

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

March 9, 2009—Newsletter #20

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 other major parties in the case trying to resolve open issues and get the Committee’s Disclosure Statement approved so that the solicitation period on the vote on the Committee’s Plan can proceed.

**1. SLIGHT CONTINUANCE OF INVESTORS COMMITTEE’S DISCLOSURE STATEMENT HEARING TO OBTAIN RADICAL BUNNY’S TRUSTEE’S SUPPORT**

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). As we explained in the last newsletter, 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.

The Court set a hearing on the adequacy of the Committee’s Disclosure Statement for March 4, 2009 at 1:30 p.m. The day before the hearing, the chapter 11 Trustee for Radical Bunny’s bankruptcy indicated that he was willing to be a co-plan proponent and to join with the Committee in its Plan but he needed a few days to get his own creditors committee’s approval and to review the financing and other details. Based on that representation and indication of interest, the Committee decided to continue the consideration of its Disclosure Statement for a few days. We filed a “Statement of Position Concerning the Status and Request for Short Continuance to Allow Radical Bunny’s Trustee to Join as Plan Proponent in the Investors Committee’s Disclosure Statement in Support of the Investors Committee’s Plan of Reorganization Dated January 21, 2009” (docket number 1427). A copy of the Statement of Position will be posted on the website.

Among other things, the Statement explains that the Committee has been working with various parties adding to the Disclosure Statement pieces of additional information as requested, has worked out a resolution with the Securities and Exchange Commission as resolution of its concerns, and has been working with Radical Bunny’s Trustee to obtain a consensual plan. At the hearing on March 4, 2009 the Court asked a number of questions about the Disclosure Statement and the progress made by the Committee, and the Court then continued the Committee’s Disclosure Statement hearing to March 16, 2009 at 2 p.m. We will be amending certain portions of the Disclosure Statement and Plan during this week and will file a redline version on Thursday March 12, 2009. It will also be posted on the website. It will reflect changes made by various parties and hopefully will reduce the number of objections and objectors for the hearing.

The Committee has interviewed candidates for the proposed Liquidating Trustee, has interviewed candidates for the various Board positions to include in its amended Disclosure Statement, and has been negotiating exit financing for its Plan. This will all be

included in the amended Disclosure Statement which will be filed in redline form on March 12 and will be considered by the Court at the continued Disclosure Statement hearing on March 16th. We will highlight those bits of information in our next newsletter following the March 16<sup>th</sup> hearing.

**Remember that during this period, 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.**

**2. THE DISCLOSURE STATEMENT AND PLAN PROCESS.** As we have explained in the last newsletter and 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. 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 16<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 16, 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. THE DEBTOR FILED A DISCLOSURE STATEMENT AND PLAN OF REORGANIZATION ON MARCH 4, 2009.** As you are aware, the Debtor filed its own Plan and Disclosure Statement on March 4, 2009, hours before the hearing on the Committee's Disclosure Statement. The Court set a hearing on the adequacy of the information in the Debtor's Disclosure Statement for April 6, 2009 at 3 pm.

**As we stated again in this Newsletter, remember that during this period, the Committee and other plan proponents cannot solicit your vote in favor of or against the Committee's Plan or the Debtor's Plan until after the adequacy of the Disclosure Statement has been approved by the Court.**

If you have any questions, do not hesitate to contact us.