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Robert G. Furst
4201 North 57th Way
Phoenix, Arizona 85018
(602) 377-3702
Pro Per

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U.S. BANKRUPTCY
DISTRICT OF ARIZONA

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re: MORTGAGES LTD., an Arizona corporation, Debtor.	In Proceedings Under Chapter 11 Case No. 2:08-bk-07465-RJH **ROBERT FURST'S OBJECTION TO ML MANAGER'S (1) NOTICE OF LODGING ALLOCATION MODEL TO BE USED WITH REGARD TO THE DISBURSEMENT OF PROCEEDS TO THE NEWMAN LOAN INVESTORS, (2) NOTICE THATALLOCATION MODEL HAS GENERAL APPLICABILITY TO ALL INVESTORS, AND (3) MOTION TO APPROVE ALLOCATION MODEL** **Hearing Date: September 21, 2010** **Hearing Time: 1:30 P.M.**

Robert G. Furst files this objection to ML Manager's allocation model, for the following reasons:

1. Because ML Manager is a fiduciary, the applicable test for evaluation of the allocation model is the fiduciary duty standard, not the business judgment rule. ML Manager represents conflicting interests in allocating costs to the principals that it represents, and its allocation model is designed to enrich certain investors at the expense of others.

2. The allocation model fails to take into account that certain loans will utilize the services of ML Manager for a longer period than others and, therefore, should be allocated greater costs. For example, an investor in the Newman loan, which paid off months ago, should not pay the same share of costs as a investor in another ML Loan that pays off in five years.

3. The allocation model states that investors who own ML loans are the only investors who are allocated costs. ML Manager cites no authority for this proposition. Do investors in the Value to Loan Fund pay a share of the costs? If not, ML Manager should cite the specific provisions in the Plan or other documents which exempt investors in the Value to Loan Fund from any liability for costs? Are there any other groups of investors who are exempt from exit financing liability?

4. The allocation model improperly allocates exit financing costs to loans in which no Loan LLC was formed and, therefore, no portion of the loan was pledged to the exit financier. Under Paragraph U of the Confirmation Order, exit financing costs can only be allocated to loans in which a Loan LLC has pledged its interest in an ML Loan to the exit financier (and the "opt out" investors in these loans can be allocated a share of these costs). If, however, no portion of a loan was pledged to the exit financier, ML Manager cannot allocate exit financing costs to the investors in these loans (just like ML Manager cannot allocate exit financing costs to the investors in the Value to Loan Fund).

5. The allocation model improperly allocates exit financing costs based upon the relative outstanding loan balances of the ML Loans. Under the interborrower agreement and other relevant documents, exit financing costs must be allocated among the ML Loans in accordance with the relative values of the Loan LLC's interests which were pledged to the exit financier.

6. The allocation model does not disclose all of the expenses incurred to date, so that an informed decision can be made by the investors. For example, it is rumored that ML Manager is

paying annual premiums of $1 million for liability insurance each year (and intends to buy a tail policy). These expenditures must be fully disclosed.

7. The allocation model should specifically provide that, when the "opt out" investors in foreclosed properties pay their share of allocable costs (after the exit financier is paid in full), the agency agreements terminate, and the "opt out" investors have all of the property rights of any other property owner under Arizona law.

8. The undersigned incorporates the objections stated in any other responsive pleadings to this allocation model.

DATED: August 26, 2010

Robert G. Furst
4201 North 57th Way
Phoenix, Arizona 85018
(602) 377-3702