

July 3, 2008

As you may know, on June 24, there was a meeting of approximately 150 Mortgages Ltd. Investors (“Investors”) who made either direct investments in Mortgages Ltd. notes (“Direct Investors”) or pools (“Pools”) managed by Mortgages Ltd. (“ML”). At this meeting, an Unofficial Investor Committee (“Unofficial Committee”) was selected to help protect the Investor’s interests. This Unofficial Committee consists of the following Investors: Elliott Pollack, Chairman; Karen Epstein; Robert Furst; Michael Folb; Bruce Buckley; Joseph Baldino; Janet Phillips; Larry Lazurus; and Walter Clarke. The Unofficial Committee anticipates remaining in existence until a formal committee of Investors is appointed by the United States Trustee’s Office (a Division of the United States Department of Justice) or appointment of a formal committee is denied. If a formal committee is appointed, the United States Trustee’s Office will follow its rules and procedures and appoint a permanent committee of Investors. The permanent, formal committee (“Official Committee”) may consist of some or none of the present members of the Unofficial Committee.

In the eight days since its formation, the Unofficial Committee had four meetings along with numerous conference calls and meetings with our selected attorney. Here are some of the developments:

1. After considering three law firms, we have selected an attorney, Cathy Reece of Fennemore Craig, P.C. to represent our interests. She has worked diligently in the last week. Fennemore Craig, P.C. will represent us until an Official Committee is appointed or until a formal committee is denied. If an Official Committee is appointed, the Official Committee will make its own decision whether to engage Fennemore Craig, P.C. or another law firm.
2. We are in the process of hiring a financial advisor/forensic accountant to look at certain issues for us. It is our position that the notes and deeds of trust in which the Direct Investors and Pools have interests are not property of the ML Bankruptcy estate and that ML is serving merely as the servicing agent. We are looking at our options in that regards.
3. We understand that a few borrowers on our notes have used the ML Bankruptcy as an excuse to discontinue payments. An order was entered this week by the Bankruptcy Court instructing borrowers to continue payments to ML pending further instructions.
4. Within the next 30 days, we hope to file a motion asking the Court to permit the continuation of principal, interest and other payments to Investors. We will stress to the Court the hardships that ceasing payments have caused the Investors. This is a high priority of the Unofficial Committee and its consultants.

5. Gerry Smith's appointment as Trustee of the Scott Coles Trust that owns the stock of ML places Mr. Smith in charge of the ML stock. He has already taken some positive actions and has indicated his support for our position to continue the payments to Investors.
6. We are addressing the concerns about the Debtor in Possession Financing ("DIP Financing"). ML asserts that they think they will need to obtain two types of financing: Project Financing and Operational Financing. We are looking at this DIP Financing and the need for such financing and as you may know we have filed an objection. We will continue to look at this DIP Financing and seek to have input into the terms of any DIP Financing before it is approved by the Court. We are also looking to see if there are other sources and alternatives for DIP Financing.
 - a) Project Financing relates to completion of six projects where ML has committed to funding necessary to complete those projects. This is important because the projects are of limited value unless they are completed. Some type of DIP Financing may be necessary, and it may be that the assets used to collateralize such loans will need to be the notes held by the Pools and Direct Investors relating to each individual project. Notes not receiving benefit from DIP Financing should not be jeopardized by being used as security for such financing.
 - b) Operational Financing is for operations of ML. We believe that as few of the ML assets as possible should be used for collateral; (i.e.) regardless if the DIP Financing is \$500,000 or \$5,000,000. We are looking at these terms.
7. There have been many rumors about possible wrongdoing at ML. It is too early to tell what, if any, claims Investors may have and against which parties. However, we will also be taking an initial look at these issues until an Official Committee is appointed.

Many Investors have received Proof of Claim forms from the Bankruptcy Court. No deadline has yet been set so we strongly suggest that you not file a Proof of Claim at this and wait for further notice. If we are correct that the notes and deeds of trust are not property of the Bankruptcy estate then a proof of claim may not be needed at all.

There are many other issues involved. However, we believe that this is a summary of the issues that are most germane to Investors. We are cautiously optimistic that things are moving in our direction. We will keep you informed through a website at Fennemore Craig, which will list information as it becomes available. Go to www.fclaw.com/mortgages-ltd-investors.