

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

June 17, 2009—Newsletter #29

**GOOD NEWS!!!**

The Committee is pleased to report that the Exit Financing approved by the Court closed on June 15, 2009. The Committee's confirmed Plan of Reorganization is now effective.

Since the confirmation of its Plan was approved, the Committee continued to review the lending alternatives. The Committee negotiated additional deal point reductions with the approved exit financier Universal-SCP 1, LP and obtained about \$2.5 million of savings from the financing originally submitted to the Court with the Plan of Reorganization. For example, the interest rate was reduced from 20% to 17.5% per annum, the origination points were reduced from 10 to 8 points. Also the participation fee at the back end was reduced from a cap of \$8 million to a \$7.5 million cap. According to the Committee's financial advisor, Ed McDonough at Alvarez and Marsal, the changes will result in a savings of about \$2.5 million for the investors. In the end, the Committee decided that the modified proposal from Universal-SCP 1, LP was the most favorable terms that could close within the time required and close based on the available collateral.

As for the ML Liquidating Trust, the Liquidating Trustee Kevin O'Halloran is now in place and the five-person Trust Board of Joe Baldino, Richard Shaw, Jim Merriman, David Goldman and Jan Sterling is now up and running as well. Joe Baldino has been selected as the chair. They will be sending you a communication probably within a week to ten days and will let you know what they will be doing. They will also let you know how you can contact them with questions about the Liquidating Trust.

As for the ML Manager LLC, the five-person Board of Managers consisting of Elliott Pollack, Scott Summers, Bruce Buckley, William Hawkins, and Grant Lyon is also up and running. Elliott Pollack has been selected as the chair. They have asked Karen Epstein, who many of you know, to be a communications consultant to the Board. She will be working on a new web page for you and will letting you know what they are doing. Please be patient as they will be changing to a new servicing company and will be working through many issues with both the investors and with the borrowers over the next 30 days. She will also be helping to set a series of meetings with the Pass-Through investors so you can meet with the professionals about your decision to transfer your fractional interests into the appropriate Loan LLC. Each Pass-Through investor will be contacted about the paper work and about the decision in the next two weeks.

If you have received a summons on a borrower complaint or a mechanics lien complaint in the last month, please contact Keith Hendricks at Fennemore Craig and he will coordinate with Dax Watson, the attorney previously hired to represent investors, to determine the response and representation. Keith can be reached at [khendricks@fclaw.com](mailto:khendricks@fclaw.com). It is likely that if you are a Pass-Through investor you will be

receiving one or more summons and complaints on the mechanics holder suits. Do not ignore them.

No distributions will be made during the next 30 days while the licensing issues are resolved and transferred to the new servicing company. The Court entered an order last week about the interim borrower payments and stated that no distributions would be made to investors until the new servicing company is in place. There are only 4 borrowers which are making payments at this point and the checks will be cleared and deposited but not distributed until the new servicing company is prepared to make the distributions.

This bankruptcy process has taken the Committee 11 months to resolve but finally the Committee's Plan has been confirmed, the Exit Financing has closed and the Plan is beginning to be implemented. The investors who are now on the Boards have started to work and will be communicating with you directly. The Committee will continue to assist in the transition but at some point will formally be exonerated of its responsibilities and end its role.

Thank you again for your continued patience during this difficult process.