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During the course of a Conservatorship, Receivership or Bankruptcy, rumors abound. The Mathon Conservatorship is no exception and to date has had more than its fair share of rumors. Likewise, investors' perception of the value of their investment follows a rollercoaster course. At first, investors want to believe nothing is wrong, it's all a terrible mistake and they will receive all of their investment plus their promised return. Investor optimism is soon replaced by rumors of a total disaster. Next, the opportunists arrive; their goal is make a profit off of the Investors' growing fear.

Reality often differs substantially from perception; especially when perception is fueled by unfounded rumors and false statements made by persons pursuing their own agendas. Rumors and false statements are particularly harmful to the investors when they appear to come from a credible or authoritative source.

To date, I have heard many assertions as to what my position and/or intent is, related to various Mathon issues, its principals and its investors. Most of the circulating assertions about my intentions or proposed course of action are neither factual nor representative of my intended course of action. Since I believe I am the best source of information about my intended course of conduct, I will respond to what I believe are some of the more egregious, false rumors being circulated.

In a letter authored by William Weinstein dated July 26, 2005, he makes several false assertions related to my intended course of conduct.

I think it is important for you to know I have never personally met Mr. Weinstein. We have had two brief telephone conversations about access to Mathon records. He did meet with the Mathon accounting department personnel and some members of my staff (he showed up 1 ½ hours late for the meeting). At that time he was given access to the loan files and accounting records. In my second phone conversation with Mr. Weinstein I

agreed to meet with him and provide him access to files I had at my Phoenix office. He never showed up for that meeting.

1. In the July 26, 2005 letter, Weinstein states “I don’t believe we can complete this document (Disclosure Statement and Reorganization Plan) until Mr. Sell is more cooperative ...”. I attempted to explain to Mr. Weinstein that I had a job to do and the accounting staff had an assigned list of priorities. I would provide him access to the records and staff as time was available but I wasn’t going to suspend the scheduled work to accommodate his phone calls demanding immediate access. Some of his requests were for data that either never existed in the Mathon files or had been removed from the files by former Mathon personnel. I told him he was responsible for doing his own due diligence and that I was not going to do it for him. I have never objected to reasonable access based on reasonable notice. As far as his preparation of a Disclosure Statement and Reorganization Plan, he assumes he has completed the requisite legal process and that he has been granted the authority to do so.
2. I have discussed the monthly operating expenses of the estate with the investors committee. In the initial months of any Conservatorship, expenses will be high due to the nature of the work that needs to be done. We have gone through that initial rush of effort and the monthly operating expenses have begun to materially decrease.
3. Mr. Weinstein goes on to make two unfounded false statements:
 - a. “Sell intends to engage in extensive litigation with most creditors.” My choice and my intent is to negotiation rather than litigate. Anyone who knows my track record knows I prefer negotiations over litigation. I believe litigation should be the last resort. I assume when he refers to most creditors he is referring to the investors. Since the inception of the Conservatorship I have expressed my desire to work with the investors to develop a fair and equitable plan that would be acceptable to most, if not all, of the investors.
 - b. “It is anticipated that Sell will generate over \$10,000,000 of expenses over a period of 3-5 years.”

The prospect of me billing fees of \$10,000,000 over 3-5 years is absurd on its face. I have never incurred those kinds of fees in any case throughout my career. Perhaps this is the profit anticipated by Weinstein.

4. "Under Arizona law, Sell has taken the position that there are as many as five separate types of legal actions he can bring against the approximate 140 investors". As I have stated to the creditors committee on previous occasions, I have not formed any conclusions on any type of division or classification of creditors. I have stated on at least one occasion that perhaps all investors should be combined into one class. I have stated there were five or more ways to invest in "Mathon". It takes a giant leap of supposition, not based on facts, to conclude that I am advocating five or more tiered classes. As I have previously told the investors committee, I have not come to any conclusions regarding the appropriateness of investor classes. Until I have completed my analysis of the underlying facts, it is inappropriate to advocate any position. Also, I have told the committee I would report my findings to the committee and consult with them before any plan was devised or submitted to the court. My goal is to achieve as much of an investor consensus as possible. What is most distressing about Weinstein's accusations is that assertions are being credited to that have no basis in fact.
5. I do agree with Weinstein that actions against investors tend to be expensive and counter productive to achieving maximum recoveries for all creditors. I believe a far greater risk is investor versus investor litigation.
6. I do not contemplate filing any suits against investors. However, I do believe that in limited, select circumstances, litigation against "**insiders**" and third parties (accountants and attorneys) may greatly enhance the recovery by "innocent" investors.
7. The principals have told me they would put their assets on the line if needed to make the investors whole. I have accepted their offer at face value. I have not resisted their offer, I have accepted it. I have commenced no action against them. However, I am not satisfied with the asset disclosure they have provided to date. The true test of their

- pledge will come if there is a net investor loss after collection, sale and distribution of Mathon's assets and they are required to perform.
8. Despite Weinstein's unfounded claim that I have been conducting a "fire sale" of Mathon's assets, I continue to strive to maximize the value of the assets. His statements are false and misleading. If anything, his actions to date have been detrimental to my efforts to maximize recovery.
 9. To date I have seen no evidence of B-Line's claim that it would be a more responsible, transparent or credible Liquidating Agent than a Conservatorship. To me "Liquidating Agent" sounds like someone who will conduct a "fire sale". As I read their proposal the investors will be excluded from the process if B-Line's proposal is accepted. In my opinion, B-Line's proposal is a B-Line to profit for them at the expense of the investors. I have heard some of Weinstein's proposed negotiating tactics. If he was sincere in his approach it will be disastrous for both him and the investors. If anything, he has thwarted his ability to perform due diligence by his reliance on tainted sources of information.
 10. Perhaps the most important point I have to make is, if we can consummate the pending real estate transactions, we should have approximately 45% of all investors' net investment dollars sitting in the bank by approximately September 30, 2005. As additional funds become available, as the remaining assets are collected in the normal course of business that percentage will increase. I believe what has been recovered to date and what can reasonably be anticipated to be recovered in the near future renders B-Line's proposal moot. B-Line talks about a fast pay out to investors. The conditions in their proposal appear to preclude an early payment to investors. Their plan is based on \$72,000,000 net investment. If all investors opted for 45% B-Line would be committing to approximately \$32,000,000. By the time they actually had to disburse funds there could be in excess of \$32,000,000 in the estate bank account. It is conceivable they pay you with your own money and pocket the residual. Their plan could reap them a substantial windfall without ever having to actually put up the \$32,000,000.

11.As part of the Conservatorship's cost reduction plan we will be reducing staff and closing the Mathon Mesa office as of July 31, 2005. The new Mathon contact telephone number will be 602-265-3562.

Sincerely,

JAMES C. SELL, Conservator

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