UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. BURTON DOUGLAS MORRISS, et al., Defendants, and MORRISS HOLDINGS, LLC, Relief Defendant.	)	Case No. 4:12-cv-00080-CEJ

RECEIVER'S MOTION FOR RETURN OF FUNDS TO INVESTORS IN ACARTHA SPECIAL SITUATIONS FUNDING, LLC

Receiver Claire M. Schenk ("Receiver") hereby respectfully moves the Court for an Order (i) directing Reliance Bank to grant the Receiver control over the demand deposit account opened in the name of Acartha Special Situations Funding, LLC and the funds and assets of such account and (ii) approving the Receiver's return of such funds to the investors in Acartha Special Situations Funding, LLC. The Receiver relies on the *Memorandum of Law in Support of Receiver's Motion for Return of Funds to Investors in Acartha Special Situations Funding, LLC* to support her request, which memorandum is being contemporaneously filed herewith.

Respectfully submitted,

THOMPSON COBURN LLP

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CERTIFICATE OF SERVICE

I hereby certify that on April 10, 2012, I electronically filed the foregoing with the Clerk of the Court through the Court's CM/ECF system which will send a notice of electronic filing to the following:

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I further certify that on April 10, 2012, I caused the above pleading to be sent to the following via first class U.S. mail, postage prepaid:

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MEMORANDUM OF LAW IN SUPPORT OF
RECEIVER'S MOTION FOR RETURN OF FUNDS TO INVESTORS
IN ACARTHA SPECIAL SITUATIONS FUNDING, LLC

In keeping with the Receiver's duties to act as sole and exclusive managing member and/or partner of the Receivership Entities (as defined below) and administer and manage the business affairs, funds, assets, choses in action and other property of the Receivership Entities, the Receiver respectfully requests that the Court enter an Order (i) directing Reliance Bank to grant the Receiver control over the demand deposit account opened in the name of Acartha Special Situations Funding, LLC and the funds and assets of such account and (ii) approving the Receiver's return of such funds and assets to the investors in Acartha Special Situations Funding, LLC in accordance with Reliance Bank's records of deposits and credits made to the demand deposit account.[1]

[1] In this Motion, the Receiver requests the Court's approval to return recent deposits made by a limited number of investors in an account set up to receive contributions for a newly-created limited liability company, which contributions Acartha Group intended to use to fund its ongoing operations. In a separate, later filing, the Receiver intends to address potential distributions to investors.

I. Background

On January 17, 2012, the United States Securities and Exchange Commission (the "SEC") filed its *Complaint for Injunctive and Other Relief* (the "Complaint") (Dkt. No. 1) against Burton Douglas Morriss ("Morriss"), Acartha Group, LLC ("Acartha Group"), Acartha Technology Partners, L.P. ("ATP"), MIC VII, LLC ("MIC"), Gryphon Investments III, LLC ("Gryphon" and together with Acartha, ATP and MIC, the "Receivership Entities") and Morriss Holdings, LLC ("Morriss Holdings")[2] in this Court as Case No. 4:12-cv-00080-CEJ (the "SEC Case"). *See* Complaint. In the Complaint and other papers filed by the SEC on January 17, 2012, the SEC alleges various securities laws violations by the SEC Defendants.

Also, on January 17, 2012, the SEC moved for the immediate appointment of a receiver over the Receivership Entities to (i) administer and manage the business affairs, funds, assets, choses in action and other property of the Receivership Entities, (ii) act as sole and exclusive managing member or partner of the Receivership Entities, (iii) maintain sole authority to administer any and all bankruptcy cases in the manner determined to be in the best interests of the Receivership Entities' estates, (iv) marshal and safeguard all of the assets of the Receivership Entities, and (v) take whatever actions are necessary for the protection of investors. The Court entered the requested relief by order dated January 17, 2012 (the "Receivership Order"). *See* Receivership Order (Dkt. No. 16). As established in the Receivership Order , the Receiver is "authorized, solely and exclusively, to operate and manage the businesses and financial affairs of [the Receivership Entities] and the Receiver Estates." Receivership Order, p. 8. The Receiver also has authority to "assume control of, and be named as authorized signatory for, all accounts at any bank, brokerage firm or financial institution which has possession,

[2] Morriss, Acartha, ATP, MIC, Gryphon and Morriss Holdings are collectively referred to as the "SEC Defendants."

custody or control of any assets or funds, wherever situated, of [the Receivership Entities] and, upon, order of this Court, of any of their subsidiaries or affiliates, provided that the Receiver deems it necessary."[3] Receivership Order, p. 4.

In connection with her appointment as receiver and through documents filed in the SEC Case, the Receiver learned that "in December 2011 Acartha Group issued a letter to investors disclosing, for the first time, the transactions with Morriss and Morriss Holdings and requesting additional funds so that Acartha Group and the funds it managed could continue operations." *See* Complaint, ¶ 36. The letter requested investors to provide additional funds to a new entity, Acartha Special Situations Funding, LLC ("ASSF").[4] *See* Plaintiff's *Ex Parte* Emergency Motion for Asset Freeze Order and Other Relief and Memorandum of Law in Support (Dkt. No. 6), p. 12; **Exhibit A**, ASSF Investor Letter dated Dec. 8, 2011 (attached as Exhibit 15 to the SEC's *Ex Parte* Emergency Motion for Asset Freeze Order and Other Relief and Memorandum of Law in Support). The goal of the new fund was to raise money to support Acartha Group's ongoing operations. *Id*. As of January 17, 2012, the date of the filing of the SEC Case, ASSF received more than $100,000 from investors (the "Funds"). *Id*.

Through various communications with potential ASSF investors, Acartha's former management promised that the Funds contributed to ASSF would be held in escrow pending satisfaction or waiver of certain conditions, including, among other conditions, that ASSF

[3] Additionally, the Receivership Order directs that all "banks, brokerage firms, financial institutions, and other business entities which have possession, custody or control of any assets, funds or accounts in the name of, or for the benefit of, [the Receivership Entities] or the Defendants shall cooperate expeditiously in the granting of control and authorization as a necessary signatory as to said assets and accounts to the Receiver." Receivership Order, p. 5.

[4] According to the Limited Liability Company Operating Agreement of ASSF, dated as of December 21, 2011, the decisions with respect to the management and control of ASSF and the investment of the assets of ASSF were vested in the Managing Member, ASSF Capital, L.L.C. ("ASSF Capital"), which in turn was managed and controlled by Acartha Group (ASSF Capital's sole Managing Member). *See* **Exhibit B**, ASSF Operating Agreement.

receive a minimum of $600,000 of funding. *See* **Exhibit C**, ASSF Investor Letter dated Dec. 23, 2011 (stating a minimum funding benchmark of $500,000); **Exhibit D**, ASSF Investor Letter dated Jan. 4, 2012 (stating a minimum funding benchmark of $600,000 and changing the proposed use of funds from a senior loan to a debtor-in-possession financing loan in the context of a Chapter 11 proceeding). These conditions, however, were not, and now cannot, be satisfied.

The Receiver also learned that former management directed the ASSF Investors to wire their contributions to a demand deposit account (the "ASSF Account") at Reliance Bank, 10401 Clayton Road, Frontenac, MO 63131 ("Reliance Bank"). *See* **Exhibit E**, Redacted ASSF Wire Instructions. Based on information provided to the Receiver by the SEC, former management and Reliance Bank, the Receiver learned that the funds in the ASSF Account totaled $146,023.78 as of January 24, 2012. This amount represents contributions made via wire transfer or check deposit by ten separate investors. *See* **Exhibit F**, Redacted Documents from Reliance Bank Relating to ASSF Account.[5] The Receiver intends to provide to each ASSF Investor (or such ASSF Investor's counsel, to the extent that the Receiver knows of such representation) a copy of this filing and the amount of funds that the Receiver anticipates returning to the ASSF Investor subject to Court approval.[6]

On or about February 9, 2012, the Receiver requested that Reliance Bank grant the Receiver control over the ASSF Account and the Funds, as funds under control of the Receivership estates. Reliance Bank, however, declined to do so absent a court order on the

[5] The Receiver will file unredacted copies of Exhibits E and F under seal with the Clerk of the Court, in accordance with E.D. Mo. Local Rule 5-2.17(B).

[6] The Receiver will confirm both the identify of each ASSF Investor and the amount of each ASSF Investor's deposit into the ASSF Account prior to distribution of the funds.

grounds that the account holder of the ASSF Account was not one of the Receivership Entities. *See* **Exhibit G**, Letter from S. Melly to C. Schenk dated Feb. 13, 2012.

II. Argument

Pursuant to the Receivership Order, the Court authorized the Receiver to, among other things, administer and manage the businesses and financial affairs of the Receivership Entities and take all actions necessary for the protection of investors. *See* Receivership Order, p. 1. The Receiver now seeks an order directing the Receiver to fulfill these obligations by (i) assuming control over the Funds in the ASSF Account and (ii) distributing the Funds to the ASSF Investors.

A. ASSF Account

In performing her obligations as Receiver, the Receiver has the authority to "assume control of, and be named as authorized signatory for, all accounts at any bank, brokerage firm or financial institution which has possession, custody or control of any assets or funds, wherever situated, of [the Receivership Entities]." Receivership Order, p. 4. Banks, brokerage firms and financial institutions that have "possession, custody or control of any assets, funds or accounts in the name of, or for the benefit of, [the Receivership Entities] or the Defendants" are obligated to "cooperate expeditiously in the granting of control and authorization as a necessary signatory as to said assets and accounts to the Receiver." Receivership Order, p. 5.

Under the Receivership Order, the Receiver is obligated and entitled to assume control of the Funds in the ASSF Account for two reasons. First, the Receiver has sole authority to operate and manage the businesses and financial affairs of the Receivership Entities. Receivership Order, p. 8. The Receiver succeeded to all rights and powers of the managing member and/or managing partner of the Receivership Entities -- including Acartha Group -- and has the sole and

exclusive authority to take all actions necessary in such capacity. *Id*. Based upon the documents and other information made available to the Receiver Acartha Group is the managing member of ASSF Capital, which in turn is the managing member of ASSF. Therefore, as the managing member of Acartha Group, the Receiver also is the managing member of ASSF Capital and ASSF. *See* Exhibit B, ASSF Operating Agreement. Second, former management solicited the Funds in the ASSF Account for the benefit of Acartha Group and for Acartha Group's use in its planned reorganization. Although the benchmarks set for Acartha Group's authority to use such Funds were not met and Acartha Group never received the Funds, the ASSF Investors still made their contributions for the benefit of Acartha Group. Thus, the Funds are assets "for the benefit of" Acartha Group and must be turned over to the Receiver. *See* Receivership Order, p. 5.

B. Return of Funds to ASSF Investors

The ASSF Investors funded ASSF under unique circumstances. These investors responded to a plea for help from Acartha Group for capital to prop up Acartha Group and in turn, the other Receivership Entities, so that the Receivership Entities could "weather the storm" and with the understanding that the Funds would not be used by Acartha Group absent the satisfaction of certain benchmarks. These benchmarks were not satisfied, the Bankruptcy Proceedings were dismissed, *see* **Exhibit H**, Order Dismissing Chapter 11 Bankruptcies of Acartha Group, ATP and MIC entered Jan. 25, 2012, and now the Receivership is in place. Under these circumstances, the return of the Funds to the ASSF Investors is necessary to fulfill former management's promises to these investors and also to protect these investors from further harm due to loss of the use of these funds.

This Court has wide discretion in supervising an equity receivership and in determining how the receivership will proceed. *SEC v. Black*, 163 F.3d 188, 199 (3d Cir. 1998) ("[W]here

there is a receiver with equitable power in a proceeding before it, the District Court has wide discretion as to how to proceed."); *FDIC v. Bernstein*, 786 F. Supp. 170, 177 (E.D.N.Y. 1992) ("[O]ne common thread keeps emerging out of the cases involving equity receiverships-that is, a district court has extremely broad discretion in supervising an equity receivership."). Here, the Receiver requests that the Court exercise its broad discretion and authorize the Receiver's return of the Funds to the ASSF Investors. The ASSF Investors funded ASSF upon the promises of former management that the Funds would not be used by Acartha Group, and in turn by the other Receivership Entities, absent certain conditions. Because these conditions never materialized, the Receiver believes it appropriate to fulfill former management's promises to the ASSF Investors and return the Funds to them.[7]

III. Conclusion and Request for Relief

For all the foregoing reasons, the Receiver requests that the Court enter an Order, substantially in the form attached hereto as **Exhibit I**, (i) directing Reliance Bank to grant the Receiver control over the ASSF Account and the funds of such account and (ii) approving the Receiver's return of such funds to the investors in Acartha Special Situations Funding, LLC in accordance with Reliance Bank's records of deposits and credits made to the ASSF Account. The Receiver further requests that the Court grant such other and further relief as is just and appropriate under the circumstances.

[7] There is no basis for combining the Funds with the assets of the Receivership for a possible *pro rata* distribution to all investors. Because of the restrictions on the use of the Funds and the benchmarks that had to be satisfied before the Funds were disbursed to Acartha Group, the Funds were never commingled with the assets of the Receivership Entities. Moreover, with respect to the Funds, the ASSF Investors are not similarly situated to all other investors. The ASSF Investors contributed the Funds on the understanding that the Funds would be only under certain conditions. Those conditions never materialized.

Respectfully submitted,

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/s/ Brian A. Lamping

CONFIDENTIAL COMPROMISE/SETTLEMENT COMMUNICATION – NOT ADMISSIBLE IN COURT

EXHIBIT A

Acartha Group, LLC
2 Tower Center Boulevard, 20th Floor
East Brunswick, NJ 08816

December 8, 2011

Dear Investor:

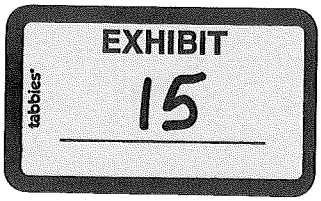
We are writing to describe the grave situation confronting Acartha Group, LLC ("Acartha" or the ("Company") and by extension the funds and special purpose vehicles which it manages on your behalf. This letter first gives some background on how Acartha has arrived at its current situation and then provides details on the current financial situation of the Company and the funds it manages. The last part sets forth a recommendation as to how to manage the Company and funds going forward. As detailed in this letter, Acartha has very limited cash reserves, owes substantial amounts to creditors and is on the verge of insolvency.

There are several important exhibits and schedules attached which should be read in conjunction with this letter. These include:

- Financial statements for Acartha, MIC VII, LLC ("MIC VII") and Acartha Technology Partners, L.P. ("ATP");
- A statement setting forth your current holdings in Acartha and each investment vehicle, a projection of your possible returns based on a range of assumed exit prices for portfolio companies, and your pro rata ownership percentage;
- A schedule with our estimates of the investments needed in the portfolio companies over the next 24 months in order to protect existing positions;
- A detailed Company budget which addresses the financial challenges and provides for a core staff to manage the Company and the funds; and
- A Summary of Terms outlining a financing structure which would enable the Company to implement the plan detailed in the budget.

We believe that an Acartha bankruptcy filing or the appointment of a receiver would destroy a large portion of the existing and potential value held today by investors in the Acartha funds. Given the range of potential purchasers, any distressed sale of positions in the portfolio companies would be at a very discounted price and, equally important, the mere perception that an Acartha fund is in a distressed situation will undoubtedly lead co-investors in successful Acartha portfolio companies to take aggressive actions that would increase their ownership percentage at your expense. We will contact you within the next few days to discuss the contents of this letter and your potential participation in the proposed plan to address the immediate challenges.

ABSENT SUPPORT FROM INVESTORS TO FINANCE ACARTHA THROUGH Q1 2012 AS OUTLINED IN THIS LETTER, AND ABSENT RECEIPT OF FUNDING BY DECEMBER 21, 2011, THE COMPANY WILL BE FORCED TO COMMENCE WIND-DOWN AND CEASE OPERATIONS ON DECEMBER 31, 2011.



Background

For the last several years, Acartha has been attempting to adjust to the adverse fundraising environment for illiquid long term risk capital. Specifically, the Company's attempt to raise a substantial new venture capital fund has not been successful, the portfolio companies in which Acartha's investment vehicles are invested have required more additional rounds of funding than originally expected and, importantly, primarily as a result of not increasing its assets under management, Acartha's costs have outpaced its revenues. In addition, significant loans have been made by the Company to Morriss Holdings, LLC ("MH"), a company controlled by B. Douglas Morriss ("BDM"). Because of the deteriorating financial situation of MH and BDM, and the requirement that Acartha stop soliciting funds for the financing plan for the Company which was designed to enable MH to repay the loans, it now appears that these loans are not currently collectible. The loans are described below in *"Acartha Revenues, Expenses, Assets and Liabilities."* BDM has affirmed his intention to repay the loans and, as detailed further in this letter, has agreed to cause the entities under his control which are entitled to receive revenue from Acartha funds to pledge such revenues to secure repayment.

Addressing fundraising, investments in portfolio companies and Acartha's expenses in turn:

- After several years of fundraising, ATP had its initial close on September 22, 2008 (seven days after the bankruptcy of Lehman Brothers). At the time of the initial closing, the partners believed that a total of at least $100mm would be invested and that the final fund size would be $250mm or more. For a variety of reasons, all generally tied to the economic upheaval of 2008 and 2009, the institutional investors who were expected to invest backed out, and ATP never reached the initial $100mm size (much less $250mm). As a result, the management fees which were payable to Acartha Group as service provider for the general partner of ATP were a small fraction of what had been anticipated.

- As a bridge to ATP, and to capture the opportunities available at the time, Acartha had established MIC VII, LLC ("MIC VII") in July 2005. MIC VII invested in several portfolio companies, including Cirqit.com, Integrien, Tervela, Clearbrook Financial, X.eye, Evergrid (later Librato), Granite Edge (later Vantos) and Exegy. At the time they made their investment, investors in MIC VII generally contributed their full commitment amounts. This meant that no additional amounts were available to call from MIC VII investors after the initial investments were made in the portfolio companies. When several of the companies (Tervela, Integrien, Clearbrook Financial and Evergrid (Librato)) needed additional capital, single purpose investment vehicles ("SPVs") were established to provide MIC VII investors with the opportunity to protect the value of their investments through these investment vehicles. None of the SPVs established before 2010 charged a management fee, or explicitly provided for the recovery of expenses. Several did not provide for the payment of carried interest. At the time, the assets under management in these SPVs as compared to the expected size of the ATP fund made it appear that the foregone fees and carried interest would be relatively insignificant compared to the fees and carried interest revenue to be generated by ATP.

While most of the investors in MIC VII chose to invest in additional rounds of funding for the MIC VII portfolio companies, several significant investors did not, as the expectation was that the ATP fund would cover any additional investment needs for MIC VII portfolio companies. Indeed, once ATP had its initial closing, it was partially able to provide support and thereby prevent punitive dilution for MIC VII investors.

However, because ATP could not raise the funds originally expected, and because the portfolio companies required additional financial support as a result of the economic downturn through "down rounds" (i.e., at lower valuations) of financing, additional requests to the original MIC VII investor base were made during 2008, 2009 and 2010 to protect the value of MIC VII's investment in the portfolio companies. Again, some but not all of the investors chose to participate and preserve their indirect pro rata interests. In several instances (most notably for Integrien) new investors stepped in to cover the gap. The result has been that in each situation in which Acartha believed that it was in its investors' best interests to provide additional funding to avoid dilution, conversion, or subordination of existing positions, Acartha accessed additional funding and, thereby, preserved the priority and value (to the extent possible) of the investments previously made. It is important to note that even investors who did not participate in additional financings were protected through these additional funds provided by other Acartha investors, and that existing investors were asked to participate before new funding sources were brought in.

- The net result of a much smaller ATP fund, combined with the structure for the distribution of carried interest in MIC VII and the overall lack of compensation for the manager in the SPVs, resulted in insufficient revenues for Acartha to support its operations. As this became apparent, the Company took several steps to address this imbalance on both the revenue side and the cost side.

  On the cost side, since October 2008, the most significant move was to have all senior personnel agree to reduce their salaries by 70 to 80%[1], with the understanding that if and when either a successful portfolio company liquidity event occurred or Acartha was able to raise additional funds, the compensation foregone would be recovered. Partial deferred salary recoveries occurred after the sale of Integrien to VMware on August 30, 2010. The reduced salaries have continued through 2011. Recently, to reduce expenses as the financial situation deteriorated, several long-time employees were terminated and

[1] Salaries for Acartha senior employees were reduced effective October 1, 2008, resulting in total compensation paid being reduced from $2.6mm in 2008 to $961K in 2009. After adjustments for recent personnel reductions, Acartha's projected current annual payroll is $846K. In 2010, after Acartha recovered fees and expenses related to the sale of Integrien, the deferred salary balance ($3.5mm as of 9/30/10) was reduced by $1.65mm through payments to employees whose salaries had been previously reduced. The salary deferral balance as of 11/30/11 was $2.4mm. This deferred balance does not appear on the financial statements of the Company as a liability, although it has been the understanding of the Company and the employees whose salaries had been reduced that the deferred balance would be paid at such time as Acartha had sufficient resources as a result of fundraising or portfolio company liquidity events. Individual and aggregate amounts paid in compensation and carried interest for each of 2009, 2010 and 2011 are set forth on the Compensation Schedule attached to this letter.

payments to key service providers have been delayed, including payables to the Company's auditors, accounting and legal firms, which, importantly, have generally been willing to work with us while we address the current situation.

On the revenue side, new managers with a focus on other alternative investment strategies were recruited to join the Acartha platform. Several took up residence in the St. Louis office and started to engage in active negotiations and fund raising. At least two managers had closed with sufficient funds such that revenue would have been generated immediately upon joining the Acartha platform. Based upon the projected revenues from these new managers plus revenues from existing Acartha funds, as well as a new hedge fund and venture fund to be run by long-term Acartha employees, a business plan was developed which would have funded the existing and projected expense base while providing an attractive return for new investors as well as the existing Acartha Series A investors. In July, 2011, an investor group provisionally agreed to a term sheet[2] that provided for $12.5mm of additional funding through the issuance of new Series B

[2] The term sheet for the Acartha Series B Recapitalization called for the sale of the substantially all of the common shares in Acartha held by Morriss Enterprises, LLC, the issuance of a new series of senior participating preferred stock which was expected not to exceed $12.5mm and the restructuring of the terms of the existing Acartha Series A Preferred stock to provide for its retirement before distributions were made to common shareholders. Payment of a return on the new Acartha Series B senior participating preferred shares and ultimately the payment of the $19.766mm preference of the existing Acartha Series A preferred shares was to be largely funded from incremental revenues from new enterprises.

The business plan of the Company prepared in connection with the Series B Recapitalization reflected an overall strategic shift away from reliance on venture capital investment (where returns are back-loaded and variable) toward funds generating increased revenues in a more predictable manner, which would reduce operating risk by increasing the amount and predictability of Company cash flow. An important component was requiring any new manager to be cash flow positive from the moment they joined the Company to avoid incurring incremental expenses without incremental revenues. Reflecting Acartha's macro perspective that markets in general would be bearish and world economies would continue to be stressed for the foreseeable future, but that the growth in information technology would continue even in such an environment, the new enterprises identified in the business plan focused on (i) the increased expenditures in financial services technology in response to greater regulation, (ii) the global food shortage and (iii) specialty finance and opportunistic unlevered investment in real estate (given the macro view that real estate values were headed down before they recovered). New managers in response to these themes that had indicated they would join the Acartha platform were: Lifeline Capital, Sonde Capital, Abaris Capital and affiliated entities, Saturday Capital, and new Acartha funds Acartha Technology Partners II and Acartha Capital, a hedge fund which would invest in public companies in the same financial services information technology area that is the focus of ATP.

Revenue for Acartha would have been generated from each new enterprise by the 25% of net revenues (i.e., management fees after fund level expenses and carried interest) which Acartha would have received (consistent with the arrangements in place for MIC VII and ATP). In exchange for this new revenue, Acartha would have provided management and marketing services and would also have granted to the managers of the new enterprises a common equity interest in Acartha which would have been subordinated to the Series B and Series A Preferred Shares. The structure envisioned that the managements of the various new ventures would generally have been self-sufficient, so that each new venture would have been accretive to overall Acartha cash flow while not having any impact on the existing venture capital investment vehicles. *Consent of the holders of the Acartha Series A Preferred would have been required to implement the Series B Recapitalization.*

Preferred interests of Acartha (the "Series B Recapitalization"). The proceeds from the Series B Recapitalization were to be used to repay Acartha indebtedness and fund Acartha operations until the new funds identified in the business plan generated sufficient cash flow to make the Company cash flow positive, which was expected to take about a year. In late September it appeared that investors were willing to provide funding on the basis set forth in the term sheet.

But all that changed on September 27th, when Acartha received a subpoena from the Securities and Exchange Commission requesting the extensive production of documents. The Company and its officers immediately retained counsel, and on their advice, suspended fund raising efforts. In order to preserve cash, payment of invoices deemed non-essential to the day-to-day operation of the Company was suspended, including payment to the auditors who were working on the audit of Acartha Group and ATP for 2009-2010[3]. Since the delivery of the subpoena to Acartha, the Company has learned that it is the subject of an investigative order issued by the SEC, certain current and former officers have received document subpoenas. BDM has provided testimony to the SEC and another officer of the Company has been subpoenaed to provide testimony. Several Acartha investors have been contacted by the SEC, and we are aware of at least one fund investor who has been subpoenaed to provide documents and testimony. Acartha's banks have complied with document subpoenas. The end result of this activity has been that all new business activity, including the Series B Recapitalization, has been put on hold[4].

The balance of this letter first provides a summary of Acartha's current financial situation by describing its revenues, expenses, assets and liabilities. We then provide an analysis of the existing Acartha funds as well as significant issues with respect to their finances that will have an impact on the investors in those funds. With that background, we outline a proposed financing to keep Acartha from immediate bankruptcy and which, for fund investors, we believe will maximize the value of the existing portfolio in the Acartha investment vehicles while minimizing Acartha expenses.

Acartha Revenues, Expenses, Assets and Liabilities

Acartha Revenues: Acartha has two streams of revenue: management fees and carried interest. Acartha receives management fees from three sources: MIC VII, ATP and two of the SPVs, Librato Acquisition II, LLC ("LA II") and the newly formed Tervela Acquisition III, LLC ("TA III"). The aggregate management fee revenue for 2012 expected to be due to Acartha is $973,200. In addition to management fees, Acartha's other source of revenue is its right to receive 25% of the aggregate carried interest distributed from MIC VII and ATP, as well as those

[3] The audit for MIC VII through 12/31/10 has been completed (and is attached) but the auditors have not been paid. The 2007/08 audited financial statements of Acartha are attached, as are the unaudited balance sheets and income statements of Acartha and ATP for the periods ending 12/31/10 and 9/30/11.

[4] On November 29 Ron Nixon, as Co-Trustee of the Bailey Quinn Daniel 1991 Trust, Wilmington Trust as Co-Trustee of the Bailey Quin [sic] Daniel 1991 Trust, JBG Interests, LLC, and HEG Interests LLC (the "Plaintiffs") filed a summons in the Circuit Court of St. Louis County, Missouri against defendants BDM, Acartha and MIC VII. The Plaintiffs, *inter alia*, allege breach of contract by Acartha and MIC VII and breach of fiduciary duties by Acartha and BDM. The Plaintiffs also request an accounting and the appointment of a receiver for Acartha and MIC VII. Acartha, MIC VII and BDM have engaged counsel who are responding to Plaintiff's counsel.

SPVs which provide for the payment of carried interest. Carried interest distributions are made only after a realization event with respect to a portfolio company: for MIC VII, carried interest is paid only after investors have received a return of capital equal to the aggregate amount of capital they have contributed (which amount excludes management fees); for ATP, carried interest is distributed on a per portfolio company investment basis after accounting for the write-offs under GAAP of other portfolio companies held by ATP; and for those SPVs which provide for carried interest, it is distributed generally once the relevant SPV investors have received a return of their capital.

Carried interest distributions by their nature are unpredictable and depend first upon successful exits for portfolio companies. Using current estimates of the exit valuations of the portfolio companies, and applying those exit valuations against the matrix of which funds own what interests in the portfolio companies, and what obligations those funds have before carried interest is distributed to Acartha, the estimate of the aggregate carried interest distribution to Acartha once all companies have liquidity events is $1.239mm (the "Base Case Projected AG Carry")[5]. This estimate of course is highly variable, and while we are hopeful that it will prove to be a conservative estimate, the final amount could be zero or even a multiple of the Base Case Projected AG Carry. This estimate does not account for additional supporting investments in current portfolio companies, and it assumes that existing investments in portfolio companies retain their current pro rata ownership interests and priority (preference) in the respective portfolio company capitalization tables. Both assumptions don't reflect the likely reality – either

[5] The Base Case Projected AG Carry assumes exits of $50mm for Tervela, $50mm for Clearbrook Financial, $30mm for Librato, $200mm for Cirqit (which means $740mm for LogicSource) and $50mm for Pollen. An exit at these levels results in an aggregate gross distribution of approximately $75mm to all Acartha entities. These valuations are broadly consistent with the FAS 157 valuations ascribed to the portfolio companies in the audited financial statements of MIC VII (Pollen is not an MIC VII portfolio company). The Base Case Projected AG Carry also assumes a return of the capital invested for Exegy, and a full write-down of the investment in Vantos. The calculation of the Base Case Projected AG Carry is based on the capitalization tables provided by each portfolio company as of 12/31/10 and the investments made in those companies by each Acartha investment vehicle. It does not assume any additional investments (including, for example, the TA III investment in Tervela) are made in portfolio companies. Except for approximately $1mm in convertible bridge loans made to Tervela, we are not aware of any material changes to the capitalization tables of the portfolio companies since 12/31/10. The Base Case Projected AG Carry is based upon Acartha's share of an aggregate carried interest distribution of $4.95mm.

Changes in the exit values for portfolio companies change the aggregate carried interest distribution significantly: for example, if the exit value of Cirqit increases from $200mm to $300mm (implying a LogicSource valuation of $1.11bn), the aggregate carried interest distribution, holding all other variables constant, would increase from $4.95mm to $8.74mm (the Acartha share would be $2.185mm; the aggregate gross distribution to all Acartha entities would be approximately $94mm). If the Cirqit valuation is increased to $400mm (i.e., implied LogicSource valuation at $1.48bn), and Tervela is increased from $50mm to $100mm (all other portfolio company valuations held at the valuations for the Base Case Projected AG Carry), the aggregate carried interest distribution would be $13.882mm (the Acartha Share would be $3.470mm; the aggregate gross distribution to all Acartha entities would be approximately $120mm). A downside case of Cirqit valued at $100mm (implying a LogicSource valuation of $370mm) and all other companies held at the valuations for the Base Case Projected AG Carry has an aggregate carried interest distribution of $2.21mm, an Acartha share of $553K and an aggregate gross distribution of approximately $61mm. The aggregate capital invested in the Acartha entities is $63.642mm, excluding the Series A preferred interests of Acartha Group, LLC and Gryphon Investments III, LLC, and the approximately $350K of capital contributed in 2011 to TA III.

additional funds will be invested by the existing investors in the portfolio companies or the pro rata ownership interest and priority of the investments already made by those investors will be reduced. The final realized carried interest investment outcome is highly likely to be materially different from the Base Case Projected AG Carry. An important exclusion from the determination of Base Case Projected AG Carry is any carried interest from any new funds which Acartha might establish once the platform has been stabilized. Note that in preparing Scenario A of the Schedule of Individual Member Return Data (which accompanies this letter), we have used the same financial model and the same assumptions as we used to determine Base Case Projected AG Carry to project the gross (i.e., before any fees or expenses) return that might be expected from your current investments. This projected gross return is subject to the same caveats as the calculation of Base Case Projected AG Carry.

Acartha Expenses: Acartha expenses through 9/30/11 (unaudited) were $1,817,742. Excluding the non-cash interest accrual of $514,770 and depreciation of $2,422, the actual cash expense through 9/30/11 was $1,300,550. The largest cash expenditure was compensation and benefits ($631,089); rent for the St. Louis and East Brunswick offices ($214,442); and, auditing and consulting/accounting services ($214,037). As detailed in the Compensation Schedule and the financial statements of Acartha accompanying this letter, the large reduction in Company expenses for 2011 is directly attributable to the reduced compensation paid to the senior employees of the Company and delayed payment to service providers. The budget for 2012 reduces headcount, makes some payments to certain ongoing service providers and provides an increase in compensation to the management team from the unsustainable level of 2011. Details on the 2012 budget are provided in *"Proposed 2012 Plan for Acartha – 2012 Operating Budget"* and in the actual 2012 budget accompanying this letter.

Acartha Current Assets: As of December 7, 2011, Acartha has $18,405 in cash. Acartha has taken forward a portion of management fees from ATP for the first quarter of 2012 in order to extend its ability to operate through December 31, including winding down operations if necessary. This assumes not settling any accounts payable and continuing to pay key personnel at the reduced rates they have been receiving throughout 2011. Certain employees are being notified that they will be terminated as of December 15. Absent additional funding provided by investors, Acartha Group will wind-down operations and terminate all of its remaining employees by December 31. Depending on events, it may have to file for bankruptcy protection on or around that date.

Other Acartha Assets; the MH Note: Morriss Holdings, LLC ("MH") is the obligor under a demand note to Acartha in an aggregate amount of $6,840,416 (inclusive of interest through 9/30/11) (the "MH Note"). The MH Note consolidates in one global note all amounts which were advanced by Acartha to MH, other entities associated with BDM personally (collectively, "Morriss Entities") and various creditors of BDM and the Morriss Entities. The advances recorded in the MH Note were not deemed expenses of Acartha. The MH Note replaced a note dated 11/18/08 between ATP and MH as well as a financing arrangement between the Company and BDM pursuant to which BDM had from time to time advanced funds to the Company. The MH Note includes all amounts which were advanced to MH and the Morriss Entities through 9/30/11 including $2,022,000 in proceeds from the sale of Gryphon Investments III Series A

membership interests (the "G-III Series A"). See "*Acartha Funds – Acartha Technology Partners, L.P.* for a description of the G-III Series A transaction.

Since the establishment of Acartha in 2006, BDM had from time to time funded operating deficits of the Company either directly or through MH. For example, in 2008, the last year in which audited financial statements were prepared for the Company, BDM advanced $780,133 to Acartha. In 2009, the Company repaid the amount borrowed and by 12/31/09 had become a net creditor to MH for $1,977,622 (including interest) according to the unaudited books and records of the Company. By 12/31/10, the amount due under the MH Note was $4,242,480 (including interest). The outstanding amount of the MH Note is subject to some adjustments, as the Company completes its audit process, for items such as the allocation of time spent by MH employees on Company matters for 2011. It had been the intention of BDM to cause MH to satisfy the MH Note through the sale or redemption of the common stock of the Company owned by Morriss Enterprises, LLC as part of the Series B Recapitalization. However, given that MH and BDM have limited financial resources and that the Series B Recapitalization has been suspended, the current collectability of any portion of the MH Note must be considered doubtful.[6]

Acartha Liabilities to Vendors: As of December 1, 2011, accounts payable aggregated $594,170. The top five liabilities were to UHY Advisors for accounting services ($234,975), Holtz Rubenstein Reminick for auditing services ($72,500), Two Tower Center for back rent ($81,112), Pryor Cashman for legal services ($94,110) and Armstrong Teasdale for legal services ($43,374).

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[6] One asset which may be available to at least partially satisfy the MH note (to the extent not applied against repayment of the financing described later in this letter) is the aggregate carried interest which entities related to or controlled by BDM (each a "BDM Entity") are entitled to receive from MIC VII and certain of the SPVs (the "BDM Carry"). Under the scenario which generates the Base Case Projected AG Carry of $1,239,000 for Acartha, the projected BDM Carry would be $1,710,000. The same variability and caveats apply to the actual amount of BDM Carry ultimately generated as were noted in connection with the determination of the Base Case Projected AG Carry: the BDM Carry could be substantially more, it could be zero but it almost definitely won't be $1,710,000. Specifically, increasing the exit value of Cirqit to $300mm from $200mm and holding all other exit values constant increases the BDM Carry to $3,216,430; increasing the exit value of Cirqit to $400mm and Tervela to $100mm (from $50mm) and holding all other exit values constant increases the BDM Carry to $5,236,748. A downside case with Cirqit's exit value at $100mm and all other exit values held constant with the exit values for the Base Case Projected AG Carry generates a BDM Carry of $616,211.

The BDM Carry is subject to an agreement between Ameet Patel ("AP") and BDM pursuant to which BDM agreed to grant a net 40% interest in the carried interest of MIC VII and all SPVs in existence at the time of the agreement (March 19, 2009). The amounts of BDM Carry projected above reflect this agreement. Economically, after giving effect to the agreement with AP, the BDM Entities related to MIC VII, Tervela Acquisition, LLC, Tervela Acquisition II, LLC, Evergrid/MIC VII, LLC, and Clearbrook Acquisition, LLC have the right to receive 45% of the aggregate net carried interest (if any) paid by such entities and the BDM Entities related to ATP, LA II, and TA III, LLC have the right to receive 25% of the aggregate net carried interest paid by such entities. The other recipients of carried interest in ATP are AP and the John S. Wehrle Revocable Trust, and in LA II and TA III are AP and T. Wynne Morriss. The payment of carried interest in ATP is subject to the satisfaction of certain preferred interests described below in *"Acartha Funds – Acartha Technology Partners, L.P."*

Other Acartha Liabilities: Acartha is the obligor under two original issue discount promissory notes (the "OID Notes") issued to a private investor. The OID Notes require the Company to repay $5,250,000 in exchange for an advance of $2,000,000 effective as of December 3, 2010 and $1,500,000 effective as of January 13, 2011. The terms of the OID Notes provide that if they are not retired by the third anniversary of their respective issuance dates, the investor will be granted a warrant for 1% of the outstanding fully diluted equity of Acartha for each calendar year they remain unpaid, up to a maximum of 7%. It is an event of default if the OID Notes are not paid in full by the tenth anniversary of their respective issuance dates. The OID Notes accelerate upon a bankruptcy of Acartha. Proceeds from the OID Notes were applied to fund Acartha operating expenses; certain amounts advanced thereunder are included in the MH Note.

Acartha is the borrower for each of the loans listed below:[7]

- Acartha is the obligor under a demand note to ATP in an aggregate amount of $3,775,391 as of September 30, 2011.

- Acartha is the obligor under demand notes with Tervela Acquisition, LLC ("TA") for $277,771 and with Tervela Acquisition II, LLC ("TA II") for $351,028. As described below under "*Acartha Funds – Acartha Technology Partners, L.P.,*" TA and TA II in turn are the obligors under demand notes to ATP for $184,755 and $285,355, respectively.

- Acartha is the obligor under a note payable to a trust affiliated with BDM for $374,423. This note is for amounts advanced in 2008 from the trust to the Company plus fees and accrued interest.

- Acartha is the obligor to MIC VII for a net amount of $313,475 as of 9/30/11. This obligation is reduced each month by management fees due Acartha to the extent not paid by MIC VII investor members.

- Acartha advanced $206,513 to Acartha & Company, LLC ("Acartha & Co.") to finance a portion of a $500,000 commitment by Acartha Specialty Finance Investment, LLC ("ASFI") to invest in Impact Ventures II, L.P., an unrelated venture capital fund. Acartha & Co. is the managing member of ASFI. Certain investors assumed and fully funded 60% of Acartha & Co.'s investment in ASFI. As of 9/30/11, Acartha is the obligor to ASFI for $134,927 and is the indirect beneficiary through Acartha & Co. of 40% of any amounts received by ASFI as a result of the investment made with the proceeds of the Acartha advance. Acartha & Co.'s share of the unfunded commitment to ASFI is $89,951. The aggregate amount invested by ASFI in the venture capital fund to date is $275,122 and the balance of the commitment is $224,878.

Any amount advanced to Acartha, but then not utilized for Acartha related expenses, is included in the consolidated MH Note.

[7] All promissory notes have interest set at 1 month LIBOR plus 1.5%, and the amounts due are as of the most recent date of calculation (generally 9/30/11, but in some instances 8/31/11 or 10/31/11.)

Acartha Funds

Acartha manages directly or indirectly two funds which invest in multiple companies, MIC VII and ATP, and ten SPVs which invest (with one exception -- ASFI) in enterprises which are portfolio companies of either or both of MIC VII and ATP. MIC VII, ATP and the SPVs are sometimes referred to as the "Acartha Funds." The description of the Acartha Funds below focuses on their respective assets, liabilities and any agreements or side letters which affect the cash flow from carried interest or management fees. Please refer to the financial statements accompanying this letter for further details on MIC VII and ATP.

MIC VII: Established in 2005, MIC VII has investments in five portfolio companies as of 12/31/10: Tervela (through TA – capital invested: $910,019), Librato (capital invested: 6,648,124), Clearbrook Financial (capital invested directly and through Clearbrook Acquisition, LLC: $6,000,000), Exegy ($500,000) and Cirqit.com (capital invested through notes convertible into Series D-1 preferred shares: $5,129,073). As of 12/31/10, these investments had a GAAP fair market value of $22,532,300. The investment in Cirqit.com constituted 52.49% of that value. MIC VII has exited x.eye (distribution net of escrow $5,474,221) and Integrien (distribution net of escrow $1,726,563). The investment in Granite Edge (now Vantos) has been valued at zero (basis of $1,506,904). For each of x.eye and Integrien, one escrow payment has been received and partially distributed and there is one remaining escrow distribution expected to be received in March, 2012.

In September and October, 2010, the managing member of MIC VII contributed $2,500,000 of additional capital to the fund which was applied to fully discharge an outstanding promissory note of MIC VII payable to Wachovia, N.A. guaranteed by BDM[8]. The source of the $2,500,000 was an investor group (the "MIC VII New Investors") which became a preferred interest holder in Acartha Group Funding, LLC, which in turn contributed the capital to MIC VII through Acartha as their common managing member. At the end of the transaction, the loan to Wachovia was extinguished, MIC VII had as an asset a $2,500,000 loan made to BDM by MIC VII[9], and through Acartha Group Funding, LLC and Acartha as managing member, the MIC VII New Investors had a 10.63% sharing percentage interest in the distributions of the fund. Members of MIC VII other than the MIC VII New Investors were diluted such that they were entitled to 89.37% of the ongoing distributions of the fund. Acartha and Morriss Enterprises, LLC ("ME") agreed in a side letter with the representative of the MIC VII New Investors that (i) the MIC VII New Investors were not entitled to any distributions related to x.eye (x.eye sold for cash and stock to Odyssey Financial; Odyssey Financial in turn was sold to Temenos Finance on October 18, 2010) or Integrien (sold to VMware on August 30, 2010), (ii) the MIC VII New Investors would not pay any management fee on their investment and (iii) Acartha would refund to the

[8] The loan proceeds had been applied to finance the purchase of certain Series B preferred shares of Integrien Corp., an MIC VII portfolio company. The purchase prevented existing preferred positions in Integrien Corp. from being converted into common and/or being substantially diluted.

[9] This loan is booked as a demand note to MIC VII which, with accrued interest, totals $2,581,975 through 9/30/11).

MIC VII New Investors 50% of any carried interest paid to Acartha after the capital contributed by the MIC VII New Investors had been returned. Acartha and Morriss Enterprises, LLC also agreed to jointly and severally indemnify the MIC VII New Investors against any claim brought by any existing MIC VII investor with respect to the investment and related matters.

Acartha Technology Partners, L.P.: ATP was established on September 22, 2008. It has investments in five portfolio companies as of September 30, 2011: Clearbrook Financial (capital invested: $2,500,000), Pollen, Inc. (capital invested: $1,654,652); Librato (capital invested: $1,017,526); Cirqit.com (capital invested through notes convertible into Series D-1 shares (including accrued interest) -- $960,677) and Tervela (capital invested: $2,463,553). It has exited Integrien, with a distribution to investors net of the escrow of $7,859,340. The ATP basis in Integrien was $6,149,702 and as of 9/30/11 the distribution to investors from the Integrien sale $8,299,315, which included a partial distribution of the first escrow payment received in September, 2011. The second escrow payment is expected in March, 2012.

As noted above in "*Other Acartha Liabilities,*" ATP holds the following notes from Acartha and SPVs managed by Acartha:

- Acartha Group as the obligor to ATP for a total balance of $3,775.391;
- TA as the obligor to ATP for $184,755 (this amount was advanced by ATP to enable TA to invest in Tervela, Inc. in the amount subscribed for by TA investors);
- TA II as the obligor to ATP for $285,335 (this amount was advanced by ATP to enable TA II to invest in Tervela, Inc. in the amount subscribed for by TA II investors);
- Evergrid/MIC VII, LLC as the obligor to ATP for $69,773 (this amount was advanced by ATP to enable Evergrid/MIC VII to invest in Evergrid, Inc. (subsequently renamed Librato, Inc.) in the amount subscribed for by Evergrid/MIC VII investors)[10]

Acartha's ability to pay the amount due under its note to ATP depends upon Acartha's ability to generate sufficient positive cash flow after expenses. Absent Acartha collecting on at least a portion of the MH Note, it is not likely to have sufficient resources to meet its obligations to ATP.

ATP has granted a waiver on the payment of carried interest to limited partners who have contributed $6,000,000 to the fund.

The general partner of ATP, Gryphon Investments III, LLC ("G-III"), sold $3,750,000 of Series A Preferred membership interests in G-III (the "G-III Series A Interests") in 2008 and 2009. Proceeds from the sale were advanced by G-III to Acartha to meet expenses of Acartha. As

[10] ATP also has note receivables relating to investments in convertible notes issued by Cirqit.com, Inc. ($960,677 as of 9/30/11) and Tervela, Inc. ($703,969); these investments are included in the aggregate ATP investments in portfolio companies listed above. ATP has a note payable for $40,824 to MIC VII relating to $40,000 advanced by MIC VII for the benefit of ATP in connection with ATP's investment in portfolio company Librato.

noted above in "*Acartha Revenues, Expenses, Assets and Liabilities – Other Acartha Assets; the MH Note,*" $2,022,000 of the total proceeds raised have been included in the MH Note. The holders of the G-III Series A Interests are entitled to receive from the net management fees payable to G-III a preferred distribution of 10% per annum, which if not paid, is cumulative and accrues. The holders of the G-III Series A Interests have the right to convert their interests into interests in ATP in an amount equal to their original subscription amounts. If not converted, the G-III Series A Interests have a liquidation preference and, in addition to the net management fee (if any) received by G-III, the right to receive cash flow in G-III derived from its right to receive carried interest in ATP. This does not include the 25% of the carried interest which is paid to Acartha. As of 9/30/11, the aggregate amount payable to the holders of the G-III Series A Interests was approximately $[4.8mm], including the accrued preferred return. As a result of the assets under management in ATP being substantially less than originally projected, it is not anticipated that investors will receive cash flow from carried interest in an amount sufficient to repay investors the amount contributed and accrued interest.

The audit of ATP is in process and is suspended pending the payment of outstanding invoices to Holtz Rubenstein Reminick.

Single Purpose Investment Vehicles: Acartha manages ten SPVs, each established to make investments in a single company, which in all but one instance are companies that are also held by MIC VII or ATP. TA, TA II and TA III were established to invest in Tervela, Inc. Evergrid Acquisition, LLC; Evergrid/MIC VII, LLC and LA II were established to invest in Librato, Inc. (originally named Evergrid). Integrien Acquisition, LLC ("IA") and Integrien Acquisition II, LLC ("IA II") were established to invest in Integrien Corporation (these will be liquidated once the final Integrien escrow distribution is received in March, 2012). Clearbrook Acquisition, LLC was established to invest in Clearbrook Financial, LLC. ASFI was established to invest in limited partnership interests of Impact Ventures II, L.P. (a fund which invests in technology companies).

Acartha receives a 2% per annum management fee only from LA II and TA III. Management fees are calculated based on capital contributed. The aggregate capital contributed to LA II and TA III is approximately$2.1 mm. Acartha receives carried interest distributions after investors have received a return of their capital contributed from the following funds: Integrien Acquisition, Integrien Acquisition II, TA II, TA III, LA II and Evergrid/MIC VII. The payment of carried interest in LA II is subject to a waiver of $500,000 relating to the first $1.5mm invested by certain investors. Under the documentation as executed, Acartha is not entitled to receive carried interest distribution from any of the other SPVs (Clearbrook Acquisition, Evergrid Acquisition, TA and ASFI). Excluding IA and IA II, the total capital invested in those entities which do provide for carried interest is $9,456,658 (TA II -- $5,715,831; TA III -- $302,182; LA II – $1,758,511; and Evergrid/MIC VII – $1,680,134).

Proposed 2012 Plan for Acartha

The situation and prognosis for Acartha has dramatically deteriorated in the last nine weeks: In the third week of September it appeared that the Series B Recapitalization was within reach,[11] which would have enabled the MH Note to Acartha to be repaid and would have provided sufficient runway to enable the Company to be in a position to generate positive cash flow through both increased management fees, and the realization of carried interest from investments (such as hedge funds) which generate carried interest on a quicker timetable than venture capital funds. Once the Company became aware of the SEC investigation and suspended the Series B recapitalization, it became clear that an alternative course of action was needed to address the Company's situation and avoid bankruptcy.

We recognize the significance of the information contained in this letter and the attachments. We also strongly believe that there is significant value in the portfolio, and that with proper management and support, that value can be realized. We believe that the key to a satisfactory resolution for investors and for us personally is to be completely transparent with investors about the events which have occurred up to this point in time and to work with investors in whatever manner they desire to obtain the best possible outcome.

There are two fundamental issues which we believe need to be addressed.

The first is providing comfort that the books and records of the Company and the Acartha Funds are in good order. That requires completion of the audits for Acartha and ATP. We also believe that appointment of an administrator to provide fund accounting and investor servicing would help ensure improved reporting, as well the tracking, preparation and delivery of capital account statements and K-1s. Both of these initiatives were planned to be implemented after the close of the Series B Recapitalization; both require the expenditure of additional funds. For the audits, the heavy lifting has already been completed on the Acartha audit, and upon satisfaction of the outstanding invoices of Holtz Rubenstein Reminick, it should be completed in short order. The ATP audit process has started and does not appear to be particularly difficult or expensive as ATP has many common investments with MIC VII, which should expedite the portfolio company valuation process. For the fund administrator, we have received bids for the provision of fund accounting and investor services from two established fund service companies in connection with the proposed Series B Recapitalization; while these will need to be updated, we believe that for approximately $200,000 an independent administrator would provide basic services and handle all cash coming in to and out of the various funds and SPVs. The addition of an independent fund administrator does not reduce the ongoing expenses for accounting and related services already embedded in the budget for 2012.

The second issue is more difficult: structuring a decision making process which permits investors who are so inclined to support those portfolio companies which they believe will provide profitable returns, taking into account the amounts such investors have already invested in those companies through ATP, MIC VII and/or one or more of the SPVs as well as any new money which may need to be invested. In a traditional fund, the fund manager makes the

[11] See note 2 for a description of the Series B Recapitalization.

decision to invest more money in an existing fund position or to decide not make further investments. The manager accesses cash to fund additional investments by drawing down on commitments made by investors.

Our sense is that given the overall circumstances, investors are reluctant to make additional commitments to Acartha to manage the existing portfolio in this traditional manner. Instead, reasonably enough, investors want to spend as little as possible and harvest the returns from those companies which are successful while not investing new money into those companies which are destined to fail, or more precisely, which might have an adverse outcome that doesn't return the incremental capital invested. The trick, of course, is being sure which portfolio companies are worth supporting. It is a particularly complicated endeavor when there are potentially very adverse outcomes if additional funds are not invested in a new round of investment. We believe reasonable people can have different views with respect to particular investing situations, and accordingly we believe that any structure needs to accommodate both those who wish to make additional investments and those who prefer to not make additional investments.

Of course, this is venture capital, and investors need to realize that in general, when a portfolio company has a financing round that involves parties in addition to Acartha, that round most often has a "pay to play" provision. This means that if an investor fails to make their pro rata investment, their existing position will be disadvantaged. Most often the penalty is that the preference is lost: what was a senior preferred position becomes common equity, which means that in order to recoup an investment which has been converted, the portfolio company will have to be sold for more than the aggregate remaining preferences before anything is distributed to the common stockholders. Sometimes the penalty is a partial conversion to common if there is partial participation in the round (i.e., more than nothing but less than the pro rata). Sometimes the penalty is that existing investments are wiped out.

In addition, if the round is a "down round" (meaning the valuation on the portfolio company is lower than the valuation in the previous investment round), then failing to make an additional investment results in dilution, often significant, to investors who don't participate in the new round. Even if the transaction documentation provides for anti-dilution protection, the usual situation is for the controlling shareholders to waive that protection. This means that if an investor who is unable to block controlling shareholders has chosen not to invest in the new round, such investor loses their anti-dilution protection, despite their contractual protection (i.e., the protection is waived by the controlling shareholders).

Going forward, we believe that we can provide the most value to investors by giving them the detailed information on a transaction by transaction basis to make informed investing decisions, and then ensuring that those who take the risk of providing additional funding for a particular transaction receive all of the benefits. We also believe that because of the specific investments and our long-term involvement, we are in a good position to help maximize the value of those companies. Specifically, while we can't control macro-economic risk, we have historically been able to provide value to portfolio companies (and thus our investors) by helping them navigate through product development and marketing risks, competitive risks (positioning the portfolio company appropriately against competitors), sales risks (contacting the right individuals in

portfolio company customer organizations that can "close the deal" for significant contracts), management risks (upgrading executive and engineering talent), capital risks (assisting in the raising of funds and locating co-investors to provide financing) and exit risks (positioning portfolio companies for sale).

Despite the current challenges, we believe Acartha overall has delivered good results to its investors, and can continue to do so going forward.

ASSF: The attached term sheet describes the establishment of Acartha Special Situations Funding, LLC ("ASSF") which would obtain commitments from you and other investors to support a reduced Acartha through 2012. The overall amount required (detailed below in "– *2012 Operating Budget*" and in the 2012 Operating Budget attached to this letter) is expected to be between $1.5mm and $2.1mm, depending in part on whether a fund administrator is hired and the amount of outside legal fees required.

In addition to enabling the collection and on-lending of the funds needed to cover the projected operating deficit at Acartha for 2012, ASSF would also be an investment vehicle for those investors who choose to support additional rounds of funding for portfolio companies.

For the support of Acartha, contributions to ASSF would be collected and disbursed to Acartha on an as-needed basis pursuant a senior secured loan agreement between ASSF and Acartha (the "Senior Loan"). Interest on the Senior Loan would accrue at a rate of 6% per annum, compounded annually. The Senior Loan would be repaid by the pro rata contribution of all investors who benefit from Acartha avoiding insolvency (that is, investors in ATP, MIC VII, the SPVs and in Acartha). Such contribution would be deducted from amounts otherwise payable to investors from any Acartha source, such as portfolio company liquidity events and carried interest. Because MIC VII and the SPVs require that investors receive their capital back before any carried interest is distributed, it is expected that the initial source of repayment of the Senior Loan will be portfolio company liquidity events. In addition, BDM has agreed to cause the BDM Carry to be pledged to secure the repayment of the Senior Loan. Acartha will pledge its carried interest as well, net of expenses. To the extent that all or a portion of the Senior Loan has been repaid from the pro rata contributions of ATP, MIC VII and SPV investors to ASSF, any BDM Carry will be first be applied to reimburse such investors for the full amount that had been deducted from their distributions to satisfy the repayment of the Senior Loan by Acartha, including interest at 6% per annum, compounded annually. The calculation of amounts deducted from distributions to be applied to enable the Company to repay the Senior Loan to ASSF is determined by the pro rata portion (by capital contributed) of each entity that receives such distribution.

We are requesting that investors contribute an amount at least equal to their pro rata interest as set forth in the attached Schedule of Individual Member Return Data in order to enable ASSF to have the funding necessary to make the Senior Loan[12]. If insufficient

[12] For each investor, the Schedule of Individual Member Return Data sets forth such Member's pro rata ownership interest in Acartha and the several Acartha investment vehicles. The denominator for determining the pro rata ownership is calculated by summing all capital contributed to ATP, MIC VII and the SPVs (excluding IA, IA II and TA III), the preference of the Series A preferred shares of Acartha and the original issue amount of the G-III Series A. It

investors participate and Acartha is unable to access the funds required to maintain operations, Acartha will have to file for bankruptcy protection and, if you are an investor in Acartha Group, your investment will be wiped out while if you are an investor in MIC VII, ATP or any SPV, you will have a high likelihood of your venture capital investment being liquidated, sold or converted, resulting in collection of only a fraction of the potential value of such investment.

In addition to funding the Senior Loan, investors in ASSF will be solicited for each investment that is needed for a portfolio company (other than investments in Librato, which will be made through LA II and for Tervela, which will be made through TA III). These investments in ASSF would be tracked individually and separately from the Senior Loan investments, such that distributions from a portfolio liquidity event received by ASSF would be made pro rata based on the relative amount contributed for the related round(s) of investment. The concept is that only those investors who have made an investment in a particular round would receive proceeds from that round – in other words, instead of each investor having a pro rata sharing percentage of all of the investments of ASSF, such investor would have the right to receive distributions on a pro rata basis with the other investors who participated in that round. This prevents those who don't participate in a round from diluting the returns of those who do participate.

It remains true that to the extent participation by ASSF investors prevents the overall Acartha position from being eliminated, converted to common or otherwise disadvantaged, by avoiding the effects of a pay to play provision, non-participating investors will receive an indirect benefit from the ASSF investors who support the transaction. We note that this is basically what happened in the Integrien transaction – investors participating in the last round of financing (a down round) benefitted from buying shares at a lower price than those who had participated in earlier rounds, but the fact that these later investors participated at all prevented the earlier investors (who chose not to participate) from having their investment converted from a senior preferred position to a junior preferred position.

ASSF would be managed by an LLC which, consistent with the other Acartha Funds, would distribute 25% of any carried interest to Acartha and the balance to the management team as incentive compensation. No carried interest would be distributed with respect to any investment until the members of ASSF funding the Senior Loan as well as all members participating in that investment had received a return of their capital invested.

ASSF is not a permanent plan for Acartha, but we believe that given the current situation, it provides the best way to protect the value of the assets held by the Acartha Funds in the near term (through 2012) while requiring the least commitment of funds. Depending on how events evolve, Acartha could conceivably launch new funds which will lead to increase revenues in 2013 and beyond which could provide revenue possibilities for existing Acartha creditors and Series A investors. It is equally possible that events may make it clear that the best course for both Acartha Fund investors, and Acartha creditors and Series A investors, is an orderly wind-

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excludes the cross-investments of MIC VII in Clearbrook Acquisition, LLC and TA. The sum total of the denominator is $85,208,667. The numerator is the total such investor has invested in each entity, not adjusted for prior distributions. The resulting percentage is multiplied against an assumed capital raise for ASSF of $2mm to determine the amount such investor's contribution if such investor chose to support at a pro rata level.

down. Even if investors decide not to make any additional investments in portfolio companies through ASSF, funding the Senior Loan to avoid a disorderly bankruptcy would provide value.

The attached term sheet for ASSF envisions the creation of "ASSF Advisory Council" discussed below in *"—Management of Acartha."* As noted in the term sheet, the undersigned welcome whatever supervisory structure seems appropriate, including appointing an individual not associated with Acartha to represent the interests of investors. Issues which will need to be considered are the incremental cost and the skill-set of any such representative.

2012 Operating Budget: The overall operating budget for 2012 (the "2012 Operating Budget") is $1.7mm. In addition, there are $594,000 in accrued expenses currently owed to providers of ongoing services to the Company (detailed in the 2012 Operating Budget). The sum of this amount, plus the $160,000 needed to fund the Company in December, exceeds scheduled management fees by $1.49mm. This is the projected immediate deficit. The 2012 Operating Budget contains further details about the assumptions underlying the proposed operating plan.

The 2012 Operating Budget assumes that the personnel currently housed in the East Brunswick New Jersey office operate the Company, with assistance from UHY Advisors for accounting and tax matters, and Holtz Rubenstein Reminick for audit matters. The St. Louis office, which Acartha shared with MH (the lessee), will be closed after production of the documents needed to respond to the SEC subpoenas. AP will continue his current role with the companies that he has been primarily involved with over the last two years (Tervela and Librato; previously Ameet had been very involved with Integrien (sold last year)) and will assume responsibility from BDM for the other portfolio companies. Currently, BDM sits on the boards of Tervela, Librato, Pollen and LogicSource (Cirqit.com owns approximately 27% of LogicSource), and, depending on events, may continue to represent the Acartha Funds on the boards of Pollen and/or LogicSource. Service as a member of the board of any portfolio companies will be subject to obtaining satisfactory director and officer's insurance coverage.

The 2012 Operating Budget is structured to minimize the out-of-pocket advances from investors by delaying certain expenditures until such time as distributions from existing closed transactions (Integrien, x.eye) are received in March, at which point accrued management fees are collected and advance fees are collected as well against the distributions. **We project that $685,000 in funding is needed to cover expenses until then.** This funding would enable the Company to make partial payments to UHY so that they can continue to provide financial support (particularly with respect to tax preparation and timely distribution of K-1's as well as other analytical support). It would also allow Holtz Rubenstein Reminick to resume their audits of Acartha and ATP. Payments to the landlord of the East Brunswick office are included as well as compensation to the 2012 Management Team and other required operating expenses. This amount does not include payments to any fund administrator, ongoing legal expense beyond a minimal amount, or payments to any third party representative of investors.

Management of Acartha: BDM has agreed take a leave of absence from the day-to-day management of Acartha and hand over operational control while he attends to his personal matters. Our current expectation is that for administrative reasons BDM would retain his current title at Acartha and therefore would be available to execute documentation relating to the

Acartha Funds. This avoids a costly and premature redrafting of corporate and fund documentation. BDM stays on the payroll at a minimal rate in order to qualify for medical insurance in exchange for cooperating in the transition and generally assisting where appropriate, especially with respect to the portfolio companies where he has particular institutional knowledge, such as Cirqit/LogicSource.

The management team for 2012 would consist of Ameet Patel, Chief Technology Officer; T. Wynne Morriss, General Counsel; and Dixon Brown, Chief Administrative Officer (the "2012 Management Team"). We suggest that an advisory group be formed consisting of representative interested members of Acartha and the Acartha Funds who provide the interim financing (the "ASSF Advisory Council"). As noted above, an alternative approach would be for investors directly, or through the ASSF Advisory Council, to appoint a non-Acartha individual to act on behalf of the council and otherwise supervise the activities of the 2012 Management Team. Over the course of the year, in addition to providing ASSF members with information and recommendations on specific investment decisions, the 2012 Management Team would provide timely reports on Acartha and the portfolio companies to the ASSF Advisory Council (in addition to providing the reports required under the documentation governing the various Acartha Funds). The ASSF Advisory Council or its designee could also approve expenses not set forth in the 2012 Operating Budget, determine matters relating to the audits of the Company and the funds and otherwise provide such supervision as it determines is in the best interests of investors. Assuming that investors agree to support Acartha during 2012 through ASSF, the 2012 Management Team would continue to work in good faith at Acartha and would work with investors, and any third parties engaged by the investors, to address the issues facing the Company and the Acartha Funds.

As the portfolio develops and events evolve, the ASSF Advisory Council would determine the terms and conditions, if any, under which they might be willing to provide continued support for Acartha and the Acartha Funds. While the 2012 Management Team is hopeful that a long-term strategy can be developed for Acartha which provides a return for Acartha investors as well as opportunities for the members of the team, we also recognize that there are many uncertainties at the present time and it is premature to form a more permanent plan until at least some of those uncertainties are resolved.

BDM has reviewed this letter and indicated to us that he fully backs this plan and believes it is the best and most cost-efficient way to move forward. In exchange for the Company agreeing to forebear on the collection of the MH Note until such time as all investigations by government agencies are finally resolved, in addition to securing repayment of amounts contributed to fund the Senior Loan, BDM also has agreed to cause the BDM Entities to enter into such security agreements as are required to apply the BDM Carry (described in footnote 6 of this letter) to repay any remaining balance of the MH Note.

Given the cash situation of the Company, time is of the essence and accordingly we look forward to discussing the overall situation and this proposal to you in the next few days. Finally, while we cannot predict the outcome for the Company or the investments which it manages on your behalf, we do believe that the plan outlined here will lead to a better result for you than either an

Acartha bankruptcy or attempting to transfer the portfolio of the Acartha Funds to new managers before stabilizing the platform.

This plan is designed to buy some time so that Acartha and Acartha Fund investors can understand their options, decide what is in their best interests and make appropriate decisions while at the same time ensuring that the value of their existing investments is not precipitously destroyed through a bankruptcy filing of Acartha, which, absent support from investors, will probably become inevitable within the next 30 days.

It is our sincere hope that together we can manage our way through this very difficult situation and realize the value that remains within Acartha and the Acartha Funds. Despite the challenges, we think this value can be harvested for our mutual benefit.

Please direct any questions you may have on this letter to the Company's General Counsel, Wynne Morriss, at 732-289-3368.

Very truly yours,

Ameet Patel T. Wynne Morriss Dixon R. Brown

Attachments: Schedule of Individual Member Return Data
Schedule of Investments in Portfolio Companies
Compensation Schedule
2012 Operating Budget
Acartha Special Situations Funding Summary of Terms
Unaudited 12/31/10 and 9/30/11 Balance Sheet and Income Statement of Acartha
Unaudited 12/31/10 and 9/30/11 Balance Sheet and Income Statement of ATP
MIC VII 12/31/10 Audited Financial Statements
Acartha Group 12/31/08 Audited Financial Statements

EXHIBIT B

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF

ACARTHA SPECIAL SITUATIONS FUNDING, L.L.C.
a Delaware limited liability company

dated as of December 21, 2011

TABLE OF CONTENTS

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF

ACARTHA SPECIAL SITUATIONS FUNDING, L.L.C.

a Delaware limited liability company

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT of Acartha Special Situations Funding, L.L.C. (the "Company") dated as of December 21, 2011 (this "Agreement"), is adopted and agreed to by the Company, ASSF Capital, L.L.C. (the "Managing Member") and such other persons as may join in this Agreement from time to time upon their admission to the Company (the "Investor Members" and, together with the Managing Member, the "Members") pursuant to the Delaware limited liability company Act (6 Del. C.18-101) (the "Act").

ARTICLE 1

PURPOSE AND POWERS

1.1 Purpose. The Company has been organized to collect contributions from existing investors in Acartha Group, LLC ("Acartha") and investment vehicles managed by Acartha (each, an "Acartha Fund") and to apply such contributions (i) to make loans from time to time to Acartha (the "Acartha Loan") and (ii) to make investments in companies in which an Acartha Fund has previously invested (each, a "Portfolio Investment"), and to engage in any lawful act or activity necessary, advisable, convenient or incidental thereto.

1.2 Powers. The Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purpose set forth in Section 1.1, including, but not limited to, the power:

(a) to conduct its business, carry on its operations and have and exercise the powers granted to a limited liability company by the Act in any state, territory, district or possession of the United States, or in any foreign country that may be necessary, convenient or incidental to the accomplishment of the purpose of the Company;

(b) to enter into, perform and carry out contracts of any kind, and contracts with any Member, any affiliate thereof, or any agent of the

Company necessary to, in connection with, convenient to, or incidental to the accomplishment of the purpose of the Company;

(c) to enter into the Acartha Loan under such terms and with such security, if any, as the Managing Member shall determine is appropriate;

(d) to purchase or otherwise acquire, own, hold, vote, use, employ, sell or otherwise dispose of, and otherwise use and deal in and with, the Portfolio Investments;

(e) to indemnify any person or entity in accordance with the Act and other applicable law and this Agreement; and

(f) to enter into, make and perform all contracts, agreements and undertakings, and to do any and all acts and things necessary, appropriate, incidental or convenient to the accomplishment of its purposes and for the protection and benefit of the Company.

ARTICLE II
MEMBERS AND INTEREST

2.1 Members; Voting Rights.

(a) The initial Members of the Company are listed on the attached Schedule 1. Other persons may hereafter be admitted as Investor Members in accordance with Section 5.5 (Admission of Members). Each Member shall execute a counterpart of this Agreement indicating his agreement to the terms and provisions hereof.

(b) For any matter requiring the vote or consent of the Investor Members hereunder, the Investor Members shall vote in accordance with their respective Sharing Percentages (as defined in Section 4.2 hereof). Except as otherwise provided herein, or as required by applicable law, the vote, consent or approval of the Investor Members shall be established based upon a majority of the votes cast.

(c) Neither the Managing Member nor any Investor Member shall be required to devote his entire working time or skills to the business of the Company. No Member shall be required to submit any acquisition or investment opportunities to the Company for purposes of possible acquisition or investment by the Company. Any Member shall have the right to be employed by, engage in, or otherwise be connected or associated in any manner whatsoever, directly or indirectly, with any other practices, enterprises, businesses, investments and occupations, whether or not similar to or competitive with the business of the Company.

2.2 Membership Interests. Each Member's ownership interest in the Company is herein referred to generally as a "Membership Interest." The respective rights of each Member to share in the capital of the Company, either by way of

distributions or on liquidation, will be determined by reference to the Capital Account (as defined herein) of such Member; and each Member's interest in the profits and losses of the Company shall be established as provided herein; provided, however, that all cash distributions resulting from the repayment of the Acartha Loan or the receipt of a dividend or any other distribution from any Portfolio Investment shall be made in accordance with Section 4.6 hereof. Each Member shall have the rights and powers set forth in this Agreement.

2.3 Meetings.

(a) Meetings of the Members may be called by the Managing Member, or by Investor Members holding Sharing Percentages (as hereafter defined) of at least 25% in the aggregate, for any reason.

(b) Written or verbal notice stating the place, day and hour of each meeting of Members and the general purpose or purposes for which the meeting is called shall be given not fewer than five (5) nor more than thirty (30) days before the date of the meeting to each Member.

(c) A Member may waive any notice required by law or this Agreement, before or after the date and time of the meeting that is the subject of such notice. Except as provided in the next sentence, the waiver shall be in writing, signed by the Member entitled to the notice and delivered to the Managing Member for inclusion in the Company's minutes or records. A Member's attendance at or participation in a meeting waives any required notice to such Member of the meeting unless the Member, at the beginning of the meeting or promptly upon such Member's arrival, objects to the transaction of any business at such meeting on the ground that such meeting is not lawfully called or convened. A Member may participate in a meeting in person or by proxy.

(d) Any vote, consent or approval of the Members may be accomplished by written consent in lieu of a meeting signed by Members constituting the required vote for the action so taken.

(e) Members may participate in a meeting by, or conduct the meeting through, the use of any means of communication by which all Members participating may simultaneously hear each other during the meeting. Any Member who participates in a meeting in this manner is deemed to be present in person at the meeting, except where a Member participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE III
MANAGEMENT OF THE COMPANY

3.1 Managing Member. In accordance with Section 18-402 of the Act, and except as otherwise provided herein, decisions with respect to the management and

control of the Company and the investment of the assets of the Company shall be made by the Managing Member. The Managing Member is authorized and empowered on behalf of and in the name of the Company to carry out any and all of the purposes of the Company and to perform all acts and enter into and perform all contracts and other undertakings that it may, in its sole discretion, deem necessary, advisable or incidental thereto. The Managing Member may employ on behalf of the Company any other person or entity to perform services on behalf of the Company, including members or employees of the Managing Member; provided, however, that any fees for such service provider shall be paid by the Managing Member and no Investor Member who has paid its Management Fee as set forth in Section 3.4 shall be responsible for any such fees or expenses

3.2 Delegation; Officers. As provided in Section 18-407 of the Act, the Managing Member shall have the power and authority to delegate to one or more other persons any of the Managing Member's rights and powers to manage and control the business of the Company and to appoint any such person as an officer or agent of the Company, who shall have such power and authority as may be specified by the Managing Member. Officers shall serve at the pleasure of the Managing Member. The initial officers of the Company, each of whom shall have the power to execute documents on behalf of the Company, shall be Dixon R. Brown, Treasurer and T. Wynne Morriss, Secretary and General Counsel. The Managing Member shall have the power to appoint new officers of the Company and to replace officers from time to time.

3.3 Management Decisions. Except to the extent that the Managing Member chooses to delegate authority with respect to specified matters, all decisions with respect to the management of the Company's business and internal affairs shall be made by the Managing Member.

3.4 Advisory Council: The Managing Member shall establish an advisory council which shall provide advice to the Managing Member relating to such matters relevant to the Company's business as requested by the Managing Member from time to time (the "ASSF Advisory Council"). Members of the Advisory Council shall be appointed by the Managing Member and shall serve as determined by the Managing Member. The Managing Member shall have the authority to appoint new members of the ASSF Advisory Council and to replace members from time to time. Neither the ASSF Advisory Council nor any member thereof shall take part in the management or control of the Company's affairs, transact any business in the Company's name, or have any power to sign documents or otherwise bind the Company. The ASSF Advisory Council shall meet from time to time on an as-needed basis, and shall act by a majority vote, unless otherwise determined by its members. Meetings of the ASSF Advisory Council may be conducted through the use of any means of communication by which all of its members participating may simultaneously hear each other during the meeting.

3.5 Expenses. No management fee will be assessed by the Managing Member. Investor members shall be responsible for any actual expenses incurred by the Company such as accounting and audit fees (if applicable), corporate tax and

registration fees, and the Company's pro rata share of recoverable expenses incurred in the monitoring of Portfolio Investments. Any expenses incurred shall be payable by the Investor Members on a pro rata basis in accordance with their respective Sharing Percentages and any Investor Member shall be entitled to review documentation relating to such actual cash expenses. Expenses shall be deducted from distributions payable to Investor Members; provided that if distributions to cover expenses are not available, then Investor Members shall contribute the respective pro rata portion of expenses to the Managing Member upon demand.

ARTICLE IV
FINANCIAL INTERESTS OF MEMBERS

4.1 General. The Company has been organized with the intention that the Company shall qualify for taxation as a partnership for U.S. federal income tax purposes. The Members acknowledge that the provisions of Subchapter K of the Internal Revenue Code of l986, as amended (the "Code"), and the Treasury Regulations (the "Regulations") promulgated thereunder will apply to the Company, and intend that the allocations of taxable income and loss, distributions to the Members and maintenance of capital accounts all conform to the requirements of the Code and the applicable Regulations.

4.2 Capital Contributions. The Members have made, or shall make, the initial contributions to the capital of the Company ("Capital Contributions") and shall have sharing percentages (the "Sharing Percentages") based on the respective and relative balances in their Capital Accounts as set forth opposite their respective names on the attached Schedule 1. Except for the payment of expenses as set forth in Section 3.5, Members shall have no obligation to contribute additional capital to the Company.

4.3 Capital Accounts.

(a) A separate capital account ("Capital Account") shall be established and maintained for each Member on the books of the Company and shall reflect the Capital Contributions, distributions and share of profits and losses of the Company of the Member in accordance with the principles of the Regulations. Specifically, each Member's Capital Account (i) will be increased by (A) the amount of money contributed by such Member to the Company, (B) the fair market value of any property (including but not limited to any Portfolio Investment) contributed by such Member to the Company and (C) the allocation to such Member of its Sharing Percentage of the Company's taxable income, if any, as determined under the Code and Regulations and (ii) will be decreased by (A) the amount of money distributed to such Member by the Company, (B) the fair market value of property (including but not limited to any Portfolio Investment) distributed by the Company to such Member and (C) the allocation to such Member of its Sharing Percentage of the Company's net taxable loss, if any, as determined under the Code and the Regulations.

(b) No Member shall be entitled to receive interest on its Capital Contributions.

(c) No Member shall be entitled to withdraw all or any part of its Capital Account prior to the dissolution of the Company.

(d) Loans or advances by any Member to the Company shall not be considered Capital Contributions and shall not increase the Capital Account of the lending or advancing Member.

(e) Except as provided in this Agreement, no Member shall be required under any circumstances to contribute or lend any additional money or property to the Company.

4.4 Distributions.

(a) Cash realized from the repayment of the Acartha Loan, including any interest thereon, net of appropriate reserves for expenses, if any, and as determined by the Managing Member from time to time, shall be distributed to each Investors Member in accordance with the Acartha Loan Sharing Percentage as defined in Section 4.6.

(b) Cash realized from the investments and operation of the Company, other than cash realized from repayment of the Acartha Loan, net of appropriate reserves for expenses, if any, and as determined by the Managing Member from time to time, shall be distributed in the following order and priority:

First, 100% to each Member, allocated in accordance with their respective Portfolio Company Sharing Percentages as defined Section 4.6, until such Member has received cumulative distributions (including amounts distributed under Section 4.4(a)) of an amount equal to the Capital Contributions made by such Member plus (i) a return of 6% per annum calculated from the date of contribution on Capital Contributions made by such Member which are applied to make the Acartha Loan and (ii) all expenses paid through such date of distribution; and

Second, thereafter, 20% to the Managing Member and 80% allocated to each Member in accordance with Section 4.6.

4.5 Allocations of Profits and Losses

(a) The Company's net profits or net losses (including unrealized gains or losses in securities and, as appropriate, individual items of income, gain loss or deduction) for a fiscal year or other period shall be allocated among the Members in a manner such that the Capital Account of each Member, immediately after making such allocation, is as nearly as possible equal (proportionately) to the distributions that would be made to such Member pursuant to Section 4.4 if the Company were dissolved, its affairs wound up and its assets sold for cash equal to their fair market value, all

Company liabilities were satisfied, and the net assets of the Company were distributed in accordance with Section 4.4 to the Members immediately after making such allocation.

(b) Items of income, gain, loss, deduction and credit that are recognized by the Company for tax purposes shall be allocated among the Members in such manner as equitably reflects amounts credited or debited to the Members' Capital Accounts pursuant hereto. To the extent profits or losses have been reflected in Capital Accounts prior to their recognition for tax purposes, allocations shall be made consistent with the principles of Code Section 704(c).

4.6 Special Distribution Allocations. The contributions of Members to the Company from time may be used from time to time to make advances pursuant to the Acartha Loan and to acquire various Portfolio Investments. Members may contribute to enable the Company to fund the Acartha Loan, to enable the Company to make one or more Portfolio Investments or any combination thereof. Therefore, in order to equitably reflect the value of each Member's interest,

(a) Amounts available for distribution to Members pursuant to Sections 4.4 or 6.4 (liquidating distributions) which relate to a distribution from repayment of the Acartha Loan shall be distributed to each Member pro rata in the proportion by which such Member has contributed capital which was available to the Company for advances to Acartha pursuant to the Acartha Loan to the aggregate amount advanced (the "Acartha Loan Sharing Percentage"). The Acartha Loan Sharing Percentage for each Investor Member is set forth on Schedule 2 of this Agreement, as amended from time to time.

(b) Amounts available for distribution pursuant to Sections 4.4 or 6.4 (liquidating distributions) to Members which relate to a distribution on or the disposition of any Portfolio Investment (or any portion thereof) shall be distributed to each Member pro rata in the proportion by which such Member contributes capital for the purchase of such Portfolio Investment to the aggregate amount of such Portfolio Investment purchased by the Company (each, a "Portfolio Company Sharing Percentage"). The Portfolio Company Sharing Percentage for each Member for purpose of allocations pursuant to this Section 4.6 with respect to any Portfolio Investment shall be set forth on a schedule to be attached to this Agreement concurrently with the subscription for such additional Portfolio Investment by the Company. For the avoidance of doubt, a separate Portfolio Company Sharing Percentage will be determined and reflected in a separate schedule for each investment made by the Company, regardless of whether such investment is in the same Portfolio Company.

ARTICLE V
TRANSFERS, TERMINATIONS AND THE ADMISSION OF ADDITIONAL MEMBERS

5.1 Transfers Generally. Except for a Permitted Transfer, Membership Interests may not be assigned, in whole or in part (each such assignment, a "Transfer"), without the written consent of the Managing Member.

5.2 Effect of Transfers.

(a) Except as provided in paragraph (b) below, any Transfer of a Membership Interest by operation of law, or by the laws of inheritance or devise shall be effective only to give the transferee of such Membership Interest the right to the share of allocations and distributions to which the transferor would otherwise be entitled, and no transferee of a Membership Interest shall be admitted as a Member.

(b) A transferee of a Membership Interest shall, upon such Transfer, be admitted as an Investor Member with all the rights and powers of his transferor if, prior to such Transfer, the Managing Member consents to the admission of the transferee as an Investor Member, and the transferee joins in and agrees to be bound by the terms of this Agreement.

(c) The Managing Member may, in its discretion, charge a reasonable fee to cover the expenses incurred by the Company in connection with or as a consequence of the Transfer of all or part of a Membership Interest.

(d) The Company, the Managing Member, each Investor Member and any other person or persons having business with the Company, need deal only with holders of Membership Interests who are admitted as Members of the Company, and shall not be required to deal with any Transferee who has not been admitted as a Member.

5.3 Permitted Transfers. A "Permitted Transfer" shall mean any Transfer of Membership Interest(s) by an Investor Member to such Member's spouse, siblings, ancestors or descendants (natural or adopted) or the descendants (natural or adopted) of such Member's spouse (collectively, such Member's "Family Group"), a trust solely for the benefit of such Member and/or the members of such Member's Family Group, a family partnership whose partners consist solely of such Member and/or members of such Member's Family Group or a family limited liability company whose members consist solely of such Member and/or members of such Member's Family Group; provided, that in order for such Transferee to become an Investor Member of the Company, such Transferee shall join in and agree to be bound by the terms of this Agreement.

5.4 Resignation, Withdrawal or Removal of Managing Member. The Managing Member may not resign or withdraw without the appointment of a successor Managing Member acceptable to all Investor Members. The Managing Member may be removed by the Investor Member for Cause (defined below) by a vote of Investor

Members holding 80% of the aggregate Sharing Percentages held by Investor Members. "Cause" means the Managing Member has engaged in conduct which constitutes fraud or willful malfeasance in the conduct of its duties hereunder or the Managing Member has acted in a manner which constitutes gross negligence under relevant law or regulation and such gross negligence has not been cured within 30 days of receipt of written notice from Investor Members holding a majority of the Sharing Percentages held by all Investor Members.

5.5 Admission of Members. The Managing Member may from time to time admit additional Investor Members to the Company on such terms and conditions, including such contributions to the capital of the Company, as the Managing Member determines to be appropriate provided, however, that members holding a majority of the aggregate Sharing Percentage must approve such additional Investor Members; provided, further, that the Managing Member may admit additional Investor Members without the consent of the existing Investor Members if (i) such prospective Investor Members are providing funds that are applied to make advances under the Acartha Loan, (ii) such prospective Investor Members are contributing capital to enable to the Company to make a Portfolio Investment which has previously been offered to, but not fully subscribed by, current Investor Members and (iii) such prospective Investor Member is an existing investor in Acartha or in an Acartha Fund. Any such additional Investor Members shall join in and agree to be bound by the terms of this Agreement. The schedules attached hereto shall be amended to reflect the investment of the capital contributed by such additional Investor Member to amounts advanced under the Acartha Loan or applied towards a Portfolio Investment, as the case may be, and such Investor Member shall execute such documentation as shall be required by the Managing Member such that such Investor Member becomes a party to this Agreement and agrees to be bound by its terms.

ARTICLE VI
TERM AND TERMINATION OF THE COMPANY

6.1 Term of the Company. The term of the Company commenced upon the filing of its certificate of formation with the Secretary of State of the State of Delaware. The Company shall have perpetual existence from the date of formation unless the Company is dissolved and terminated as provided in this Agreement.

6.2 Events of Dissolution. The Company shall be dissolved upon the occurrence of any of the following events:

(a) The unanimous vote of the Members, or the vote of the Managing Member and Investor Members holding 85% of the aggregate Sharing Percentages, to dissolve the Company ;

(b) The sale of all or substantially all of the business and assets of the Company; or

(c) As otherwise required by the Act.

6.3 Conclusion of Affairs. In the event of dissolution of the Company for any reason, the Managing Member shall proceed, as soon as reasonably practicable, to wind up the affairs of the Company. The Members (and their successors in interest) shall continue to share in allocations of income and loss and distributions during the period of winding up in the same manner as before the dissolution. The Managing Member shall have reasonable discretion to determine the time, manner and terms of any sale or sales of Company property pursuant to such winding up, having due regard to the activity and the condition of the Company and relevant market and financial and economic conditions.

6.4 Liquidating Distributions. After paying or providing for the payment of all debts and liabilities of the Company and all expenses of winding up, and subject to the right of the Managing Member to set up such reserves as it may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company, any other remaining assets of the Company, shall be distributed to or for the benefit of the Members (and their successors in interest) in accordance with the balances in their respective Capital Accounts, subject to Section 4.6. The Managing Member may distribute such remaining assets (including any remaining Portfolio Investments), in kind, as a liquidating distribution to the Members (and their successors in interest).

6.5 Termination. Within a reasonable time following the completion of the winding up of the Company, the Managing Member shall supply to each Member a statement which shall set forth the assets and the liabilities of the Company as of the date of complete winding up and each Member's portion of the distributions pursuant to this Agreement. Upon completion of the winding up of the Company and the distribution of all Company assets, the Company shall terminate, and the Managing Member shall execute and file a certificate of cancellation of the Company with the Secretary of State of Delaware, and shall take all other action necessary to effectuate the dissolution and termination of the Company.

ARTICLE VII
GENERAL AND ADMINISTRATIVE PROVISIONS

7.1 Principal Office. The principal office of the Company shall be at such location or locations as may be determined by the Managing Member from time to time.

7.2 Indemnification. To the fullest extent permitted by law, the Company shall indemnify and hold harmless, and may advance expenses to, the Managing Member and any other Member or officer of the Company (collectively, the "Indemnitees"), from and against any and all claims and demands whatsoever arising out of the business and affairs of the Company; provided, however, that no advance or indemnification may be made to or on behalf of any Indemnitee in connection with (a) a breach by such Indemnitee of any fiduciary duty owed to the Company or to any Member, or (b) such Indemnitee's negligence or willful misconduct. The provisions of this section shall

continue to afford protection to each Indemnitee regardless of whether such Indemnitee remains a Managing Member, Member or officer of the Company.

7.3 Fiscal Year. The fiscal year of the Company shall end on the thirty-first of December.

7.4 Books and Records. At all times during the term of the Company, the Managing Member shall keep, or cause to be kept at the Company's principal office, the books and records of the Company. The books and records of the Company shall be open to the reasonable inspection and examination by the Members or their duly authorized representatives during reasonable business hours.

7.5 Reports. As soon as practicable following the end of each fiscal year (but within 120 days), the Company shall provide each Member a financial report of the results of operations, including audited or unaudited financial statements, as determined by the Managing Member, as well as tax statements on Form K-1 (or their equivalent). The Managing Member shall provide a report on the financial condition and ongoing business of Acartha Group and any entity in which a Portfolio Investment is made on an ongoing basis, and in any event at least semi-annually.

7.6 Tax Information. The Company shall prepare, or cause to be prepared, Forms K-1 for the Members for each taxable year of the Company. The Company shall, within ninety (90) days after the end of each taxable year of the Company, cause to be sent to each Member, a completed Form K-1 with respect to such Member and any other tax information concerning the Company which is necessary for preparing such Member's income tax returns for that year. The "Tax Matters Partner" of the Company under the Code shall be the Managing Member. The Tax Matters Partner shall provide the Members with copies of any correspondence received by the Company from the IRS or any other taxing authority no later than ten (10) days following the receipt of any such correspondence and shall timely keep the Members informed as to the status of any audit of the Company's tax affairs by the IRS or any other taxing authority and shall not without the prior written unanimous approval of the Members (i) enter into a settlement agreement with the IRS which purports to bind any of the Members other than the Tax Matters Partner, (ii) file a petition pursuant to Sections 6226(a) or 6228 of the Code, (iii) intervene in any action pursuant to Section 6226(b)(5) of the Code, or (iv) enter into an agreement extending the statute of limitations. Additionally, if an audit of any of the Company's tax returns shall occur, the Tax Matters Partner shall not settle or otherwise compromise assertions of the auditing agent without the unanimous approval of the Members.

7.7 Notices. Any notice to be given under this Agreement may be given either personally or by electronic transmission (e-mail), mail, telephone, facsimile or other form of wire or wireless communication, or by overnight courier. If mailed, notice shall be deemed to be effective three (3) days after deposited in registered or certified mail with postage thereon prepaid addressed if to a Member at its address as it appears on the signature page to this Agreement (or at such other address for any party as such party

shall notify the other parties), and if to the Company at its principal office. If given in any other manner, such notice shall be deemed to be effective (i) when given personally, (ii) when given by electronic transmission, within 24 hours of being sent to the e-mail address provided by the Investor Member or the Company in the subscription agreement executed by such member and the Company, and if by telephone, facsimile or other form of wire or wireless communication, within 24 hours of being so communicated (in the case of telephone notification, such notice must be followed by an electronic transmission of notice with 24 hours or by written notice delivered by registered or certified mail) or (iii) one (1) day after given to an overnight courier to be delivered.

7.8 Headings. The headings of the sections hereof are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

7.9 Amendments. This Agreement may be modified or amended by written agreement of the Managing Member and a majority in interest (as reflected in the net balances of all Capital Accounts) of the Investor Members. Notwithstanding the foregoing, the Managing Member may amend the Agreement as necessary to effect the issuance of new Membership Interests or the admission of new Investor Members pursuant to Section 5.5, above, including by making prospective adjustments to the Sharing Percentages of the Members (including any Acartha Loan Sharing Percentage or any Portfolio Company Sharing Percentage, as applicable).

7.10 Entire Agreement; Counterparts. This Agreement sets forth the entire understanding of the parties hereto. This Agreement may be executed in one or more counterparts, or in the case of Investor Members, the execution of a Subscription Document, the form of which is incorporated as a schedule to this Agreement, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have affixed their signatures signifying their adoption of this Agreement as of the date first above written.

ACARTHA SPECIAL SITUATIONS FUNDING, L.L.C.

By: ASSF CAPITAL, L.L.C.
its Managing Member

By: ACARTHA GROUP, LLC,
its Managing Member

By:
_____
B. Douglas Morriss
Chairman of the Board of Morriss Enterprises, LLC, holder of a majority of its common shares

Address: 2 Tower Center Blvd. – 20th Floor
East Brunswick, NJ 08816

ASSF CAPITAL , L.L.C.

By: ACARTHA GROUP, LLC,
its Managing Member

By:
_____
B. Douglas Morriss
Chairman of the Board of Morriss Enterprises, LLC, holder of a majority of its common shares

Address: 2 Tower Center Blvd. – 20th Floor
East Brunswick, NJ 08816

[SIGNATURES CONTINUED ON NEXT PAGE]

_____

Address:

_____

Address:

_____

Address:

_____

Address:

SCHEDULE 1 - Members, Capital Contributions and Sharing Percentages

Member	Capital Contributions	Sharing Percentages
ASSF Capital , L.L.C., Managing Member	$ -0-	$ -0-
	$	
	$	
Total	$	100.00%

SCHEDULE 2: Members, Capital Contributions relating to the Acartha Loan and Acartha Loan Sharing Percentages

Member	**Capital Contributions**	**Acartha Loan Sharing Percentages**
	$	
	$	
	$	
Total	$	100.00%

FORM OF PORTFOLIO COMPANY INVESTMENT SCHEDULE

Members, Capital Contributions relating to [Insert name] Portfolio Investment and related Portfolio Company Sharing Percentages

Member	**Capital Contributions**	**Portfolio Company Sharing Percentage [name or description of Portfolio Investment]**
	$	
	$	
	$	
Total	$	100.00%

Form of Subscription Agreement

CONFIDENTIAL

EXHIBIT C

Acartha Group, LLC
2 Tower Center Boulevard, 20th Floor
East Brunswick, NJ 08816

December 23, 2011

Dear Investor:

We are following up on our last letter to you on December 19th; this letter updates and amends that letter as well as our original letter to you dated December 8th. Collectively, these three letters, together with the exhibits, schedules and other materials accompanying them, are the "Acartha Restructuring Plan." Capitalized terms used in this update letter but not defined have the meanings assigned to them in the Acartha Restructuring Plan.

In the December 19th letter we stated that the Company had decided to engage a Chief Restructuring Officer who would be empowered to independently determine the best course of action for investors, and we asked investors to complete the attached subscription documents for ASSF and make their contribution to ASSF by December 21. We said that if we did not receive $500,000, we would be forced to start winding down the operations of the Company. Since then, we have received cash and firm commitments to fund totaling $$254,975; we have received responses from investors with an aggregate pro rata of $201,671 which, based on those responses, we categorize as "likely investors". The remaining investors have indicated either that they had not made a decision, were unable to make a decision in the limited time available (especially given the time of year), or were not inclined to support the plan.

Complicating discussions with investors this week was the ongoing litigation with the trustees representing the interests of the Goodman trusts who are significant investors in MIC VII and Acartha. Several investors have said that reaching an accommodation with the Goodman trusts was an important consideration in their investment decision. We are pleased to report that as of yesterday afternoon, Acartha and the Goodman trusts have agreed to a consensual Temporary Injunction Order (the "TIO"). The TIO effectively freezes all activity at Acartha, prohibiting the transfer of funds out of Acartha (or MIC VII) without obtaining the prior consent of the Goodman trusts or, if such consent is not granted, the consent of the court.

This is acceptable to us over the holiday period, but obviously will present serious difficulties in January. Importantly from the perspective of prospective ASSF investors, we will not advance any funds under the Senior Loan from ASSF to Acartha unless and until the Goodman trusts consent to the use of those funds by Acartha. In the meantime, we will continue to hold all subscriptions in escrow. The conditions to the transaction closing are that a minimum of $500,000 be received, and that neither the filing of a bankruptcy petition nor the appointment of a receiver appears imminent. We are very aware that it would not be acceptable for funders of the Senior Loan to suffer incremental harm if our efforts to preserve active management of portfolio assets outside of bankruptcy or receivership fail. Accordingly, without either a favorable judicial ruling (a hearing is scheduled for January 12th) or the cooperation of Goodman trusts, ASSF will not enter into the Senior Loan with Acartha and instead will return funds

advanced from investors. Assuming that the closing conditions are met, we accept the subscriptions and enter into the Senior Loan, countersigned subscription documents with completed schedules will be circulated to ASSF subscribers.

Doug Morriss has taken a leave of absence from the Company effective as of December 15th. Although Doug will not be involved in Acartha decisions, he has pledged to cooperate with ongoing management, including the future Chief Restructuring Officer, in implementing the Company's decisions, including executing certain Acartha documents. He has also agreed to pledge his carried interest economics to secure the repayment of the Senior Loan and the other obligations as set forth in the Acartha Restructuring Plan. In addition, Doug has agreed to provide advice on portfolio companies and other matters upon request.

A final note on upcoming portfolio company activity: assuming we are able to avoid bankruptcy or receivership, we expect to be back to those investors with exposure to Tervela in early January, once the company has decided on the terms of its upcoming capital raise. We will send out a letter with details of the proposed financing and will organize an investor presentation with Tervela's CEO so that investors can have a chance to fully evaluate the company's business prospects as well as the terms of the proposed transaction.

We urge those investors who have not yet supported the ASSF financing to do so as soon as practicable. Without receiving a minimum of $500,000 from investors, we cannot in good conscience draw down the amounts which have already been subscribed. This is because spending a lesser amount would not provide enough time to develop a thoughtful plan for the future, and in our opinion would just slightly delay an inevitable bankruptcy.

We all appreciate your support and understanding in the midst of this very difficult situation. Have a good and restful holiday with your families.

Very truly yours,

Ameet Patel T. Wynne Morriss Dixon Brown

CONFIDENTIAL

EXHIBIT D

Acartha Group, LLC
2 Tower Center Boulevard, 20th Floor
East Brunswick, NJ 08816

January 4, 2012

Dear Potential ASSF Investor:

We are writing to you because you have positively responded to our previous letters regarding funding for ASSF. In our last letter to you sent on December 23, 2011, we stated that all funds received would be held in escrow, and that before funds were released from the escrow to ASSF, at least $500,000 would have to be received. We also stated that it was a condition to closing that neither the filing of a bankruptcy petition nor the appointment of a receiver for Acartha or any of the Acartha Funds appeared imminent. We are now asking you, due to changed circumstances since December 23rd, to authorize the closing of the ASSF financing on different terms to allow us to operate under a Chapter 11 bankruptcy petition, all as more fully described below. Capitalized terms used in this letter and not otherwise defined have the meanings assigned to them in the December 23rd letter, which incorporates the Acartha Restructuring Plan letter dated December 8th and the subsequent update letter dated December 19th.

To recap where we were on December 23rd: Doug Morriss had taken a leave of absence effective December 15, 2011, and Acartha and MIC VII had entered into a Temporary Injunction Order (the "TIO") with the Goodman trusts freezing all financial activity at Acartha and the Acartha Funds until we either prevailed at a hearing scheduled for January 12th or otherwise came to a mutually acceptable accommodation. We were willing to agree to the TIO because of the slowdown in business over the holiday period. We understand that after the distribution of our December 23rd letter, a number of investors received a copy of the TIO directly from the Goodman attorneys.

The substantive issue with the Goodman trustees is that they have demanded that a receiver determined by them be appointed to take over Acartha and MIC VII, and that the cost of that receiver be borne by all the investors pro rata. In our effort to be transparent to all investors and to limit the expense of litigation, we have delivered to the Goodman trustees and their attorneys the full Acartha Restructuring Plan and update letters that were delivered to all investors (including ATP investors), notwithstanding the filing of the lawsuit. We have explained why we think that our proposal for the appointment of an independent Chief Restructuring Officer who represents investor interests in all of the Acartha Funds (not just MIC VII) is a much more comprehensive and, importantly, less expensive approach for addressing the challenges facing Acartha and the Acartha Funds.

Unfortunately, based on their continued unreasonable conduct through their attorneys (the Goodman trustees have refused our offer to meet to discuss the situation at the business level), the Goodman trustees have indicated that any solution that does not leave them in control of your investments is unacceptable. We think that their requests to have Acartha and MIC VII (in other words, you) pay their counsel fees and the fees for their

receiver are misguided at best. As should be evident by now, we are under no illusion that the overall situation at Acartha and the Acartha Funds is anything other than grave. However, we continue to believe strongly that our Acartha Restructuring Plan proposal remains the most cost-efficient and equitable way of protecting the interests of all investors and realizing the potential value of your investments.

At the time of the December 23rd letter, we believed that it would be possible to simultaneously fight the Goodman Litigation, continue to respond to the ongoing SEC investigation and move forward with the Acartha Restructuring Plan. Over the holidays, however, the issuer of our directors and officers liability insurance policy (the "D&O Policy"), Federal Insurance Company, a member of the Chubb Group of Insurance Companies ("Federal") has stated that it does not believe it is responsible for advancing the defense costs for either the Goodman litigation or the ongoing SEC investigation despite the clear language of the D&O Policy requiring them to make these payments. We have therefore reluctantly come to the conclusion that the only way to enforce the clear terms of the D&O Policy will be through litigation.

In light of the Federal position on advancing defense costs, our counsel (Pryor Cashman and Jacobs Partners), who have labored extensively on our behalf since September without receiving any payments whatsoever (including expenses), have told us that they cannot afford to continue to represent us without receiving at least partial payment of their invoices. Our inescapable conclusion is that because we do not have the financial resources to sue Federal to collect what is owed under the D&O Policy while at the same time litigating against the Goodman trustees, we must change our strategy to minimize the drain on resources and allow us to get back to implementing the Acartha Restructuring Plan, starting with the hiring of the Chief Restructuring Officer, so that our attention can be focused on your investments in the portfolio companies. Accordingly, after extensive discussion with counsel, we have decided to commence voluntary Chapter 11 bankruptcy proceedings for Acartha, MIC VII, ATP and certain of the SPVs. While we would have preferred to avoid this step, the combination of the Goodman trustees' adversarial position and Federal's refusal to advance defense costs in clear breach of the D&O Policy leaves us with no choice.

A Chapter 11 filing will have a number of immediate strategic benefits: (i) it will immediately halt the Goodman litigation and bar any other investors from following the same path, forcing them to seek relief in the bankruptcy court in their capacity as equity holders, junior in right to creditors (more about this below); (ii) it will provide us with a sympathetic forum in which to sue Federal to honor the D&O Policy; (iii) it will enable us to bring the claims of all creditors and investors against any of the entities into a single court and deal with them in a comprehensive fashion; and (iv) it will give us a single court in which to implement the Acartha Restructuring Plan, including the DIP loan as described below.

It is important to note that, with your support and the approval of the court, the fundamentals of the Acartha Restructuring Plan will remain in place under the Chapter 11 proceeding: there will still be a Chief Restructuring Officer, and ASSF will still be the

financing vehicle through which funds will be lent to finance the activities of Acartha and the Acartha Funds. But instead of taking these steps outside of court supervision, the entire process will be done under the supervision of a bankruptcy judge. The overall disadvantage of the process is the incremental expense (mainly legal) and formality of operating under court supervision. The other disadvantage to Acartha and Acartha Fund investors is that their economic interest in Acartha and the Acartha Funds will be subordinated to the interests of creditors, including importantly the funders of ASSF, as described below. The primary advantage, in addition to the immediate benefits listed above, is that if and when our official bankruptcy reorganization plan is approved by the court, we will have obtained certainty for ASSF investors that the reorganization plan as implemented is protected from legal challenge by any Acartha or Acartha Fund creditor or investor (except through the procedures outlined by the bankruptcy court).

It is also important to note that because Acartha is completely out of funds, and the Goodman trustees continue to insist on expensive litigation while our insurance company refuses to honor the D&O Policy, the ***only*** *alternative at this point to a Chapter 11 filing is a Chapter 7 bankruptcy liquidation, which, as we have discussed extensively before, would be an unmitigated disaster for investors.*

In order to proceed with the Chapter 11 filing and avoid a Chapter 7 liquidation, we need your support. Specifically, we need your approval to apply funds already raised to pay the approximately $50,000 in fees needed to make the Chapter 11 filings. We also still need the funds we originally projected in order to allow us to accomplish the goals we have set forth in the Acartha Restructuring Plan, which will be the foundation of the bankruptcy Reorganization Plan we intend to submit to the court for approval. Instead of the original budget of $2,000,000, we project that approximately $2,500,000 will be needed to operate Acartha and the Acartha Funds through 2012 – the incremental $500,000 is our estimate (based on advice from counsel) of the added costs of operating under bankruptcy supervision (primarily legal fees). Because of the estimated $50,000 needed to cover the fees needed for the initial filing and an additional $50,000 in legal fees required for the period in which we will be preparing our bankruptcy Reorganization Plan, the initial fund raise threshold is now $600,000 instead of $500,000. The other budget items remain the same as originally proposed.

The Chapter 11 process opens up new opportunities for those investors who agree to participate, while disadvantaging those who choose not to participate. This is because instead of a Senior Loan being made with the ASSF funds to Acartha as described in the Acartha Restructuring Plan, the loan will be a bankruptcy court approved Debtor-in-Possession or "DIP" loan. The DIP loan, unlike the Senior Loan which it replaces, will be secured by all of the assets (investments) of the Acartha Funds which are under bankruptcy protection. While the Senior Loan as proposed was to be repaid from proceeds of any liquidity event of a portfolio company, it was not proposed to be secured directly by the assets of the Acartha Funds. Under the Senior Loan structure, the Acartha Funds which had their distribution reduced to repay the Senior Loan in turn were to be repaid by carried interest payable to Doug Morriss. There was always a risk that a non-participating Acartha Fund investor would object to having its distributions reduced to

repay the Senior Loan – with a DIP loan approved by the bankruptcy court, that risk is eliminated.

In order to induce more investors to participate (and avoid Chapter 7 liquidations) the interest rate for the DIP loan will be 1-year Libor plus 10% (currently 11.32%) rather than the 6% originally proposed for the Senior Loan. We believe this rate is generally below the rate paid in the market for debtor-in-possession loans of this risk profile. The DIP loan will be repayable upon confirmation of a plan of reorganization, unless ASSF extends or modifies its terms. If the Chapter 11 cases are converted to Chapter 7 liquidations, or if a Chapter 11 trustee is appointed, the DIP Loan will become immediately due and payable. In such an instance, the DIP lender would be entitled to take all necessary steps, including liquidating the portfolio of the Acartha Funds, to repay the DIP loan. As noted above and, to be absolutely clear, if Acartha and the Acartha Funds do not file Chapter 11 petitions, because of the Goodman trustee litigation and the position Federal has taken with respect to the D&O Policy, they will be forced to file under Chapter 7, which will precipitate the immediate liquidation of portfolio positions to satisfy the demands of creditors.

The DIP loan will only be used pursuant to the budget included in the Acartha Restructuring Plan plus legal fees for the Chapter 11 cases, or as authorized by ASSF as the DIP lender. Finally, as an alternative to repayment, the DIP loan will be structured to provide for conversion of the loan into new senior equity in each of Acartha and the Funds at the election of the DIP lender as part of a plan of reorganization. As senior equity, ASSF (and accordingly the ASSF investors) would receive distributions before any other investor in Acartha or the Acartha Funds.

We are asking you to confirm your commitment to fund your share of the Restructuring Proposal, as revised, and that you consent to the application of your funds to initiate the Chapter 11 proceedings, including the initial budgeted $50,000 to make the appropriate filings. While we are currently approaching only those investors who have previously responded positively in an effort to reach our $600,000 threshold to reorganize and avoid a Chapter 7 liquidation, we do intend to approach all of the investors, as we did previously. We believe that it is highly unlikely that all investors will choose to participate. **Any Investor who does not participate in the DIP loan will run the risk that its interest in Acartha or the Acartha Funds will be wiped out or severely subordinated if the DIP Lender converts the DIP loan to new equity.** In venture investing terms, you should analyze the DIP loan as a very serious "down round" financing, with attendant extremely negative consequences for those investors who do not participate.

On the other hand, those investors who do participate would benefit in accordance with their level of participation, and that is why we are first approaching those investors who responded positively to the original Acartha Restructuring Proposal. Everyone will have an initial opportunity to participate up to their pro rata in funding the DIP loan, and to the extent that the full amount (i.e., $2.5mm) is not covered, we will offer increments above each investor's pro rata to participating investors on an equitable basis.

The financial and operational stresses caused by the Goodman litigation and the refusal of Federal to honor the D&O Policy are causing events to move very quickly. Given these exigencies, you should also be aware that we are speaking to third parties who have indicated an interest in participating in the DIP loan. Obviously, participation by third parties will have the same adverse consequences for investors as failing to participate in the DIP loan.

We will reach out to you by telephone, and would very much appreciate hearing from you so we can decide whether we have the support necessary to proceed down this path or instead need to commence liquidation of Acartha and the Acartha Funds. Whether it is a Chapter 11 restructuring or a Chapter 7 liquidation, we expect to make the appropriate filing within days.

Please call Wynne Morriss at 732-289-3368 with questions. Our counsel, Mark Jacobs, will also be available to discuss the details of the bankruptcy process.

Very truly yours,

Ameet Patel Wynne Morriss Dixon Brown

EXHIBIT E

REDACTED

Acartha Special Situations Funding, LLC
Wire Instructions

DOMESTIC

Receiving Bank: Reliance Bank
10401 Clayton Road
Frontenac, MO 63131

Bank ABA Routing #: [redacted]

Account Name & Address: Acartha Special Situations Funding, LLC
2 Tower Center Blvd.
East Brunswick, NJ 08816-1100

Account Number: [redacted]

INTERNATIONAL

Receiving Bank SWIFT / Routing #: [redacted]
Receiving Bank Name & Address: Bank of America
100 West 33rd Street
New York, NY 10001

Beneficiary Account #: [redacted]

Beneficiary Name & Address: CUSTOM HOUSE
330 Bay Street, Suite 300
Toronto ON M5H 2SH Canada

Reliance Customer Name & Address: Acartha Special Situations Funding, LLC
2 Tower Center Blvd.
East Brunswick, NJ 08816-1100

Reliance Bank Customer Account #: [redacted]

Further credit to: RE: Reliance Bank ABA [redacted] Custom House Branch 702

RELIANCEBANK

EXHIBIT F

REDACTED

228 00012 02 PAGE: 1
ACCOUNT: XXXXXXXXXXX1977 12/30/2011
DOCUMENTS: 0

1923

ACARTHA SPECIAL SITUATIONS FUNDING LLC
DIXON BROWN
2 TOWER CENTER BLVD
E BRUNSWICK NJ 08816

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Effective November 30, 2011 Reliance Bank will no longer provide the Overdraft Defender product on customer accounts
Please contact your local Reliance Bank Branch or call us at 314.569.7200 to discuss available options to protect your accounts from having checks returned, such as transferring funds from another account with us or accessing a line of credit.

BUSINESS ANALYSIS ACCOUNT XXXXXXXXXXX1977

		LAST STATEMENT 12/13/11	.00
AVG AVAILABLE BALANCE	113,038.50	10 CREDITS	128,486.00
		6 DEBITS	139.22
		THIS STATEMENT 12/30/11	128,346.78

- - - - - - - - OTHER CREDITS - - - - - - - - -

DESCRIPTION	DATE	AMOUNT
Incoming Wire, [redacted]	12/21	11,736.00
Incoming Wire, [redacted]	12/21	24,427.00
INCOMING INTL WIRE	12/22	1,740.00
Incoming Wire, [redacted]	12/22	28,981.00
WIRE FEES SINCE 12/21/11 MOVED TO ANALYSIS	12/23	50.00
Incoming Wire,RBC [redacted]	12/23	1,174.00
Incoming Wire,RBC [redacted]	12/23	1,174.00
Incoming Wire,RBC [redacted]	12/23	3,521.00
Incoming Wire,RBC [redacted]	12/23	5,868.00
Incoming Wire, [redacted]	12/23	49,815.00

- - - - - - - - - OTHER DEBITS - - - - - - - - -

DESCRIPTION	DATE	AMOUNT
Incoming Domestic Wire Transfer Fee [redacted]	12/21	10.00
INCOMING WIRE FEE	12/21	10.00
Incoming Domestic Wire Transfer Fee [redacted]	12/22	10.00
INCOMING INTL WIRE FEE	12/22	20.00
Incoming Domestic Wire Transfer Fee [redacted]	12/23	10.00
SERVICE CHARGE	12/30	79.22

* * * C O N T I N U E D * * *

RELIANCEBANK

REDACTED

Incoming Wire Detail

General Information
Wire Sequence Number: [redacted]
Amount: $11,736.00
Wire Status: Posted
OFAC Status: False Positive
Sending Financial Institution: [redacted]
Receiving Financial Institution: [redacted]
Business Function Code: CTP 1000
IMAD: [redacted]
OMAD: [redacted]

Core System Information
Debit Account: General Ledger [redacted]
Credit Account: Checking [redacted]
Wire Fee: $10.00 - Domestic W/T Fee
Credit Transaction Code: 017
Released: FELICIA WILSON 12/21/11 12:23 PM
OFAC Release Override Reason: OFAC FALSE POSITIVE
Override: Supervisor Override
Updated: 12/21/11 12:18 PM
Reference Number: [redacted]

Beneficiary Information
Beneficiary: ACARTHA SPECIAL SITUATIONS FUNDING
Beneficiary Identifier: D [redacted]
Beneficiary Address: LLC

Audit Trail
Uploaded: 12/21/11 12:18 PM
Released with Override: 12/21/11 12:23 PM by FELICIA WILSON
Reason: OFAC FALSE POSITIVE
Posted: 12/21/11 12:23 PM by System

Fedwire / Settlement Information
Sender Reference: [redacted]
Format Version / Test Production Code: 30 / P
MSG Status Indicator / Duplication Code: N /
Fed Acceptance Date / Time: 1221 1:17 p.m. ET 1317
Acceptance Appl ID: FT03

Originator Information
Originator: [redacted]
Originator Identifier:
Originator Address:

Add Memo
Confirm Wire Notification
Request Wire Status Reset

Electronic Mail:
Reliance Bank (MO) WebMaster

Wire Transfer | Security Admin | Help | Logoff |

WireXchange®

FELICIA WILSON

12/21/11 10:21 AM

RELIANCE BANK

REDACTED

Incoming Wire Detail

General Information

Wire Sequence Number: [redacted]

Amount: $24,427.00

Wire Status: Posted

OFAC Status: OFAC Passed

Sending Financial Institution: [redacted]

Receiving Financial Institution: [redacted]

Business Function Code: CTP 1000

IMAD: [redacted]

OMAD: [redacted]

Audit Trail

Uploaded: 12/21/11 10:14 AM

Released: 12/21/11 10:19 AM by FELICIA WILSON

Posted: 12/21/11 10:20 AM by System

Originator Information

Originator: [redacted]

Originator Identifier:

Originator Address:

Originating FI:

Originating FI Identifier:

Originating FI Address:

Core System Information

Debit Account: General Ledger [redacted]

Credit Account: Checking [redacted]

Wire Fee: $0.00 - Waive Fee — MANUALLY CHARGE

Credit Transaction Code: 017

Released: FELICIA WILSON 12/21/11 10:20 AM

Updated: 12/21/11 10:14 AM

Reference Number: [redacted]

Beneficiary Information

Beneficiary: ACARTHA SPECIAL SITUATIONS FUNDING

Beneficiary Identifier: D [redacted]

Beneficiary Address: LLC 2 TOWER CENTER BLVD
EAST BRUNSWICK, NJ 08816-1100

Originator to Beneficiary: /NONE/

Fedwire / Settlement Information

Sender Reference: [redacted]

Format Version / Test Production Code: 30 / P

MSG Status Indicator / Duplication Code: N /

Fed Acceptance Date / Time: 1221 11:14 a.m. ET 1114

Acceptance Appl ID: FT03

Add Memo

Confirm Wire Notification

Request Wire Status Reset

Electronic Mail:

Reliance Bank (MO) WebMaster

REDACTED

have received it in error, please let us know by reply email, delete it from your system and destroy any copies. Disclosure of the email may breach one or more laws. Be advised that emails may contain computer viruses or have other deficiencies, be tampered with, and may not be reproduced the same on other systems. We give no warranties in relation to these matters. If you suspect that an email ostensibly sent by us is not authentic or has been changed, please contact us immediately.
Please advise on the below funds.

1,760.00 [redacted] 1,760.00 0.00 0.00
WIRE TYPE:WIRE IN DATE:122111 TIME:1118 ET
TRN:[redacted] SNDR REF:[redacted]
SERVICE REF:334689
RELATED REF:
ORIG:[redacted]
ORG BK:[redacted]
INS BK: ID:
SND BK[redacted]
BNF BK: ID:
PAYMENT DETAILS:
FFC TO: RE: RELIANCE BANK
[redacted]
REF: [redacted]

$1740.00

AGATHA SOCIAL SITUATIONS FUNDING LLC - PAL JABONL.

12/22/2011

RELIANCE BANK

REDACTED

Incoming Wire Detail

General Information
Wire Sequence Number: [redacted]
Amount: $28,981.00
Wire Status: Posted
OFAC Status: OFAC Passed
Sending Financial Institution: [redacted]
Receiving Financial Institution: [redacted]
Business Function Code: CTR 1000
IMAD: [redacted]
OMAD: [redacted]

Audit Trail
Uploaded: 12/22/11 10:48 AM
Released: 12/22/11 10:50 AM by FELICIA WILSON
Posted: 12/22/11 10:51 AM by System

Originator Information
Originator: [redacted]
Originator Identifier:
Originator Address:

Originating FI:
Originating FI Identifie
Originating FI Address

Core System Information
Debit Account: General Ledger [redacted]
Credit Account: Checking [redacted]
Wire Fee: $10.00 - Domestic W/T Fee
Credit Transaction Code: 017
Released: FELICIA WILSON 12/22/11 10:51 AM
Updated: 12/22/11 10:48 AM
Reference Number: [redacted]

Beneficiary Information
Beneficiary: ACARTHA SPECIAL SITUATIONS FUNDING
Beneficiary Identifier: D [redacted]
Beneficiary Address: LLC
10401 CLAYTON RD
FRONTENAC MO 63131

Fedwire / Settlement Information
Sender Reference: 0077
Format Version / Test Production Code: 30 / P
MSG Status Indicator / Duplication Code: N /
Fed Acceptance Date / Time: 1222 11:48 a.m. ET 1148
Acceptance Appl ID: FT03

Add Memo
Confirm Wire Notification
Request Wire Status Reset

Electronic Mail:
Reliance Bank (MO) WebMaster

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WireXchange®

FELICIA WILSON

12/23/11 03:08 PM

REDACTED

RELIANCE BANK

Incoming Wire Detail

General Information

Wire Sequence Number: [redacted]

Amount: $1,174.00

Wire Status: Posted

OFAC Status: OFAC Passed

Sending Financial Institution: [redacted]

Receiving Financial Institution:

Business Function Code: CTR 1000

IMAD: [redacted]

OMAD:

Core System Information

Debit Account: General Ledger [redacted]

Credit Account: Checking [redacted]

Wire Fee: $10.00 - Domestic W/T - Analysis

Credit Transaction Code: 017

Released: FELICIA WILSON 12/23/11 03:05 PM

Updated: 12/23/11 03:03 PM

Reference Number: [redacted]

Beneficiary Information

Beneficiary: ACARTHA SPECIAL SITUATIONS FUNDING

Beneficiary Identifier: D [redacted]

Reference for Beneficiary [redacted]

Audit Trail

Uploaded: 12/23/11 03:03 PM

Released: 12/23/11 03:05 PM by FELICIA WILSON

Posted: 12/23/11 03:05 PM by System

Fedwire / Settlement Information

Sender Reference: [redacted]

Format Version / Test Production Code: 30 / P

MSG Status Indicator / Duplication Code: N /

Fed Acceptance Date / Time: 1223 4:02 p.m. ET 1602

Acceptance Appl ID: FT03

Originator Information

Originator: [redacted]

Originator Identifier:

Originator Address:

Originating FI:

Originating FI Identifier:

Originating FI Address:

FI to FI Information

FI to FI Information: [redacted]

Add Memo

Confirm Wire Notification

Request Wire Status Reset

Electronic Mail:

Reliance Bank (MO) WebMaster

REDACTED

RELIANCE BANK

Incoming Wire Detail

General Information

Wire Sequence Number: [redacted]
Amount: $1,174.00
Wire Status: Posted
OFAC Status: OFAC Passed
Sending Financial Institution: [redacted]
Receiving Financial Institution:
Business Function Code: CTR 1000
IMAD: [redacted]
OMAD:

Audit Trail

Uploaded: 12/23/11 03:16 PM
Released: 12/23/11 03:49 PM by FELICIA WILSON
Posted: 12/23/11 03:49 PM by System

Originator Information

Originator: [redacted]
Originator Identifier:
Originator Address:

Originating FI:
Originating FI Identifier:
Originating FI Address:

FI to FI Information

FI to FI Information: [redacted]

Core System Information

Debit Account: General Ledger [redacted]
Credit Account: Checking [redacted]
Wire Fee: $10.00 - Domestic W/T - Analysis
Credit Transaction Code: 017
Released: FELICIA WILSON 12/23/11 03:49 PM
Updated: 12/23/11 03:16 PM
Reference Number: [redacted]

Beneficiary Information

Beneficiary: ACARTHA SPECIAL SITUATIONS FUND I, LLC
Beneficiary Identifier: D [redacted]
Reference for Beneficiary: [redacted]
Originator to Beneficiary: ACARTHA SPECIAL SITUATIONS FUNDING, LLC

Fedwire / Settlement Information

Sender Reference: [redacted]
Format Version / Test Production Code: 30 / P
MSG Status Indicator / Duplication Code: N /
Fed Acceptance Date / Time: 1223 4:16 p.m. ET 1616
Acceptance Appl ID: FT03

Add Memo

Confirm Wire Notification

Request Wire Status Reset

Electronic Mail:
Reliance Bank (MO) WebMaster

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FELICIA WILSON

12/23/11 03:06 PM

RELIANCE BANK

REDACTED

Incoming Wire Detail

General Information
Wire Sequence Number: [redacted]
Amount: $3,521.00
Wire Status: Posted
OFAC Status: OFAC Passed
Sending Financial Institution: [redacted]
Receiving Financial Institution:
Business Function Code: CTR 1000
IMAD: [redacted]
OMAD:

Core System Information
Debit Account: General Ledger [redacted]
Credit Account: Checking [redacted]
Wire Fee: $10.00 - Domestic W/T - Analysis
Credit Transaction Code: 017
Released: FELICIA WILSON 12/23/11 03:05 PM
Updated: 12/23/11 03:03 PM
Reference Number: [redacted]

Beneficiary Information
Beneficiary: ACARTHA SPECIAL SITUATIONS FUNDING
Beneficiary Identifier: [redacted]
Reference for Beneficiary:

Audit Trail
Uploaded: 12/23/11 03:03 PM
Released: 12/23/11 03:05 PM by FELICIA WILSON
Posted: 12/23/11 03:05 PM by System

Fedwire / Settlement Information
Sender Reference: [redacted]
Format Version / Test Production Code: 30 / P
MSG Status Indicator / Duplication Code: N /
Fed Acceptance Date / Time: 1223 4:02 p.m. ET 1602
Acceptance Appl ID: FT03

Originator Information
Originator: [redacted]
Originator Identifier:
Originator Address:

Originating FI:
Originating FI Identifier:
Originating FI Address:

FI to FI Information
FI to FI Information: [redacted]

Add Memo

Confirm Wire Notification

Request Wire Status Reset

Electronic Mail:
Reliance Bank (MO) WebMaster

Wire Transfer | Security Admin | Help | Logoff |

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FELICIA WILSON

12/23/11 03:59 PM

RELIANCE BANK

REDACTED

Incoming Wire Detail

General Information
Wire Sequence Number: [redacted]
Amount: $5,868.00
Wire Status: Posted
OFAC Status: False Positive
Sending Financial Institution: [redacted]
Receiving Financial Institution:
Business Function Code: CTR 1000
IMAD: [redacted]
OMAD:

Core System Information
Debit Account: General Ledger [redacted]
Credit Account: Checking [redacted]
Wire Fee: $10.00 - Domestic W/T - Analysis
Credit Transaction Code: 017
Released: FELICIA WILSON 12/23/11 03:49 PM
OFAC Release Override Reason: OFAC FALSE POSITIVE
Override: Supervisor Override
Updated: 12/23/11 03:16 PM
Reference Number: [redacted]

Beneficiary Information
Beneficiary: ACARTHA SPECIAL SITUATIONS FUN MG
Beneficiary Identifier: D [redacted]
Reference for Beneficiary: [redacted]

Audit Trail
Uploaded: 12/23/11 03:16 PM
Released with Override: 12/23/11 03:49 PM by FELICIA WILSON
Reason: OFAC FALSE POSITIVE
Posted: 12/23/11 03:49 PM by System

Fedwire / Settlement Information
Sender Reference: [redacted]
Format Version / Test Production Code: 30 / P
MSG Status Indicator / Duplication Code: N /
Fed Acceptance Date / Time: 1223 4:16 p.m. ET 1616
Acceptance Appl ID: FT03

Originator Information
Originator: [redacted]
Originator Identifier:
Originator Address:

Originating FI:
Originating FI Identifier:
Originating FI Address:

FI to FI Information
FI to FI Information [redacted]

Add Memo

Confirm Wire Notification

Request Wire Status Reset

Electronic Mail:
Reliance Bank (MO) WebMaster

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FELICIA WILSON

12/23/11 08:27 AM

RELIANCE BANK

REDACTED

Incoming Wire Detail

General Information

Wire Sequence Number: [redacted]
Amount: $49,815.00
Wire Status: Posted
OFAC Status: OFAC Passed
Sending Financial Institution: [redacted]
Receiving Financial Institution:
Business Function Code: CTR 1000
IMAD: [redacted]
OMAD:

Audit Trail

Uploaded: 12/23/11 07:13 AM
Released: 12/23/11 08:21 AM by FELICIA WILSON
Posted: 12/23/11 08:21 AM by System

Originator Information

Originator: [redacted]
Originator Identifier:
Originator Address:

Originating FI:
Originating FI Identifier
Originating FI Address
Instructing FI:
Instructing FI Identifier
Instructing FI Address:

Core System Information

Debit Account: General Ledger [redacted]
Credit Account: Checking [redacted]
Wire Fee: $10.00 - Domestic W/T Fee
Credit Transaction Code: 060
Released: FELICIA WILSON 12/23/11 08:21 AM
Updated: 12/23/11 07:13 AM
Reference Number: [redacted]

Beneficiary Information

Beneficiary: ACARTHA SPECIAL SITUATIONS
Beneficiary Identifier: D[redacted]
Beneficiary Address: FUNDING LLC, 2 TOWER CENTRE BLVD EAST BRUNSWICK NJ 08816-1100 CANADA

Fedwire / Settlement Information

Sender Reference: [redacted]
Instructed Amount: 49815.00 USD
Format Version / Test Production Code: 30 / P
MSG Status Indicator / Duplication Code: N /
Fed Acceptance Date / Time: 1223 8:13 a.m. ET 0813
Acceptance Appl ID: FT03

Add Memo

Confirm Wire Notification

Request Wire Status Reset

Electronic Mail:
Reliance Bank (MO) WebMaster

INTL

28

REDACTED

RELIANCE BANK
UNIVERSAL CREDIT TRANSACTION FORM
DATE 1/11/12
CUSTOMER NAME Acavna Special Situation Funding LLC
PREPARED BY KSD
BR# 12
CUSTOMER SIGNATURE
APPROVED BY
[redacted]

CHECKING TRANSACTIONS
009 - DEPOSIT FORCE RE-OPEN
010 - MISC CREDIT

SAVINGS TRANSACTIONS
108 - DEPOSIT FORCE RE-OPEN
110 - MISC CREDIT

HSA TRANSACTIONS
071 - CURRENT YEAR CONTRIBUTION

SAFE DEPOSIT BOX TRANSACTIONS
000 - SAFE DEPOSIT PAYMENT

CD TRANSACTIONS
209 - REGULAR DEPOSIT
215 - MISC CREDIT
222 - MANUAL INTEREST
225 - INTEREST ACCRUAL INCREASE

IRA TRANSACTIONS
271 - CURRENT YEAR CONTRIBUTION
272 - PREVIOUS YEAR CONTRIBUTION
275 - ROLLOVER CONTRIBUTION
277 - TRANSFER FROM OTHER SOURCE

DESCRIPTION
018
17677.00

DDA Credits - [redacted] - $17,677.00 - [redacted] - 1/11/2012

[redacted]
Reliance - Frontenac - 12
2012-01-11
[redacted]

DDA Credits - [redacted] - $17,677.00 - [redacted] - 1/11/2012

REDACTED

[redacted] 04-85 [redacted]

12/30/11
Date

Pay to the Order of Acartha Specialized Situations Funding LLC $17,677.00

Seventeen thousand Six hundred Seventy Seven and 00/100 Dollars

Bank of America

[redacted]

For [redacted]

Transit - [redacted] - $17,677.00 - [redacted] - 1/11/2012

[redacted]

Reliance - Frontenac - 12
2012-01-11
[redacted]

Transit - [redacted] - $17,677.00 - [redacted] - 1/11/2012

STATE OF MISSOURI)
) SS
COUNTY OF ST. LOUIS)

AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared

Martha Lamey, who being by me duly sworn, deposed as follows:

My name is **Martha Lamey**, I am of sound mind, capable of making this affidavit, and personally acquainted with the facts herein stated:

I am the custodian of the records of **Reliance Bank**. Attached hereto are 9 pages of records from **Reliance Bank**. These 9 of records are kept by **Reliance Bank** in the regular course of business and it was the regular course of business of **Reliance Bank** for an employee or representative of **Reliance Bank** with knowledge of the act, event, condition, opinion or diagnosis recorded to make the record or transmit information thereof to be included in such record; and the record was made at or near the time of the act, event, condition, opinion or diagnosis. The records attached hereto are the originals or exact duplicates of the original.

AFFIANT

STATE OF MISSOURI)
) SS
COUNTY OF ST. LOUIS)

IN WITHNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal, this 24th day of January, 2012.

NOTARY PUBLIC

My Commission Expires:

8/25/12

KATIE L. BAUER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Aug. 25, 2012
Commission # 08625492

Account Agreement

Date: 12/13/2011

Institution Name & Address

RELIANCE BANK
10401 CLAYTON ROAD
FRONTENAC MO 63131-2909,

REDACTED

IMPORTANT ACCOUNT OPENING INFORMATION: Federal law requires us to obtain sufficient information to verify your identity. You may be asked several questions and to provide one or more forms of identification to fulfill this requirement. In some instances we may use outside sources to confirm the information. The information you provide is protected by our privacy policy and federal law.

☐ If checked, this is a temporary account agreement.

Enter **Non-Individual Owner Information** on page 2. There is additional **Owner/Signer Information** space on page 2.

Owner/Signer Information 1

Name	DIXON BROWN
Relationship	
Address	2 TOWER CENTER BLVD, E BRUNSWICK, NJ 08816
Mailing Address (if different)	
Home Phone	
Work Phone	
Mobile Phone	
E-Mail	
Birth Date	
SSN/TIN	
Gov't Issued Photo ID (Type, Number, State, Issue Date, Exp. Date)	
Other ID (Description, Details)	
Employer	
Previous Financial Inst.	

Owner/Signer Information 2

Name	
Relationship	
Address	
Mailing Address (if different)	
Home Phone	
Work Phone	
Mobile Phone	
E-Mail	
Birth Date	
SSN/TIN	
Gov't Issued Photo ID (Type, Number, State, Issue Date, Exp. Date)	
Other ID (Description, Details)	
Employer	
Previous Financial Inst.	

Internal Use

Account Title & Address

ACARTHA SPECIAL SITUATIONS FUNDING LLC
DIXON BROWN

2 TOWER CENTER BLVD
E BRUNSWICK, NJ 08816

Ownership of Account

The specified ownership will remain the same for all accounts.

- ☐ Individual
- ☐ Joint with Survivorship (and not as a tenancy by the entirety or as tenants in common)
- ☐ Joint - As Tenants in Common Without Survivorship (and not as a tenancy by the entirety)
- ☐ Corporation - For Profit
- ☐ Corporation - Nonprofit
- ☐ Partnership
- ☐ Sole Proprietorship
- ☒ Limited Liability Company
- ☐ Husband And Wife As A Tenancy By The Entirety
- ☐ Trust-Separate Agreement Dated: _____
- ☐ _____

Beneficiary Designation

(Check appropriate ownership above.)

☐ Revocable Trust or Pay-On-Death Account (not subject to the Nonprobate Transfers Law of Missouri)
(Beneficiary Name(s), Address(es), and SSN(s))

☐ Registration in Beneficiary Form - This Account is subject to the Nonprobate Transfers Law of Missouri. *(Note: All owners sign the signature block.)*

Transfer on Death to: Beneficiaries

1. _____ ☐ LDPS ☒ No LDPS
2. _____ ☐ LDPS ☒ No LDPS
3. _____ ☐ LDPS ☒ No LDPS

Number of signatures required for withdrawal: ONE

Signature(s)

The undersigned authorize the financial institution to investigate credit and employment history and obtain reports from consumer reporting agency(ies) on them as individuals. Except as otherwise provided by law or other documents, each of the undersigned is authorized to make withdrawals from the account(s), provided the required number of signatures indicated above is satisfied. The undersigned personally and as, or on behalf of, the account owner(s) agree to the terms of, and acknowledge receipt of copy(ies) of, this document and the following:

- ☒ Terms and Conditions
- ☒ Electronic Fund Transfers
- ☒ Substitute Checks
- ☐ Common Features
- ☒ Privacy
- ☒ Truth in Savings
- ☒ Funds Availability
- ☐ _____

☐ Authorized Signer (See Owner/Signer Information for Authorized Signer designation(s).)

1 [X DIXON BROWN]

2 [X]

3 [X] 4 [X]

Owner/Signer Information 3

Name	
Relationship	
Address	
Mailing Address (if different)	
Home Phone	
Work Phone	
Mobile Phone	
E-Mail	
Birth Date	
SSN/TIN	
Gov't Issued Photo ID (Type, Number, State, Issue Date, Exp. Date)	
Other ID (Description, Details)	
Employer	
Previous Financial Inst.	

Owner/Signer Information 4

Name	
Relationship	
Address	
Mailing Address (if different)	
Home Phone	
Work Phone	
Mobile Phone	
E-Mail	
Birth Date	
SSN/TIN	
Gov't Issued Photo ID (Type, Number, State, Issue Date, Exp. Date)	
Other ID (Description, Details)	
Employer	
Previous Financial Inst.	

Backup Withholding Certifications

(If not a "U.S. Person," certify foreign status separately.)

TIN: [redacted]

☒ **Taxpayer I.D. Number (TIN)** - The number shown above is my correct taxpayer identification number.

☒ **Backup Withholding** - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

☐ **Exempt Recipients** - I am an exempt recipient under the Internal Revenue Service Regulations.

I certify under penalties of perjury the statements checked in this section and that I am a U.S. person (including a U.S. resident alien).

X _____ (Date)

ACARTHA SPECIAL SITUATIONS FUNDING LLC

Non-Individual Owner Information

Name	ACARTHA SPECIAL SITUATIONS FUNDING LLC
EIN	[redacted]
Phone	
Mobile Phone	
E-Mail	
Type of Entity	
State/Country & Date of Organization	
Nature of Business	
Address	2 TOWER CENTER BLVD, E BRUNSWICK, NJ 08816
Mailing Address (if different)	
Authorization/ Resolution Date	
Previous Financial Inst.	

Account Description	Account #	Initial Deposit/Source
FREE BUSINESS	[redacted]	$ 0.00 ☐ Cash ☐ Check ☐ _____
		$ _____ ☐ Cash ☐ Check ☐ _____
		$ _____ ☐ Cash ☐ Check ☐ _____

Services Requested

☐ ATM ☐ Debit/Check Cards (No. Requested: _____)

☐ _____ ☐ _____

☐ _____ ☐ _____

Other Terms/Information

REDACTED

LIMITED LIABILITY COMPANY AUTHORIZATION RESOLUTION

RELIANCE BANK
10401 CLAYTON ROAD
FRONTENAC MO 63131-2909

Referred to in this document as "Financial Institution"

By: ACARTHA SPECIAL SITUATIONS FUNDING LLC
2 TOWER CENTER BLVD
E BRUNSWICK, NJ 08816

Referred to in this document as "Limited Liability Company"

I, _____, certify that I am a Manager or Designated Member of the above named Limited Liability Company organized under the laws of _____, Federal Employer I.D. Number [redacted], engaged in business under the trade name of _____, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of all members of the Limited Liability Company or the person or persons designated by the members of the Limited Liability Company to manage the Limited Liability Company as provided in the articles of organization or an operating agreement, duly and properly called and held on _____ (date). These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

AGENTS Any Agent listed below, subject to any written limitations, is authorized to exercise the powers granted as indicated below:

Name and Title or Position	Signature	Facsimile Signature (if used)
A. DIXON BROWN	X _____	X _____
B. _____	X _____	X _____
C. _____	X _____	X _____
D. _____	X _____	X _____
E. _____	X _____	X _____
F. _____	X _____	X _____

POWERS GRANTED (Attach one or more Agents to each power by placing the letter corresponding to their name in the area before each power. Following each power indicate the number of Agent signatures required to exercise the power.)

Indicate A, B, C, D, E, and/or F	Description of Power	Indicate number of signatures required
_____	(1) Exercise all of the powers listed in this resolution.	_____
_____	(2) Open any deposit or share account(s) in the name of the Limited Liability Company.	_____
_____	(3) Endorse checks and orders for the payment of money or otherwise withdraw or transfer funds on deposit with this Financial Institution.	_____
_____	(4) Borrow money on behalf and in the name of the Limited Liability Company, sign, execute and deliver promissory notes or other evidences of indebtedness.	_____
_____	(5) Endorse, assign, transfer, mortgage or pledge bills receivable, warehouse receipts, bills of lading, stocks, bonds, real estate or other property now owned or hereafter owned or acquired by the Limited Liability Company as security for sums borrowed, and to discount the same, unconditionally guarantee payment of all bills received, negotiated or discounted and to waive demand, presentment, protest, notice of protest and notice of non-payment.	_____
_____	(6) Enter into a written lease for the purpose of renting, maintaining, accessing and terminating a Safe Deposit Box in this Financial Institution.	_____
_____	(7) Other _____	_____

LIMITATIONS ON POWERS The following are the Limited Liability Company's express limitations on the powers granted under this resolution.

EFFECT ON PREVIOUS RESOLUTIONS This resolution supersedes resolution dated _____. If not completed, all resolutions remain in effect.

CERTIFICATION OF AUTHORITY
I further certify that the Managers or Designated Members of the Limited Liability Company have, and at the time of adoption of this resolution had, full power and lawful authority to adopt the resolutions on page 2 and to confer the powers granted above to the persons named who have full power and lawful authority to exercise the same. (Apply seal below where appropriate.)

In Witness Whereof, I have subscribed my name to this document and affixed the seal, if any, of the Limited Liability Company on _____ (date).

Attest-by One Other Manager or Designated Member

Manager or Designated Member

As used in this resolution, the term "Manager" means the person or persons designated by the members of the Limited Liability Company in a manager-managed Limited Liability Company to manage the Limited Liability Company as provided in the articles of organization or an operating agreement. The term "Designated Member" means the member or members of the Limited Liability Company authorized to act on behalf of the Limited Liability Company in a member-managed Limited Liability Company. By signing this resolution, Manager or Designated Member represent that they have provided the Financial Institution with true and complete copies of the articles of organization and operating agreements of the Limited Liability Company as amended to the date of this resolution.

The Limited Liability Company named on this resolution resolves that,

(1) The Financial Institution is designated as a depository for the funds of the Limited Liability Company and to provide other financial accommodations indicated in this resolution.

(2) This resolution shall continue to have effect until express written notice of its rescission or modification has been received and recorded by the Financial Institution. Any and all prior resolutions adopted by the Managers or Designated Members of the Limited Liability Company and certified to the Financial Institution as governing the operation of this Limited Liability Company's account(s), are in full force and effect, until the Financial Institution receives and acknowledges an express written notice of its revocation, modification or replacement. Any revocation, modification or replacement of a resolution must be accompanied by documentation, satisfactory to the Financial Institution, establishing the authority for the changes.

(3) The signature of an Agent on this resolution is conclusive evidence of their authority to act on behalf of the Limited Liability Company. Any Agent, so long as they act in a representative capacity as an Agent of the Limited Liability Company, is authorized to make any and all other contracts, agreements, stipulations and orders which they may deem advisable for the effective exercise of the powers indicated on page one, from time to time with the Financial Institution, subject to any restrictions on this resolution or otherwise agreed to in writing.

(4) All transactions, if any, with respect to any deposits, withdrawals, rediscounts and borrowings by or on behalf of the Limited Liability Company with the Financial Institution prior to the adoption of this resolution are hereby ratified, approved and confirmed.

(5) The Limited Liability Company agrees to the terms and conditions of any account agreement, properly opened by any Agent of the Limited Liability Company. The Limited Liability Company authorizes the Financial Institution, at any time, to charge the Limited Liability Company for all checks, drafts, or other orders, for the payment of money, that are drawn on the Financial Institution, so long as they contain the required number of signatures for this purpose.

(6) The Limited Liability Company acknowledges and agrees that the Financial Institution may furnish at its discretion automated access devices to Agents of the Limited Liability Company to facilitate those powers authorized by this resolution or other resolutions in effect at the time of issuance. The term "automated access device" includes, but is not limited to, credit cards, automated teller machines (ATM), and debit cards.

(7) The Limited Liability Company acknowledges and agrees that the Financial Institution may rely on alternative signature and verification codes issued to or obtained from the Agent named on this resolution. The term "alternative signature and verification codes" includes, but is not limited to, facsimile signatures on file with the Financial Institution, personal identification numbers (PIN), and digital signatures. If a facsimile signature specimen has been provided on this resolution, (or that are filed separately by the Limited Liability Company with the Financial Institution from time to time) the Financial Institution is authorized to treat the facsimile signature as the signature of the Agent(s) regardless of by whom or by what means the facsimile signature may have been affixed so long as it resembles the facsimile signature specimen on file. The Limited Liability Company authorizes each Agent to have custody of the Limited Liability Company's private key used to create a digital signature and to request issuance of a certificate listing the corresponding public key. The Financial Institution shall have no responsibility or liability for unauthorized use of alternative signature and verification codes unless otherwise agreed in writing.

Pennsylvania. The designation of an Agent does not create a power of attorney; therefore, Agents are not subject to the provisions of 20 Pa.C.S.A. Section 5601 et seq. (Chapter 56; Decedents, Estates and Fiduciaries Code) unless the agency was created by a separate power of attorney. Any provision that assigns Financial Institution rights to act on behalf of any person or entity is not subject to the provisions of 20 Pa.C.S.A. Section 5601 et seq. (Chapter 56; Decedents, Estates and Fiduciaries Code).

FOR FINANCIAL INSTITUTION USE ONLY

Acknowledged and received on _____ (date) by _____ (initials) ☐ This resolution is superseded by resolution dated _____ .

Comments:

Form **W-9** (Rev. January 2011)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

Print or type See Specific Instructions on page 2.

Name (as shown on your income tax return)

ACARTHA SPECIAL SITUATIONS FUNDING LLC

Business name/disregarded entity name, if different from above

Check appropriate box for federal tax classification (required): ☐ Individual/sole proprietor ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C= C corporation, S= S corporation, P= partnership) ▶

☐ Other (see instructions) ▶

☐ Exempt payee

Address (number, street, and apt. or suite no.)

2 TOWER CENTER BLVD

City, state, and ZIP code

E BRUNSWICK, NJ 08816

Requester's name and address (optional)

RELIANCE BANK
10401 CLAYTON ROAD
FRONTENAC MO 63131-2909

List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 4.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number [redacted]

Employer identification number

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

Sign Here Signature of U.S. person ▶ [signature] Date ▶ 12/19/2011

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),

2. Certify that you are not subject to backup withholding, or

3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or

business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,
- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.

2. The treaty article addressing the income.

3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.

4. The type and amount of income that qualifies for the exemption from tax.

5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,

2. You do not certify your TIN when required (see the Part II instructions on page 4 for details),

3. The IRS tells the requester that you furnished an incorrect TIN,

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the "Name" line. You may enter your business, trade, or "doing business as (DBA)" name on the "Business name/disregarded entity" line.

RELIANCEBANK

228 00012 02 PAGE: 1
ACCOUNT: XXXXXXXXXXX1977 12/30/2011
DOCUMENTS: 0

REDACTED

1923

ACARTHA SPECIAL SITUATIONS FUNDING LLC
DIXON BROWN 30
2 TOWER CENTER BLVD 0
E BRUNSWICK NJ 08816 0

==========

Effective November 30, 2011 Reliance Bank will no longer provide the Overdraft Defender product on customer accounts
Please contact your local Reliance Bank Branch or call us at 314.569.7200 to discuss available options to protect your accounts from having checks returned, such as transferring funds from another account with us or accessing a line of credit.

==========

BUSINESS ANALYSIS ACCOUNT XXXXXXXXXX1977

==========

		LAST STATEMENT 12/13/11	.00
AVG AVAILABLE BALANCE	113,038.50	10 CREDITS	128,486.00
		6 DEBITS	139.22
		THIS STATEMENT 12/30/11	128,346.78

- - - - - - - - OTHER CREDITS - - - - - - - - -

DESCRIPTION	DATE	AMOUNT
Incoming Wire, [redacted]	12/21	11,736.00
Incoming Wire, [redacted]	12/21	24,427.00
INCOMING INTL WIRE	12/22	1,740.00
Incoming Wire, [redacted]	12/22	28,981.00
WIRE FEES SINCE 12/21/11 MOVED TO ANALYSIS	12/23	50.00
Incoming Wire,RBC [redacted]	12/23	1,174.00
Incoming Wire,RBC [redacted]	12/23	1,174.00
Incoming Wire,RBC [redacted]	12/23	3,521.00
Incoming Wire,RBC [redacted]E	12/23	5,868.00
Incoming Wire, [redacted]	12/23	49,815.00

- - - - - - - - - OTHER DEBITS - - - - - - - - -

DESCRIPTION	DATE	AMOUNT
Incoming Domestic Wire Transfer Fee [redacted]	12/21	10.00
INCOMING WIRE FEE	12/21	10.00
Incoming Domestic Wire Transfer Fee [redacted]	12/22	10.00
INCOMING INTL WIRE FEE	12/22	20.00
Incoming Domestic Wire Transfer Fee [redacted]	12/23	10.00
SERVICE CHARGE	12/30	79.22

* * * C O N T I N U E D * * *

RELIANCEBANK

228 00012 02 PAGE: 2
ACCOUNT: XXXXXXXXXXX1977 12/30/2011
DOCUMENTS: 0

ACARTHA SPECIAL SITUATIONS FUNDING LLC
DIXON BROWN

BUSINESS ANALYSIS ACCOUNT XXXXXXXXXXX1977

- - - ITEMIZATION OF OVERDRAFT AND RETURNED ITEM FEES - - -

	TOTAL FOR THIS PERIOD	TOTAL YEAR TO DATE
TOTAL OVERDRAFT FEES:	.00	.00
TOTAL RETURNED ITEM FEES:	.00	.00

- - - - - - - - - DAILY BALANCE - - - - - - - - -

DATE	BALANCE	DATE	BALANCE	DATE	BALANCE
12/21	36,143.00	12/23	128,426.00		
12/22	66,834.00	12/30	128,346.78		

- END OF STATEMENT -

REDACTED

BUSINESS ANALYSIS [redacted] RELIANCE BANK 1/24/2012 9:27:12 AM
Printed by: MARTHA LAMEY Reporting Institution: 28

Demand Deposit [redacted] - ACARTHA SPECIAL SITUATIONS FUNDING LLC

	Rel	Birthdate	Phone	Tax Identification
[01] ACARTHA SPECIAL SITUATIONS FUNDING LLC	*			**********
[02] DIXON BROWN				
2 TOWER CENTER BLVD				
E BRUNSWICK NJ 08816				

Additional Relationships

Tax Name: [1] ACARTHA SPECIAL SITUATIONS FUNDING LLC

Presentments

No Presentments for Account

Current Cycle

Description	Debits	Credits	Date	Balance
Balance Forward:			Dec 30, 2011	$128,346.78
MISCELLANEOUS CREDIT		$17,677.00	Jan 11, 2012	$146,023.78
Balance This Statement:			Jan 23, 2012	$146,023.78

Sara Finan Melly
Direct T 314.259.4759 F 314.552.4880
melly@armstrongteasdale.com

EXHIBIT G

MISSOURI KANSAS ILLINOIS NEVADA SHANGHAI

February 13, 2012

Claire M. Schenk
Thompson Coburn LLP
One US Bank Plaza
St. Louis, MO 63101

Via email: acartha.receivership@thompsoncoburn.com

Re: SEC v. Burton Douglas Morriss, et al.; Cause No. 04:12-cv-00080-CEJ
Account Information: Acartha Special Situations Funding LLC

Dear Claire:

I represent Reliance Bank and am writing in response to your February 9, 2012, letter to the Bank demanding information about and control over an account held at the Bank in the name of Acartha Special Situations Funding LLC. I have reviewed the receivership order dated January 17 and understand that the Court appointed you as receiver of a number of entities; however, you were not appointed receiver of Acartha Special Situations Funding LLC. Paragraph 7 of the receivership order gives the receiver authority to "assume control of, and be named as authorized signatory for, all accounts at any bank, brokerage firm or financial institution which has possession, custody or control of any assets or funds, wherever situated, of Acartha Group, MIC VII, ATP, and Gryphon Investments and, **upon, order of this Court, of any of their subsidiaries or affiliates, provided that the Receiver deems it necessary.**" I understand you claim that Acartha Special Situations Funding LLC is an affiliate controlled by Acartha Group LLC. However, under the aforementioned paragraph, the Bank does not have authority to allow you to assume control of this account without an additional order specifying that you have the authority to assume control over this affiliate's bank account.

As we discussed last Friday, the Bank has placed a hold on the Acartha Special Situations Funding LLC account such that it will not be dissipated pending the issuance of an additional court order that addresses your entitlement to control over this account. If the Court does issue such an order, please send it to me as the Bank will fully comply with the terms of any such order.

Sincerely,

Sara Finan Melly

SFM:jka

EXHIBIT H

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: **ACARTHA GROUP, LLC,** Debtor.	Chapter 11 Case No. 12-10123-BLS **Related Docket No.: 13**
In re: **ACARTHA TECHNOLOGY PARTNERS, LP,** Debtor.	Chapter 11 Case No. 12-10124-BLS **Related Docket No.: 12**
In re: **MIC, VII, LLC,** Debtor.	Chapter 11 Case No. 12-10125-BLS **Related Docket No.: 9**

ORDER DISMISSING DEBTORS' CASES PURSUANT TO 11 U.S.C. § 1112(b)

Upon consideration of the Emergency Motion of Debtors for Dismissal of Cases Pursuant to 11 U.S.C. § 1112(b) (the "Motion")[1], filed by each of Acartha Group, LLC, Acartha Technology Partners LP and MIC VII, LLC (individually, a "Debtor", and together the "Debtors"), acting by and though Claire M. Schenk, the duly-appointed Receiver for each Debtor and related entity Gryphon Investments III, LLC (the "Receiver"); and it appearing that reasonable and adequate notice of the Motion has been provided; and no further or other notice being necessary; and adequate cause appearing therefor; it is hereby

ORDERED that the Motion is **Granted**; and it is further

[1] Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Motion.

ORDERED that sufficient cause exists to dismiss each of the Debtors' pending Chapter 11 cases without further delay; and it is further

ORDERED that Debtor Acartha Group, LLC's Chapter 11 case, Case No. 12-10123, shall be, and is, hereby dismissed upon entry of this Order; and it is further

ORDERED that Debtor Acartha Technology Partners, L.P.'s Chapter 11 case, Case No. 12-10124, shall be, and is, hereby dismissed upon entry of this Order; and it is further

ORDERED that Debtor MIC VII, LLC's Chapter 11 case, Case No. 12-10125, shall be, and is, hereby dismissed upon entry of this Order; and it is further

ORDERED that any Retainer given by or on behalf of Debtors to counsel who filed these Chapter 11 case be surrendered to the Receiver without delay and in such manner as the Receiver may direct.

Dated: Jan 25, 2012
Wilmington, Delaware

THE HONORABLE BRENDAN L. SHANNON
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT I

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. BURTON DOUGLAS MORRISS, et al., Defendants, and MORRISS HOLDINGS, LLC, Relief Defendant.	)	Case No. 4:12-cv-00080-CEJ

ORDER

This matter is before the Court on the *Receiver's Motion for Return of Funds to Investors in Acartha Special Situations Funding, LLC* (the "Motion") filed by Claire M. Schenk, the court-appointed receiver (the "Receiver") for Acartha Group, LLC, MIC VII, LLC, Acartha Technology Partners, L.P. and Gryphon Investments III, LLC in this action; and

Having fully considered the Request and being duly advised as to the merits,

THE COURT DOES HEREBY ORDER THAT

1. The Receiver's Motion is granted in its entirety; and

2. Reliance Bank is ordered to grant the Receiver control over the ASSF Account[1], as well as all funds and assets associated therewith; and

3. The Receiver is authorized to return the funds in the ASSF Account to the investors in Acartha Special Situations Funding, LLC in accordance with Reliance Bank's

[1] All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Motion.

records of deposits and credits made to the ASSF Account based upon the authority submitted by the Receiver in support of the Motion.

SO ORDERED this the ____ day of _____, 2012.

_____
THE HONORABLE CAROL E. JACKSON
UNITED STATES DISTRICT JUDGE