

Newsletter of the Official Committee of Investors of Mortgages Ltd.

April 15, 2009—Newsletter #24

1. **TELEPHONIC CONFERENCE CALLS FOR INVESTORS.** For those of you who are out of state or cannot attend the In-Person Investors meetings scheduled below, we will have two telephonic conference calls. The first will be Friday April 17 at noon Arizona time. The second one will be Wednesday April 22 at 9 am Arizona time. There are a limited number of lines available so email Terri at tvink@fclaw.com if you plan to attend by telephone. The dial in number for the call will be 1-866-740-1260 and the pass code is 9165343#.

2. **QUESTIONS? ATTEND ONE OF THE IN-PERSON Q&A SESSIONS.** The Committee will be having several “in-person” question and answer sessions for investors. We will walk through the Plan and the key issues and answer questions. Also we will explain the Ballots and answer questions about the voting. **Bring your Ballots and your recent account statement.** There will be many meetings held during the first two weeks of the Solicitation Period so that you have plenty of time to read the materials, ask questions and give careful thought to your vote. If an additional meeting is needed due to the response, we will set it and let you know. The meetings currently scheduled are:

Thursday April 16 at 1:00 p.m.

Thursday April 16 at 6:00 p.m.

Friday April 17 at 2:30 p.m.

Tuesday April 21 at 10 a.m.

Tuesday April 21 at 1 p.m.

Wednesday April 22 at 1:00 p.m.

Wednesday April 22 at 6 p.m.

The meetings will all be held in the **Lower Level Auditorium at 3003 N. Central Avenue**, Phoenix, where the Fennemore Craig PC Law Offices are located. Send an email to Terri at tvink@fclaw.com to let her know what session you will be attending. Space is limited to 150 seats per session so make a reservation.

If you have questions and want to talk with another investor about the Committee’s Plan, then **call any of the following investors: Karen Epstein and Sheldon Epstein, M.D. at (480) 948-6777 or kme818@cox.net, Bruce Buckley at (480) 488-2672 or bbuckley@cox.net, or Joe Baldino at (480) 368-6125 or j.baldino@msn.com.**

3. **ALTERNATE EXIT FINANCING.** The Committee continues to look at alternate exit financing, as a replacement or substitute for the Exit Financing attached to and referenced in the Approved Amended Disclosure Statement. The Committee continues to talk with alternate sources and is exploring all its options.

Along those lines, there is a group of investors talking about putting together funds from investors who would provide alternate exit financing. If you have any interest in talking with them about it, contact Bruce Buckley at bbuckley@cox.net or Eva

Sperber-Porter at regal1to21@aol.com. As a disclaimer, the Committee itself is not putting this together or sponsoring it. Any such inquiry or interest will need to be outside the Committee and such investors will need to proceed with their own counsel and legal advice. Once a proposal is submitted to the Committee, it along with all other proposals will be considered.

4. THE BALLOTS ARE OUT. You should have received a large white envelop from Fennemore Craig this week which contained the CD of the Plan documents, the Order Approving Investors Committee's Amended Disclosure Statement and the 5 colored ballots. Of the 5 ballots you do not need to use the Pink or the Purple Ballots. Disregard them. The three Ballots you need to look at are Yellow, Blue and Green. Use the full amount of your investment for the dollar amounts on all your ballots. If you have more than one account, you should have received a package for each account. Fill in the ballots for each account.

Also complete all the information in the Ballots before you send them in. Not only check the box to ACCEPT the Committee's Plan, but also check the box in the MP Fund ballot (Blue Ballot) if you want to agree to remove Mortgages Ltd. as the Manager and modify the operating agreement or check the box in the Pass Through Investment Ballot (Yellow Ballot) if you want to agree to transfer your interest into the Loan LLCs. Also fill in the Green Ballot and send it in too.

To say it another way:

Yellow---Pass-through Investors--Class 10A and Class 10B--use this ballot. Fill in the full amount of the investment.

Blue---MP Funds--Class 8--use this ballot. Identify the correct MP Fund or Funds. Fill in the full amount of the investment.

Green---Unsecured--Class 11C and 11E and 11F the unsecured claims of the Pass Through and MP Funds use this ballot too. Fill in the full amount of the investment.

If you have any questions or problems with the Ballot or instructions, come to the in-person meetings listed above and bring your Ballots and your recent account statement. Also if you have questions about the Ballot or Plan call one of the investors listed in paragraph 2 above or email us at creece@fclaw.com or emcdonough@alvarezandmarsal.com and include your phone number and we will have someone call you back.

Mail, hand deliver, overnight delivery or fax the ballots to Ed McDonough at the address or fax number on the Ballot. The Ballots must be received by 5 pm on May 5, 2009.

5. COMMITTEE'S PLAN IS SET FOR CONFIRMATION. As you know, the Court approved the adequacy of the Committee's Amended Disclosure Statement and set a hearing on the confirmation of the Committee's Plan for May 13, 2009. The Court has allowed the Committee to solicit your vote and to send out ballots. Among other things, the Committee's Approved Amended Disclosure Statement contains the terms of the Exit Financing (warts and all), the copies of the important and key legal documents (so you can scrutinize every word), and the names and resumes and disclosure

of certain relevant information about the Liquidating Trustee and all future decision makers chosen by the Committee (so you know before you vote who will be making decisions). Under the Committee's Plan, the Investors will be making the decisions. The board members are investors and then as a check and balance all major decisions will be made by the investors in the Loan LLCs who get to vote by a majority of dollars on all major decisions that effect that loan. We know that there are questions about the Exit Financing and that it is expensive. We are prepared to answer your questions at the In-Person meetings and discuss this with you. We know that the Plan is complex but we believe that it is well thought out and purposeful. We are prepared to answer your questions at the In-Person meetings. Don't dismiss the Committee's Plan out of hand or listen to the "naysayers" but give us a chance to talk with you about it. Given all the complex issues and the different issues that we could litigate for the next year or two, we believe the Committee's Plan is fair and equitable and provides the best alternative for the investors that the bankruptcy to end now. Liquidation is not a realistic choice for the investors or the creditors and will return a lot less to investors and creditors. If the Committee's Plan is not approved then there is a significant risk that this bankruptcy case will turn into a straight liquidation. We ask that you thoughtfully consider the Committee's Plan and attend one of the In-person meetings to discuss it with us.

6. DEBTOR'S DISCLOSURE STATEMENT HEARING DELAYED AGAIN. Debtor has again voluntarily chosen to postpone the hearing on its Disclosure Statement to April 28, 2009. It cannot send its Plan out for a vote or set it for a confirmation hearing or ask you to vote for their Plan until after its Disclosure Statement is approved by the Court.

Even though it could have filed its Plan any time since the beginning of the bankruptcy in June 2008, Debtor filed its Plan and Disclosure Statement March 4, 2009. The initial hearing on the approval of Debtor's Disclosure Statement was set for April 6, 2009. The Committee filed a lengthy Objection to the adequacy of the information in the Debtor's Disclosure Statement on March 30, 2009. It is posted on the website. Take a look at it and review the numerous problems with the Debtor's Disclosure Statement. The Unsecured Creditor's Committee also filed an objection and Robert Furst filed a lengthy objection. All three are posted on the website for you to review.

The Debtor continued its hearing to April 20, 2009. Then again this week, the Debtor postponed and continued its hearing on the adequacy of its Disclosure Statement to April 28 at 3 pm. It announced it would be making changes to its Disclosure Statement and Plan but it is not clear what changes will be included and whether the changes will satisfy the numerous objections filed by the parties to the adequacy of the Debtor's Disclosure Statement.

A summary of some of the points raised by the Committee in its Objection to the Debtor's Disclosure Statement which was filed with the Court includes:

(1) Debtor did not disclose anything about its exit financing (including the terms, cost and collateral to be posted) and the fact that the Debtor did not have any exit financing and therefore could not go forward with any Plan.

(2) Debtor also did not disclose who would be in charge in the future, including who its board members would be, its CEO, CFO or any other decision making position or its Liquidating Trustee.

(3) Debtor also did not disclose who currently is running the Debtor. It needed to disclose that both George Everett and Chris Olson had resigned as directors of the company. Chris Olson also resigned as CFO. It needed to disclose that Rich Feldheim had also resigned or was let go, but was soon after rehired as a consultant for \$1 a year. His assistant Christine Zahedi was hired as COO. On information and belief, Laura Martini has also been rehired.

(4) It needed to disclose that Chris Olson recently testified in a deposition that he resigned as a director and as CFO because he did not agree with the Debtor's Plan, among other things.

(5) Debtor needed to disclose the allegations made by the Arizona Department of Financial Institutions that threaten the revocation of its commercial banker's license. The allegations are extremely serious and encompass actions committed both pre-petition and also post-petition. The Debtor needed to discuss the allegations and provide investors with an explanation of its actions and behavior.

(6) Debtor also needed to disclose that its license was also up for renewal on March 31, 2009 and that it could not satisfy some of the basic requirements so its license could be renewed.

(7) If its license is revoked or simply not renewed, Debtor needed to disclose how it can stay in business and how it can do anything it proposes under its Plan.

(8) Debtor needed to disclose why it was going to try to collect \$213 million from the first moneys the investors were to receive from the borrowers and what impact that would have on the investors' recovery. While its Plan reduces this amount to only \$47 million, it does not disclose which loans and borrowers were going to be assessed these stiff fees.

(9) It needed to disclose the actual amount of fees it was going to charge investors going forward and what modifications it was going to make unilaterally (without investor consent) to the agency agreement or operating agreements. It needed to draft and attach copies of these modified agreements prior to your vote.

(10) It needed to disclose that the reorganized Debtor was going to make all decisions in its sole and absolute discretion on investors' Notes and Deeds of Trust without giving the investors any voice on these decisions and needed to disclose the kind of decisions it would be making, such as selling the Notes at a discount, reducing principal and interest, converting the note to an equity position in the borrower, releasing guarantees, etc.

There were many other important facts and missing information listed that were pointed out in the Committee's Objection. Go to the website to read the complete Objection of the Committee.

Remember that the Debtor can not ask you to vote for its Plan or discuss its Plan with you until the Court has approved its Disclosure Statement.

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We look forward to seeing you at the In-Person Q&A Sessions this week and next week. Do not hesitate to call or email the investors listed in paragraph 2 above if you have questions about the Committee's Plan or the Ballots.