

**James C. Sell, Conservator**  
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September 26, 2005

Dear Investor:

Recently, I have received a number of investor calls regarding the hearing that was held on September 19, 2005 for my proposed plan to distribute approximately \$10 million dollars to the investors.

The proposed early distribution of \$10 million to the investors was not heard on September 19, 2005. Your investors committee objected to my proposed plan for an early distribution to investors. The investors' committee objection was supported by legal counsel for Guy and Duane and counsel for some of the insiders. Prospects for an early distribution to investors have become unlikely.

During the hearing on September 19, 2005 my legal counsel pointed out to the court that your committee's counsel chose to sit on the defendant's side of the court not the plaintiff's side.

I think each one of you should review the following court order which sets forth the duties of the official investors committee. After you have reviewed it, ask yourself if the committee is operating within its authorization or representing your best interest.

Sincerely,

JAMES C. SELL, Conservator

JCS:ja

Enclosure

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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA  
IN AND FOR THE COUNTY OF MARICOPA

ARIZONA CORPORATION  
COMMISSION,

Plaintiff,

vs.

MATHON MANAGEMENT COMPANY,  
L.L.C., fka an Arizona limited liability  
company now dba a Delaware limited  
liability company, et al.,

Defendants.

NO. CV 2005-005484

Assigned to the  
Honorable Barry C. Schneider

**ORDER GRANTING JOINT  
MOTION TO RECOGNIZE THE  
PROPOSED OFFICIAL  
INVESTORS'/CREDITORS'  
COMMITTEE AND TO  
AUTHORIZE THE EMPLOYMENT  
OF QUARLES & BRADY STREICH  
LANG LLP AS COMMITTEE  
COUNSEL**

Conservator JAMES C. SELL ("Sell" or the "Conservator") and THE  
(PROPOSED) OFFICIAL INVESTORS'/CREDITORS' COMMITTEE (the  
"Committee") having filed a Joint Motion asking the Court to enter an Order recognizing  
the Committee as the official committee representing investors and creditors in this case  
and authorizing the Committee to employ the law firm of Quarles & Brady Streich Lang  
LLP as its counsel, the Court finds, based upon the paper submitted that the  
conservatorship, and the investors will be well served by having an official committee.

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1 IT IS THEREFORE ORDERED:

2 1. Recognizing the committee as organized consisting of members ROBERT  
 3 LLOYD, who at the April 20, 2005 meeting of the committee was elected to serve as chair  
 4 of the committee, and DAVID GIBB, KURT TAYLOR, BENJAMIN FUNK, RANDALL  
 5 SKIDMORE, and BRENT BOYSE as other committee members." Hereafter the  
 6 committee shall be known and recognized as the Official Mathon Investors' Committee  
 7 (the"Committee"). It is empowered to (i) prepare and adopt bylaws, (ii) expand the  
 8 Committee as prudent and necessary, (iii) employ counsel to assist, advise, and represent  
 9 the Committee in relation to the administration the case; (iv) assist and advise the  
 10 Conservator in the investigation of Defendants' assets, liabilities and other financial  
 11 information; (v) work with the Conservator and his counsel to organize and disseminate  
 12 information to the body of investors in this case, and (vi) take other steps as necessary and  
 13 prudent to assist the Conservator to maximize the distribution to investors.

14 2. Authorizing the Conservator to compensate QBSL from available Mathon  
 15 funds subject to entry of further Court order approving fees and costs sought.

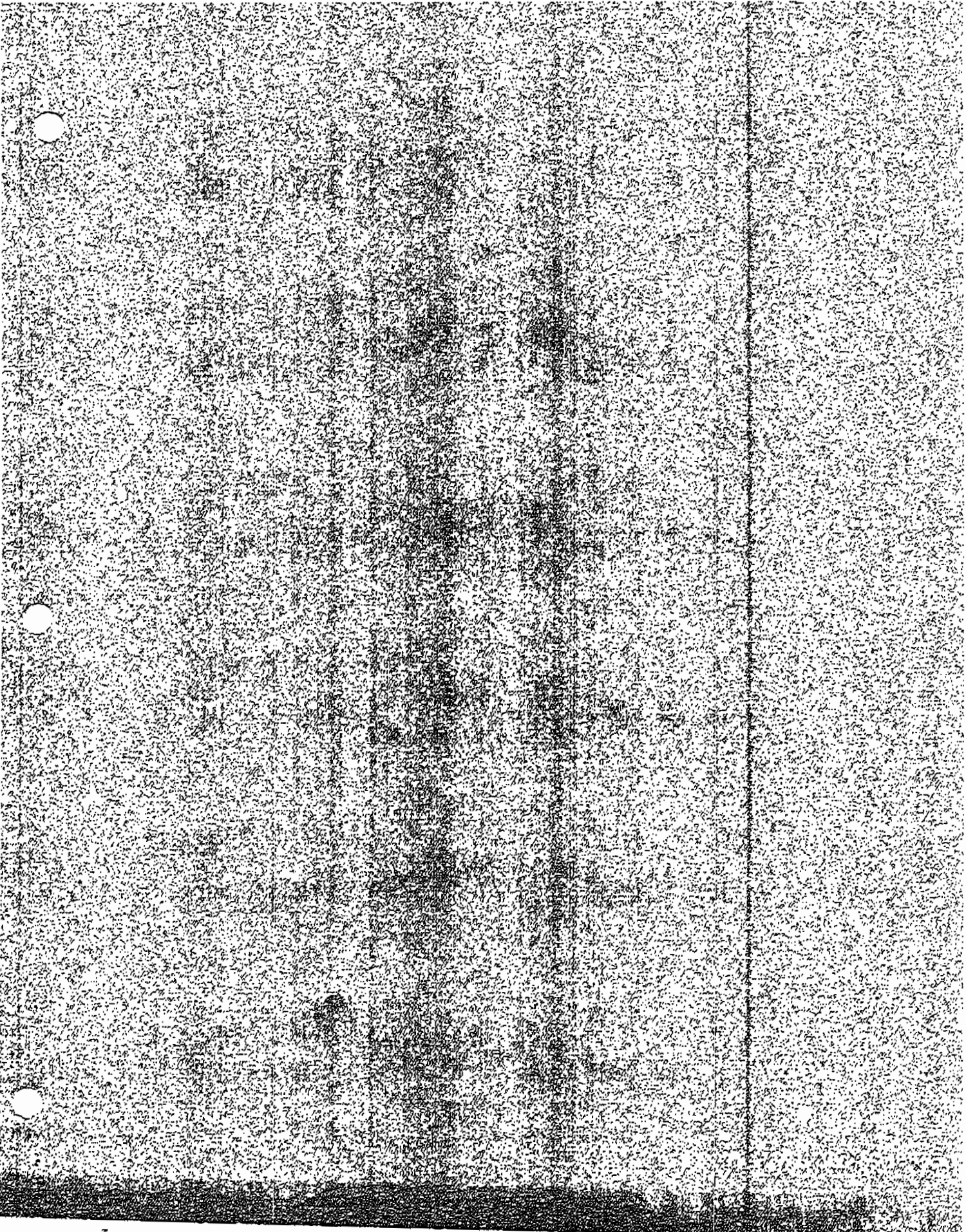
16 DATED this 25 day of May, 2005.

17 **Barry C. Schneider**  
**JUDGE OF THE SUPERIOR COURT**

18 Honorable Barry C. Schneider  
 19 Judge of the Superior Court

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Quarles & Brady Streich Lang LLP  
Firm State Bar No. 00443100  
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TELEPHONE 602.223.5200

Attorneys for the (Proposed) Official  
Investors'/Creditors' Committee  
Gerald L. Shelley (#10453)  
Peter L. Riggs (#23423)

**IN THE SUPERIOR COURT OF THE STATE OF ARIZONA  
IN AND FOR THE COUNTY OF MARICOPA**

ARIZONA CORPORATION  
COMMISSION,

Plaintiff,

vs.

MATHON MANAGEMENT COMPANY,  
L.L.C., fka an Arizona limited liability  
company now dba a Delaware limited  
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Defendants.

NO. CV 2005-005484

Assigned to the  
Honorable Barry C. Schneider

**JOINT MOTION TO RECOGNIZE  
THE PROPOSED OFFICIAL  
INVESTORS'/CREDITORS'  
COMMITTEE AND TO  
AUTHORIZE THE EMPLOYMENT  
OF QUARLES & BRADY STREICH  
LANG LLP AS COMMITTEE  
COUNSEL**

This Joint Motion is filed by QUARLES & BRADY STREICH LANG LLP ("QBSL"), proposed counsel for THE (PROPOSED) OFFICIAL INVESTORS'/CREDITORS' COMMITTEE (the "Committee") and JAMES C. SELL, ("Sell" or the "Conservator") duly appointed Conservator in this case. By this Motion, Sell and QBSL ask the Court to enter an Order recognizing the Committee as the official committee representing investors and creditors in this case and authorizing the Committee to employ QBSL as its counsel. In support of this Motion, Sell and QBSL hereby state as follows:

1           1.     At the present time, the proposed Committee consists of six  
 2 investors/creditors of any of one or more of those funds currently in the Conservator's  
 3 control and originally organized under the Mathon group of funds (the "Mathon Funds"),  
 4 which are the subject of this lawsuit. Each proposed committee member is without  
 5 conflict because none is a principal of any Mathon entity, nor has any been compensated  
 6 by Mathon for services leading to or assisting in its organization or funding. Recognizing  
 7 that the many individual creditors and investors share a common legal interest, the  
 8 Conservator met at length with Robert Lloyd ("Lloyd"), also an investor/creditor and  
 9 suggested that he consider organizing a committee comprised of individual  
 10 investors/creditors who never received compensation of any kind from any Mathon entity  
 11 in furthering Mathon's financial or organizational goals<sup>1</sup>. To avoid any impropriety or  
 12 even the suggestion of bias, the Conservator advised Lloyd to locate and organize  
 13 investors without any further input or assistance from the Conservator. To that end, Lloyd  
 14 investigated the possibility of creating a committee, consulted with multiple counsel,  
 15 multiple investors/creditors, assembled interested individuals, held a formal formation  
 16 meeting on April 20, 2005, hired experienced counsel and took other steps necessary to  
 17 organize the committee in order to most effectively represent its constituency of  
 18 investors/creditors extant in this case. Membership in the proposed Committee is limited  
 19 to investors and creditors who provided capital investments in the Mathon Funds and who  
 20 otherwise have no conflict with the Conservator, Mathon principals, agents or employees.

21           The proposed Committee members include ROBERT LLOYD, who at the April  
 22 20, 2005 meeting was elected to serve as chair of the Committee, DAVID GIBB, KURT  
 23 TAYLOR, BENJAMIN FUNK, RANDALL SKIDMORE, and BRENT BOYSE (the

24 <sup>1</sup> Both Sell and the proposed Committee recognize the need to restrict Committee membership to those individuals  
 25 who played no role in furthering Mathon's organizational or funding activities. For example, any individual who  
 26 may have received a commission from, was employed by, or assisted Mathon in bringing investors/creditors into any  
 of the various Mathon funds, may have goals different from the singular goal of the Committee—to ensure the highest  
 possible distribution to investors/creditors as possible.

1 "Committee Members"). These six agreed to serve as committee members at the  
 2 formation meeting. Since then, five others have offered to serve on the committee<sup>2</sup>.  
 3 Multiple other investors/creditors have voiced support for the formation of an official  
 4 committee and the Committee will seek to serve the interests of all investors/creditors. .

5 2. It is essential to the efforts of the Committee that they employ counsel  
 6 experienced in providing representation to committees and others in insolvency  
 7 proceedings. Accordingly, the Committee seeks Court approval to retain QBSL as  
 8 counsel for the Committee. A declaration of counsel is attached providing further details  
 9 concerning QBSL's experience and its intention as counsel going forward.

10 3. QBSL has the experience, expertise, and resources necessary to enable it to  
 11 provide the multi-faceted legal services needed by the Committee in this case. Along with  
 12 experience in various other areas, QBSL has extensive experience in insolvency matters  
 13 and is qualified to represent the Committee.

14 4. The duties of counsel for the Committee shall include, but are not limited to,  
 15 the following: (i) assisting, advising and representing the Committee in relation to the  
 16 administration the case; (ii) assisting, advising and representing the Committee in the  
 17 investigation of Defendants' assets, liabilities and other financial information; (iii)  
 18 assisting, advising and representing the Committee in the performance of all of its duties  
 19 and obligations under Arizona law and in the performance of such other services as are in  
 20 the interest of the Committee., (iv) working with the Committee, the Conservator and his  
 21 counsel to organize and disseminate information to the body of investors in this case, and  
 22 (v) working with the Conservator and his counsel to further the nature and intent of the  
 23 conservatorship order.

24 5. The Committee voted for the employment of QBSL as its general counsel.  
 25 To the best of QBSL's knowledge, information, and belief, QBSL does not have any

26 <sup>2</sup> The Committee expects to expand as necessary to serve the needs of the investors/creditors.

1 connections with the Defendants, its creditors, any other parties in interest, or its  
 2 respective attorneys and accountants, that would result in conflicted representation of the  
 3 committee. Furthermore, QBSL is not precluded from representing the Committee under  
 4 applicable law and ethical rules. If and to the extent that QBSL discovers any material  
 5 past representation of any adverse party to the Committee, or any existing representation,  
 6 appropriate disclosures will be made to the Committee, the Court, and the Defendants, and  
 7 appropriate steps will be taken to withdraw or to hire special counsel to the Committee.

8 6. QBSL does not represent any other entity in this case which has any adverse  
 9 interest therein; and QBSL will not represent any such entity in this case during QBSL's  
 10 employment as counsel for the Committee.

11 7. It is in the best interests of the Conservator and all investors/creditors in this  
 12 case that an official committee be organized to assist the Conservator, the Court and other  
 13 interested parties in obtaining the maximum return to investors/creditors in this case and  
 14 that QBSL be compensated for its services from Mathon Funds, subject to prior Court  
 15 approval.

16 WHEREFORE, the Conservator and the Committee respectfully request that  
 17 the Court enter an Order:

18 A. Recognizing and approving the Committee as the official committee  
 19 of investors/creditors;

20 B. Authorizing and approving the Committee's employment of QBSL as  
 21 counsel for the Committee in all of its capacities, effective as of April 20, 2004;

22 C. Authorizing the Conservator to compensate QBSL from Mathon  
 23 assets after entry of an order approving fees and costs sought,

24 D. Granting the Committee such other and further relief as the Court  
 25 deems just under the facts and circumstances of this case.

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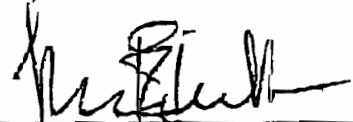
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RESPECTFULLY SUBMITTED this

3<sup>rd</sup> day of ~~April~~, 2005.

*May*

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By   
Lawrence E. Wilk

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By   
Gerald L. Shelley  
Peter L. Riggs

Attorneys for The (Proposed) Official Creditor's  
Committee

APPROVED:

ROBERT LLOYD  
Chair, proposed Committee

COPY of the foregoing  
sent via U.S. Mail this  
3<sup>rd</sup> day of ~~April~~, 2005 to:

*May*

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RESPECTFULLY SUBMITTED this  
27 day of April, 2005.

*May*

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By   
Lawrence E. Wilk

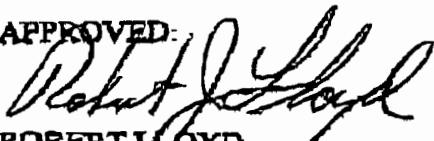
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Peter L. Riggs

Attorneys for The (Proposed) Official Creditor's  
Committee

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Chair, proposed Committee

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\_\_\_\_\_ day of April, 2005 to:

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