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7
8 IN THE UNITED STATES BANKRUPTCY COURT
9 FOR THE DISTRICT OF ARIZONA

10 In re
11 MORTGAGES LTD.,
12 Debtor.

Chapter 11

Case No. 2:08-bk-07465-RJH

**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**

**Hearing: March 4, 2009
Time: 1:30 p.m.
Place: Courtroom 603
230 N. First Ave.
Phoenix, AZ 85003**

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21 The Official Committee of Investors ("Investors Committee") has filed its
22 Disclosure Statement in Support of the Official Committee of Investors' Plan of
23 Reorganization Dated January 21, 2009 (docket no. 1298) ("Disclosure Statement") and
24 the Official Committee of Investors' Plan of Reorganization Dated January 21, 2009
25 (docket no. 1297) ("Plan"). Certain objections have been filed with the Court and
26 additional informal requests for changes have been made to counsel for the Investors

1 Committee. The Investors Committee has been working diligently with various parties to
2 accommodate their requests and to provide and agree to language and the addition of
3 information so that the objections can be resolved or can be narrowed to just a few issues.
4 In addition, the Radical Bunny Chapter 11 Trustee has indicated that, based on the
5 agreement reached today with the Investors Committee, he would like to be added as a
6 Plan Proponent to the Investors Committee's Plan. To accommodate his request, the
7 Investors Committee is willing to continue the Disclosure Statement hearing for a short
8 period. The continuance would need to be a short continuance given that the revocation of
9 the Debtor's mortgage banker license, which might impact the ability of the Debtor to
10 continue to service the Investors Notes and Deeds of Trust, is set for April 16, 2009. A
11 plan needs to be in place to provide for alternate servicing of the Investors Notes and
12 Deeds of Trust if the license were to be revoked.

13 The Investors Committee had intended to file today its redline changes in the form
14 of an Amended Disclosure Statement and the Amended Plan and a detailed Omnibus
15 Response to all Objections. However, two very favorable events have occurred this
16 afternoon which may require a short continuance of the Disclosure Statement hearing.
17 First, the SEC attorney has informed the counsel for the Investors Committee that with the
18 revisions proposed by the Investors Committee, the SEC attorney will not be objecting to
19 the approval of the Disclosure Statement as revised or to the confirmation of the Plan as
20 revised thus resolving the Section 1145 concerns. Good news, indeed.

21 Second, the Chapter 11 Trustee for Radical Bunny has advised the Investors
22 Committee that based upon the settlement reached today in principal between the two
23 parties, that the Chapter 11 Trustee for Radical Bunny would like to be added as a Plan
24 Proponent on the Investors Committee's Plan. The Chapter 11 Trustee will need a few
25 days to meet with its own Unsecured Committee, to review the proposed exit financing
26 proposal obtained by the Investor Committee, to talk with the Liquidating Trustee which

1 has been selected by the Investors Committee, and to review the additional changes
2 needed based on this settlement, among other things. The Investors Committee is willing
3 to allow a short continuance of the Disclosure Statement hearing so that it can finalize the
4 Amended Disclosure Statement and Amended Plan with the Chapter 11 Trustee for
5 Radical Bunny and certain other parties, including the SEC attorney. This, too, is good
6 news.

7 The Investors Committee has been working very hard to address and accommodate
8 all the Disclosure Statement objections so that the Court can approve the Disclosure
9 Statement, as amended, and let the Investors Committee proceed promptly to
10 confirmation. As a part of the Amended Disclosure Statement and Amended Plan which
11 will be filed, the Investors Committee at the request of various parties will be adding and
12 disclosing, among other things, the following information and exhibits:

- 13 1. the name and bios and proposed compensation of the proposed Liquidating
14 Trustee, the proposed Board members for the Liquidating Trust Board, and the ML
15 Manager LLC Board;
- 16 2. the terms of the exit financing and the name of the proposed Lender;
- 17 3. the list of targets and Causes of Action that it has been able to assemble
18 without the Debtor's assistance. The Investors Committee has requested and has been
19 promised the list prepared by the Debtor. The Investors Committee would like to have that
20 list so that it can be added to the one already prepared by the Investors Committee;
- 21 4. a detailed liquidation analysis;
- 22 5. a discussion of the dispute over Radical Bunny's security interest;
- 23 6. a discussion of the dispute about the ownership of the Investors' and MP
24 Funds' fractional interests in the Notes and Deeds of Trust;
- 25 7. information and clarification about the mechanic liens on Chateaux On
26 Central;

1 8. information and clarification about the mechanics lien foreclosure
2 proceedings in State Court against Borrowers and Mortgages Ltd.;

3 9. revisions concerning the Section 1145 exemption negotiated with the SEC;

4 10. removal of the provision for the waiver and release of Avoidance Actions
5 against Investors and Radical Bunny;

6 11. removal of the "Opt-Out" provisions in the Liquidating Trust;

7 12. removal of the Debtor's discharge and changes in certain exculpation
8 provisions requested by the SEC;

9 13. a discussion about the interest spread, default rate and extension fees that
10 the Debtor alleges are "valuable assets" and the position of the Investors Committee;

11 14. information about the other litigation against the Debtor that is pending;

12 15. revised proformas, financial information and operating budgets for the
13 Liquidating Trust and the ML Manager based on the exit financing proposal;

14 16. a discussion about the Mortgages Ltd. 401k notes and deeds of trust;

15 17. information about the pre-petition officers or directors and their
16 compensation if they are retained by the Reorganized Debtor;

17 18. a discussion of the future of the Reorganized Debtor;

18 19. revisions to reflect that the Stratera DIP financing loans will be paid in full
19 on the Effective Date of the Plan from the exit financing;

20 20. clarifications to the treatment of the Arizona Bank Secured Class treatment
21 and the Artemis (now Secured Capital Management) Secured Class treatment;

22 21. the addition of the proposed Servicing Agreement as an Exhibit;

23 22. the addition of the Amended Articles and Bylaws of the Reorganized Debtor
24 as an Exhibit;

25 23. a discussion of more of the pre-petition and post-petition activities and
26 pleadings;

