

Newsletter of the Official Committee of Investors of Mortgages Ltd.

November 14, 2008—Newsletter #16

The members of the Official Investors Committee want to remind you of the Proof of Claim Bar Date concerning the Debtor Mortgages Ltd. (“Debtor”) which is approaching.

PROOF OF CLAIM BAR DATE IS NOVEMBER 21, 2008. The Court has set the proof of claim bar date for investors, the MP Funds and the VTL Fund Friday, November 21, 2008. You should have received a Notice of the Bar Date from Jennings, Strouss & Salmon. We have posted the Stipulated Order on the website. We have also posted on the website a copy of a few proofs of claim which have been filed with the Court so you can see what they look like. We recommend that you contact an attorney to help advise you on your Proof of Claim.

THERE ARE 3 BANKRUPTCY ATTORNEYS TO ASSIST YOU WITH YOUR PROOF OF CLAIM--- CONTACT ANY OF THE FOLLOWING:

(1) SCOTT JENKINS OF MYERS & JENKINS, P.C. at (602) 200-7900 or wsj@mjlegal.com;

(2) JEFFREY SANDELL OF TIFFANY & BOSCO P.A. at (602) 255-6042 or jas@tblaw.com; OR

(3) SALLY DARCY OF MCEVOY DANIELS & DARCY at (520) 326-0504 or darcysm@aol.com.

THERE ARE IMPORTANT ISSUES FOR YOU TO CONSIDER CONCERNING THE PROOF OF CLAIM SO THE COMMITTEE RECOMMENDS YOU CONTACT AN ATTORNEY AND GET ASSISTANCE.

UNITED STATES BANKRUPTCY COURT DISTRICT OF ARIZONA PROOF OF CLAIM

Name of Debtor: Mortgages Ltd. Case Number: 2:08-bk-07465-RJH

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (the person or other entity to whom the debtor owes money or property): Linda D. Ornstein, Ltd. Profit Sharing Plan dated 12/29/1991, and any amendments

Check this box to indicate that this claim amends a previously filed claim.

Name and address where notices should be sent: Sanford M. Ornstein, Linda D. Ornstein, Trustees, 6600 North 48th Street, Paradise Valley, AZ 85253

Court Claim Number: (If known)

Telephone number: 602-840-7132

Filed on:

Name and address where payment should be sent (if different from above):

Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Telephone number:

Check this box if you are the debtor or trustee in this case.

1. Amount of Claim as of Date Case Filed: \$ 268,477.44, + interest

5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.

If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.

If all or part of your claim is entitled to priority, complete item 5.

Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

Specify the priority of the claim.

2. Basis for Claim: See Attached (See instruction #2 on reverse side.)

Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).

3. Last four digits of any number by which creditor identifies debtor: See Attached

Wages, salaries, or commissions (up to \$10,950* earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4).

3a. Debtor may have scheduled account as: (See instruction #3a on reverse side.)

Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5).

4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Nature of property or right of setoff: Real Estate Motor Vehicle Other Describe:

Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7).

Value of Property: \$ Annual Interest Rate %

Amount of arrearage and other charges as of time case filed included in secured claim,

Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8).

if any: \$ Basis for perfection:

Amount of Secured Claim: \$ Amount Unsecured: \$

Other - Specify applicable paragraph of 11 U.S.C. §507 (a)().

6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

Amount entitled to priority:

7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See definition of "redacted" on reverse side.)

\$ 2000

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

See Attached

*Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

If the documents are not available, please explain:

Date: 10-22-08

Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

Sanford M. Ornstein, Trustee Linda D. Ornstein, Trustee

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

FOR COURT USE ONLY FILED D 3 11

**In re MORTGAGES LTD.
Case No. 2:08-bk-07465-RJH**

**Claimant: Linda D. Ornstein, Ltd. Profit Sharing Plan dated December 29, 1991
and any amendments thereto, Sanford M. Ornstein, Linda D. Ornstein,
Trustees**

**Investments: Pool MP09 – MP122009 LLC
Pool MP10 – MP062011 LLC**

Subject to the conditions and reservation of rights set forth below, this amount represents the Claimant(s)' best estimate of the principal amount owed to him/her/them/it, as of the date the Order for Relief was entered, under the various promissory notes, deeds of trust, and/or other related documents (collectively referred to as the "Notes") (1) in which the Claimant(s) purchased an interest from Mortgages Ltd. or (2) which are owned by one or more limited liability companies formed by Mortgages Ltd. (the "MP Funds") and in which the Claimant(s) hold a membership interest. Of course, under the terms of some or all of the Notes, the Claimant(s) are or were entitled to receive not just a payment of principal, but also interest and other fees or charges (collectively referred to as the "Interest"). Accordingly, the amount referenced within the Proof of Claim form to which this document is attached is hereby supplemented to include such Interest, although the specific dollar amount of the same is currently unknown.

Further, in addition to any liability that may be owed by Mortgages Ltd. to the Claimant(s) in connection with the Claimant(s)' right to receive payments under the terms of the Notes or as a result of their membership interests in one or more MP Funds, the Claimant(s) may hold prepetition claims, certain of which may be liquidated, unliquidated or contingent, against Mortgages Ltd. due to the prior conduct of Mortgages Ltd. and/or its agents, employees, personal representatives, successors, heirs, assigns, insurers, and any other persons, firms, companies and corporations acting on its behalf (the "Other Claims"). Such Other Claims may arise under a federal or state statute, a federal or state common law right of action, or otherwise, and may be civil, criminal, administrative or judicial in nature and based upon an alleged contract or tort (including, without limitation, strict liability, fraud, securities fraud, misrepresentation, breach of fiduciary duty, and negligence of any kind). Regardless of their nature or origin, any and all Other Claims held by the Claimant(s), whether they constitute or arise in the context of a cause of action,

**In re MORTGAGES LTD.
Case No. 2:08-bk-07465-RJH**

counterclaim, cross-claim, third party claim, asserted right, demand, dispute, or controversy of any kind, legal or equitable, are hereby specifically incorporated into and made a part of the Proof of Claim form to which this document is attached, although the exact nature or extent of the Other Claims, including the dollar amounts thereof, are not currently known. Because of the voluminous nature of the documents potentially evidencing the Claimant(s)' ownership rights or investment interests in one or more of the Notes or MP Funds, and due to the fact that Mortgages Ltd. has a detailed accounting history of all investor ownership rights or investment interests, Claimant(s) have not attached written evidence of such rights or interest to this Proof of Claim. Claimant(s) will produce such documentation upon written request of Mortgages Ltd.

RESERVATION OF RIGHTS

Importantly, because the Claimant(s) clearly hold various ownership rights in the Notes, either directly or through the MP Funds, and, have not been designated as creditors of Mortgages Ltd.'s bankruptcy estate by virtue of such ownership interests, said Claimant(s) should not be deemed to be "creditors", secured or unsecured, of Mortgages Ltd.'s bankruptcy estate, and it should be noted that the attached Proof of Claim form has been filed with this Court out of an abundance of caution and only because (1) the legal rights of the Claimant(s) who filed it, or on whose behalf it was filed, have not actually been adjudicated and further, (2) any adverse determination of such rights could give rise to, or otherwise impact, the potential Other Claims described above, and thus Claimant(s) are intending to simply preserve and protect any and all rights that they may have.

Because the attached Proof of Claim form has been filed with this Court for the sole purpose of preserving and protecting their rights, the Claimant(s) hereby state that neither their Proof of Claim form nor this Attachment, nor any subsequent appearance, pleading, claim, proof of claim, document, suit, motion, nor any other writing or conduct shall constitute a waiver of the within Claimant(s)': (1) right to have any and all final orders in any and all non-core matters entered only after *de novo* review by a United States District Court Judge; (2) right to trial by jury in any proceeding as to any and all matters so triable herein, whether or not the same be designated legal or private rights, or in any case, controversy or proceeding related thereto, notwithstanding the designation *vel non* of such matters as "core proceedings" pursuant to 28 U.S.C. § 157(b); (3)

**In re MORTGAGES LTD.
Case No. 2:08-bk-07465-RJH**

right to have the reference of this matter withdrawn by the United States District Court in any matter or proceeding subject to mandatory or discretionary withdrawal; and (4) other rights, claims, actions, defenses, setoffs, recoupments or other matters to which this party is entitled under any agreements or at law or equity or under the United States Constitution. All of the above rights are expressly reserved and preserved unto the Claimant(s) without exception and with no purpose of confessing or conceding jurisdiction in any way by this filing or by any other participation in these matters.

UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

PROOF OF CLAIM

Name of Debtor: **Mortgages Ltd.**

Case Number: **2:08-BK-07465-RJH**

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (the person or other entity to whom the debtor owes money or property): **First Trust Company of Onaga, Custodian FBO Gary S. Kehoe**

Check this box to indicate that this claim amends a previously filed claim.

Name and address where notices should be sent:

Gary Stephen Kehoe, 16845 North 29th Avenue #201, Phoenix, AZ 85053

Court Claim Number: _____
(If known)

Telephone number: **602-354-7640**

Filed on: _____

Name and address where payment should be sent (if different from above):

Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Telephone number:

Check this box if you are the debtor or trustee in this case.

1. Amount of Claim as of Date Case Filed: **\$ 293,817.53, + interest**

5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.

If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.

If all or part of your claim is entitled to priority, complete item 5.

Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

Specify the priority of the claim.

2. Basis for Claim: **See Attached**
(See instruction #2 on reverse side.)

Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).

3. Last four digits of any number by which creditor identifies debtor: **See Attached**

Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4).

3a. Debtor may have scheduled account as: _____
(See instruction #3a on reverse side.)

Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5).

4. Secured Claim (See instruction #4 on reverse side.)
Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7).

Nature of property or right of setoff: Real Estate Motor Vehicle Other
Describe:

Value of Property: \$ _____ Annual Interest Rate %

Amount of arrearage and other charges as of time case filed included in secured claim,

if any: \$ _____ Basis for perfection: _____

Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____

Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8).

Other - Specify applicable paragraph of 11 U.S.C. §507 (a)().

6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See definition of "redacted" on reverse side.)

Amount entitled to priority:

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See Attached

If the documents are not available, please explain:

Date: **11/30/08** Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the address above. Attach copy of power of attorney, if any.

Gary S. Kehoe

Amounts are subject to adjustment on 11/10 and every 4 years thereafter with respect to cases commenced on or after the date of adjustment.

FOR COURT USE ONLY
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3:35

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

**In re MORTGAGES LTD.
Case No. 2:08-bk-07465-RJH**

Claimant: First Trust Company of Onaga, Custodian FBO Gary S. Kehoe

Investments: Pool MP11

Subject to the conditions and reservation of rights set forth below, this amount represents the Claimant(s)' best estimate of the principal amount owed to him/her/them/it, as of the date the Order for Relief was entered, under the various promissory notes, deeds of trust, and/or other related documents (collectively referred to as the "Notes") (1) in which the Claimant(s) purchased an interest from Mortgages Ltd. or (2) which are owned by one or more limited liability companies formed by Mortgages Ltd. (the "MP Funds") and in which the Claimant(s) hold a membership interest. Of course, under the terms of some or all of the Notes, the Claimant(s) are or were entitled to receive not just a payment of principal, but also interest and other fees or charges (collectively referred to as the "Interest"). Accordingly, the amount referenced within the Proof of Claim form to which this document is attached is hereby supplemented to include such Interest, although the specific dollar amount of the same is currently unknown.

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Case No. 2:08-bk-07465-RJH**

counterclaim, cross-claim, third party claim, asserted right, demand, dispute, or controversy of any kind, legal or equitable, are hereby specifically incorporated into and made a part of the Proof of Claim form to which this document is attached, although the exact nature or extent of the Other Claims, including the dollar amounts thereof, are not currently known. Because of the voluminous nature of the documents potentially evidencing the Claimant(s)' ownership rights or investment interests in one or more of the Notes or MP Funds, and due to the fact that Mortgages Ltd. has a detailed accounting history of all investor ownership rights or investment interests, Claimant(s) have not attached written evidence of such rights or interest to this Proof of Claim. Claimant(s) will produce such documentation upon written request of Mortgages Ltd.

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withdrawal; and (4) other rights, claims, actions, defenses, setoffs, recoupments or other matters to which this party is entitled under any agreements or at law or equity or under the United States Constitution. All of the above rights are expressly reserved and preserved unto the Claimant(s) without exception and with no purpose of confessing or conceding jurisdiction in any way by this filing or by any other participation in these matters.