

*Newsletter of the Official Committee of Investors of Mortgages Ltd.*

January 27, 2009—Newsletter #19

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”). Even though it has been about a month since our last newsletter, the Committee has been extremely active and has had meetings with the Debtor and the other parties in the case trying to resolve open issues and get a plan on file that will end the bankruptcy.

**1. INVESTORS COMMITTEE’S DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION.**

On January 21, 2009, the Committee filed its Plan of Reorganization Dated January 21, 2009 (docket number 1297) and its Disclosure Statement in Support of its Plan of Reorganization (docket number 1298). We have posted the Disclosure Statement and all Exhibits, as well as the Plan of Reorganization on the website. Go to [www.fclaw.com/mortgages-ltd-investors](http://www.fclaw.com/mortgages-ltd-investors) to see a complete copy of the Disclosure Statement and Exhibits A through N. It is very lengthy and you may not want to print it all. The Plan is separately posted. The Court has set a hearing on the adequacy of the Committee’s Disclosure Statement for March 4, 2009 at 1:30 p.m. Objections to the adequacy of the Disclosure Statement are due February 27, 2009. A copy of the Notice of Hearing and Objection Date is also posted on the website. You will be receiving a copy of the Notice in the mail as we are required to notice all parties on the master mailing list of this hearing. You will not receive a hard copy of the Plan or Disclosure Statement until after the Disclosure Statement has been approved by the Court. Further, the Committee and other plan proponents cannot solicit your vote in favor of or against a plan until after the adequacy of the Disclosure Statement has been approved by the Court. As of today, no other party has filed a Plan of Reorganization and Disclosure Statement.

**2. THE DISCLOSURE STATEMENT AND PLAN PROCESS.**

As we have explained in the Notice of Hearing and in the Disclosure Statement, the Plan process is a two-step process. Step One is for the Court to review and approve the adequacy of the Committee’s Disclosure Statement so that parties who are entitled to vote on the Plan have adequate information. Step Two is for the Committee to solicit the votes of creditors, investors and parties in interest in favor of the Plan and for the Court to review and confirm the Investors’ Plan. We are in Step One of the Plan process. The Court has set the hearing on the adequacy of the Committee’s Disclosure Statement for March 4, 2009 at 1:30 p.m. It is not unusual for parties to want more information included and for us to voluntarily amend our Disclosure Statement to include additional information before the hearing or at the request of the Court to amend it after the hearing. Hopefully Step One will be completed just after the March 4<sup>th</sup> hearing and the Committee will then be allowed to proceed to Step Two.

In Step Two the Court will set a confirmation hearing on the Plan after the Disclosure Statement is approved and the Committee will be permitted to mail out the completed Disclosure Statement, Plan and ballots to creditors, investors and other parties

in interest who are entitled to vote. The notice of confirmation hearing will also clearly spell out the dates for sending the ballots back and for filing objections to confirmation of the Plan. There will be a 25-day notice period prior to the confirmation hearing. During this voting or solicitation period (which at the earliest will not start until after March 4, 2009), the Committee will be permitted to hold open meetings for investors so that they can ask questions and obtain an overview of the Plan and issues. After the voting is closed, the Committee will file a tally of the ballots before the confirmation hearing. At the confirmation hearing the Court will decide based on the ballots and the objections whether to confirm the Plan. If the Committee's Plan is confirmed, then the Committee will consummate the Plan and carry it out.

**3. NEGOTIATION WITH THE DEBTOR ON THE 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. Many meetings have been held throughout October, November and December 2008 and into January 2009. Based on the most recent Court Order, the Debtor's exclusive right to file a plan ended on January 6, 2009. As of January 21, 2009, the Committee still did not have an agreement with the Debtor on the Plan. There were still several major points upon which the Debtor and Committee did not agree. So rather than continue to delay the process, the Committee decided to file its Plan and Disclosure Statement and to have the Disclosure Statement set for hearing. Because this is a lengthy plan process as described above, the Committee decided (even without the consensus of the Debtor) to get its Plan and Disclosure Statement on file and get the lengthy process started. We are still hopeful that the Debtor will work with the Committee rather than file its own Plan, but that is not in the Committee's control.

**4. BOARD POSITIONS FOR INVESTORS.** One of the things that the Committee will need to disclose prior to the Disclosure Statement hearing and in its amended Disclosure Statement are the names of the proposed Board members for the Liquidating Trust Board and for the Board of Managers for the ML Manager LLC. These are described in the proposed Disclosure Statement. The Committee would like suggestions from the investors of the names of investors who might be qualified and interested in serving on one of these two Boards. **Please have such investors contact Cathy Reece at [creece@fclaw.com](mailto:creece@fclaw.com) with their name and contact information and a resume of their experience and qualifications. The Committee will review all suggested names for such Board positions. The Committee will also be making its own inquiries for investors who would make good Board members.**

During the next month the Committee will also interview candidates for and select a proposed Liquidating Trustee to include in the amended Disclosure Statement, will obtain exit financing for its Plan, and will pursue and identify possible contingent fee plaintiff's counsel for the lawsuits to be filed by the Liquidating Trust. Hopefully all these items will be completed and will be disclosed before or at the Disclosure Statement hearing on March 4th.