forego cash payment. Consequently, the Partition Plan assumes that 3% of the acreage, approximately 4 acres, will be partitioned from the Northern Real Property and conveyed to the Direct Investors electing the Retention Option ("Partitioned Acreage"). The Partitioned Acreage will be a rectangle of land that traverses to the east and west boundaries of the Northern Real Property, the southern border of which will abut Northern Avenue. To the extent that there should be a different number of Direct Investors electing the Retention Option, then the Partitioned Acreage shall rise or fall proportionately, and the different acreage shall be reflected in adjusting the northern boundary of the Partitioned Acreage.

The portion of the Northern Real Property to which the liens of Electing Creditors will attach will be a square of land (to the extent practicable) beginning at the northwest corner of the Northern Real Property and extending to the south and east to the extent necessary to reflect the pro rata interest in the Northern Real Property held by the Electing Creditors.