

May 4, 2009—Newsletter #27

REMEMBER--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 Arizona time on Tuesday May 5, 2009. If you have questions, call the people listed below.

1. DEBTOR HAS ANNOUNCED IT WILL ONCE AGAIN DELAY ASKING FOR APPROVAL OF ITS DISCLOSURE STATEMENT.

The Debtor sent out an email to all counsel in the Bankruptcy case stating: "Please be advised that the Disclosure Statement hearing on May 4, 2009 at 2:00 p.m. will be a status hearing only on Mortgages Ltd's Disclosure Statement. We will not be seeking approval of our Disclosure Statement on May 4th. We will ask the Court to set the hearing for approval of our Disclosure Statement for 7-10 days thereafter."

The Debtor has had the right to file a plan since June 24, 2008. It finally filed a plan and disclosure statement March 4, 2009, but has delayed its hearing for approval of its disclosure statement several times. As you are well aware by now, according to the Bankruptcy law, the Debtor needs to obtain Court approval of its Disclosure Statement before it can proceed any further in the plan process.

2. WHO TO CALL ABOUT QUESTIONS.

The Committee has held 8 in-person meetings with investors and 3 telephonic conference calls. The response was enthusiastic and very positive. Many have commented that they found it informative and very helpful. We addressed the Exit Financing, the use of Loan LLCs, the voluntary transfer of fractional interests in Notes and Deeds of Trust by the Pass-Through Investors, and the liquidation analysis. All of these issues are already addressed in the Committee's Approved Amended Disclosure Statement but we went through the major points with the investors and answered questions.

If you missed the meetings or calls or you want to talk with other investors about the Committee's Plan, or if you have questions about your ballots, feel free to 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. You can also call Ed McDonough, the financial advisor for the Committee, with questions about the Exit Financing specifically, at (602) 459-7010 or email him at emcdonough@alvarezandmarsal.com.

3. TUESDAY MAY 5 BY 5 PM ARIZONA TIME—VOTING DEADLINE—THAT IS TOMORROW.

Time is short so fax or hand-deliver your Ballots to Ed McDonough at the address or fax number on the Ballot. You should have received a large white envelop from Fennemore Craig which contained the CD of the Plan documents, the Order Approving

Investors Committee's Amended Disclosure Statement and the 5 colored ballots. 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. (If you are a VTL Investor then you would use the Pink ballot). If you have misplaced your Ballot, you can get one on-line at the Committee website which is www.fclaw.com/mortgages-ltd-investors. Print it on plain white paper- color won't matter.

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 for your unsecured claim and send it in too.

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4. ALTERNATE FINANCING.

As we have mentioned in a previous newsletter, the Committee is looking for financing on more favorable terms, as a substitute for or replacement for the Exit Financing attached to the Approved Amended Disclosure Statement. The Committee has been informed that there is a group of investors who are considering putting together a loan proposal of their own with funds made available by investors. If you are interested in discussing this with other investors contact Bruce Buckley at bbuckley@cox.net or Eva Sperber-Porter at regal1to21@aol.com. They may be setting up a meeting this week and are getting closer to making a proposal. 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.

5. CONFIRMATION HEARING ON COMMITTEE'S PLAN—MAY 13, 2009 AT 10:00 A.M.

The Court set May 13, 2009 at 10:00 a.m. in Judge Haines' courtroom as the initial Confirmation hearing on the Committee's Plan. It will probably last about an hour. The Court will hear about the Balloting and the Tally of the votes. He will consider the objections which will have been filed to the Confirmation and ask us how the objections should be resolved. Most likely the Court will then set further briefing on certain legal issues and set an evidentiary hearing for a day or two in May or June. The Committee

hopes that the Court will confirm the Plan by the beginning of June so that the Bankruptcy can be over by mid-June. We do expect that objections will be filed by the Debtor's attorneys, by Radical Bunny's attorneys, by Allen Bickert who represents a few investors, himself, and his ex-wife, and possibly other parties. It is a part of the process and the Committee will look at and respond to each objection.

We will post the Ballot Report on the website on May 11, and the Committee's Response to the Objections on May 12.

6. CENTERPOINT BANKRUPTCY RULING.

As you know, the Centerpoint project owned by Tempe Land Company has been in bankruptcy since December 2008. Recently Centerpoint filed a motion for the Court to approve new construction financing that would have primed your deed of trust. The Committee, jointly with Mortgages Ltd. and Radical Bunny, filed objections and then presented 2 days of evidence. The Court on Friday May 1, 2009, denied the motion of Centerpoint and said the deed of trust was not adequately protected. We will post the Judge's ruling on the website. The next move will be for the parties to jointly file a motion to modify the stay so that the Mortgages Ltd. can start and complete the deed of trust sale. And take back the project if necessary.

Also the Debtor Mortgages Ltd. filed the proofs of claim on behalf of itself, the MP Funds and the Pass-Through Investors in the Centerpoint Loan (on both notes and the deed of trust) for about \$156 million.

Some of you may also have been served with a motion to have the stay modified in the Mortgages Ltd. case so that the Judge in the Centerpoint Bankruptcy case can hear the dispute about the priority of the mechanic liens over the notes and deed of trust on the Centerpoint project. The mechanics lienholders in the Centerpoint case allege that there has been a break in priority and that their mechanics liens are first in time before the notes and deed of trust. The alternative is to have the break in priority dispute heard in State Court (where the other mechanics lien disputes are being heard) or by the Mortgages Ltd. Bankruptcy Court. The Committee will be filing a response. We will post the response on the website.

7. MOTIONS FILED BY RADICAL BUNNY AND GRACE ENTITIES.

One motion has been filed by Radical Bunny and one by Grace Entities challenging the unsecured claims of the Investors and MP Funds in the Liquidating Trust under the Committee's Plan. One motion challenges the nature of the unsecured claims of the MP Funds investors and the Non Revolving Opportunity Pass-Through investors and tries to make those claims lower in priority than the Radical Bunny unsecured claims. The other motion estimates those claims at \$0. These motions do not challenge or take away the ownership of the notes and deeds of trust by the MP Funds and the Non Revolving Opportunity Pass-Through investors but rather challenges the deficiency or unsecured claims. The Committee will be responding to those motions this week as the response dates arise.

Another motion filed by Radical Bunny also challenges the Revolving Opportunity Pass-Through investor ownership of the notes and deeds of trust and would take away their ownership and make them unsecured loans of Mortgages Ltd. The

Committee, along with other parties, will be responding to this motion later this week as the due date arises. The motions are all set for hearing on May 13, 2009 at 10:00 a.m., during the Confirmation hearing. We will post the Committee's responses on the website.

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The Committee has worked hard over the last ten months. We have heard a lot of positive comments about the Committee's work and the Committee's Plan. We appreciate your support and the support of other creditors in this case as we try to bring the Mortgages Ltd. Bankruptcy to an end.

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