

Newsletter of the Official Committee of Investors of Mortgages Ltd.

November 26, 2008—Newsletter #17

The members of the Official Investors Committee want to let you know about the current events regarding the bankruptcy of the Debtor Mortgages Ltd. (“Debtor”).

1. PROOF OF CLAIM BAR DATE EXTENDED TO JANUARY 6, 2009. The Court has extended the proof of claim bar date for investors, the MP Funds and the VTL Fund to January 6, 2009. As the November 21 bar date approached we were contacted by many investors who needed additional time to seek counsel and file their proof of claim. We asked the Debtor and then the Court to extend the filing date and they agreed. We have posted the new Order concerning the new date for investors 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.

2. LAWSUITS BY NATIONAL RETAIL DEVELOPMENT PARTNERS I AND PDG LOS ARCOS LLC. Investors in the two loans, as well as the MP Funds, have been sued by the two borrowers. The law suits were originally filed in State Court but were removed to the Debtor’s Bankruptcy Court. The Debtor hired DLA Piper law firm to represent the MP Funds and Dax Watson at Mack Drucker & Watson to represent the Investors. If you are an Investor and have been served with a summons in these matters, please contact Dax Watson at (602) 778-9900 or dwatson@mackazlaw.com. The MP Funds have filed a Motion to Dismiss which we have posted on the website. Dax Watson has filed a joinder in the Motion to Dismiss for the investors who have been served so that investors can also be dismissed from the law suit. The Debtor has also filed an action in Bankruptcy Court against the two borrowers and has asked the law suits to be combined. We will try and post those pleadings next week. Hearings on the Motion to Dismiss and the Motion to Combine the Law Suit have been set by the Bankruptcy Court for December 16, 2008 at 11:15 am. The borrowers have filed a Motion to Remand so the law suits can be sent back down to the State Court. The Motion to Remand will be heard by the Bankruptcy Court on December 18 at 1:30 pm.

3. UNIVERSITY & ASH AND ROOSEVELT GATEWAY SETTLEMENTS.

As you are aware, the Committee filed objections to the settlement of the three loans. A copy of the Objection and the Supplemental Objection are posted on the website. The Bankruptcy Court heard testimony over several days and oral argument. The Bankruptcy Court ruled on November 25. He split his ruling on the settlements and granted the settlement as to University & Ash finding it reasonable and denied the settlements as to the Roosevelt Gateway loans finding them unreasonable. He also ruled that as to the University & Ash settlement the Debtor had the authority to enter into the settlement on the Investors' behalf and expressed that there was a litigation risk that warranted the terms of the settlement. On the Roosevelt Gateway settlements he expressed that there was not a litigation risk on the two loans because they were fully funded and that the settlements were unreasonable in light of the absence of the litigation risk. University & Ash and Roosevelt Gateway borrowers were not willing to separate the three settlements and expressed to the Court before his ruling that it was all or nothing. Thus it would appear that the University & Ash settlement will not go forward without the other settlements, but as we hear more about this situation we will update the website.

4. CS 11 AND CGSR SETTLEMENTS AND THE CENTERPOINT FINANCING MOTION ARE RESET FOR HEARING.

The Debtor has asked the Court to reset the hearings on the two Sorenson settlements—CS 11 and CGSR—and the Centerpoint Financing. The Court reset them for evidentiary hearing for December 17, at 10:30 am. The Committee filed an objection to the Centerpoint Financing which has been posted on the website. We have grave concerns about the proposed loan documents and about the way in which the advances have been misused and not applied according to the budget and in which advances were made without obtaining lien waivers or releases. Radical Bunny filed a detailed objection to the Centerpoint Financing Motion and attached exhibits and deposition testimony which specifically address and detail these concerns. We will post the Radical Bunny objection on the website next week. As to the Sorenson settlements, the Committee filed an objection to the substantial \$3.4 million of fees which the Debtor proposes to pay itself at the expense and to the detriment of the Investors through the settlement. The Debtor has expressed it is willing to compromise on the fees and allow more money to flow to the Investors. We are hopeful that a compromise can be reached prior to the hearing so that the settlements can go forward.

5. NEGOTIATION OF CONSENSUAL PLAN OF REORGANIZATION.

As you are aware, the Committee and its counsel and the counsel for other major constituency groups in the case (including Radical Bunny, the Value To Loan Committee, the Unsecured Creditors Committee and some major Rev Op Investors) have been working together to propose with the Debtor a Consensual Plan of Reorganization that these groups can support. Several meetings have occurred and progress is being made. Another important meeting with counsel for all the groups will be held on December 1, 2008. The Debtor's exclusive right to file a plan has been postponed again until December 5, 2008 and may be postponed until December 17. A status hearing on the Committee and Radical Bunny's Joint Motion to end exclusivity will be heard on December 1 at 3 pm. In the event that a consensual plan can not be reached, an evidentiary hearing on the Joint Motion has been set for December 17, 2008 at 10:30 am.