

ML MANAGER LLC  
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Peoria, AZ 85381

October 23, 2009

To: Pass-Through Investors of Mortgages Ltd. Loans

Re: **EXTENSION OF DEADLINE TO OCTOBER 31, 2009**--Transfer of Pass-Through Investor fractional interests to the new Loan Limited Liability Companies ("Loan LLCs")

As you know the Investors Committee's First Amended Plan of Reorganization ("Plan") in the Mortgages Ltd. bankruptcy case has been confirmed by the Bankruptcy Court and became effective on June 15, 2009. We sent you several emails and communications, the last one was September 22, 2009, informing you of the meetings and also giving you instructions about transferring your Pass-Through Investor fractional interest in a Note and Deed of Trust to the new entities set up under the Plan to handle the loan or loans in which you have an interest. There were several attachments to the prior emails or letters, including the sample transfer forms, the form of operating agreement, the list of new Loan LLCs and website for the Plan and Disclosure Statement and Order confirming the Plan, which is [www.fclaw.com/mortgages-ltd-investors](http://www.fclaw.com/mortgages-ltd-investors). The deadline for transfers has been extended again by the Court to **October 31, 2009**.

As you may remember from the last newsletter, the Court held a hearing on October 8, 2009 on the Emergency Motion to Clarify which had been filed by 18 Rev Op Investors. The Court entered a Memorandum Decision on October 21, 2009. A copy of the Memorandum Decision is attached to this email. Basically, the Court indicated that the non-opt-in Pass-Through Investors (that means those who decide not to transfer their fractional interests into a Loan LLC) will have to pay "their proportionate share of all the expenses, including but not limited to the Exit Financing." The Court citing the provision of the Confirmation Order went on to say that the amount must be "fair, equitable and proportional, but within those limitations the ML Manager can exercise his business judgment whether to obtain financing to cover exit costs and operational expenses, and when to make the charge backs."

On the authority of the Agent, the Memorandum Decision also states that "the ML Manager does have authority to deal with the loans and the collateral securing the loans to the extent provided by the governing documents including but not limited to the applicable subscription agreements and agency agreements." The Court also stated that "the ML Manager has no authority to sell or encumber the non-opt-in Pass-Through Investors' fractional interest in their notes." As you know, ML Manager did not seek to encumber the fractional interests and the Plan has an express provision stating that. However the Court by saying that the ML Manager could not "sell" the fractional interest of a non-opt-in Pass-Through Investor in the note has ruled inconsistently with the language of the Agency Agreement which expressly states that the Agent can liquidate

the fractional interest if the investor does not own 100% of the note. As a result of this last issue about the authority to sell the fractional interest in the note, ML Manager filed an Emergency Motion to Amend the Memorandum Decision to delete the two words “sell or.” That Emergency Motion may or may not be granted quickly or before the October 31, 2009 deadline.

As a result, ML Manager has decided that the issues have been sufficiently clarified and will go forward with the transfers. Pass-Through Investors have until October 31, 2009 to provide their executed and signed transfer documents to the ML Manager at the address above.

If you have already executed and delivered your transfer documents but have changed your mind and do not want to transfer your fractional interests in to the Loan LLC, then you will need to contact ML Manager in writing immediately. An email to Erica Jacob at [ejacob@mtgltd.com](mailto:ejacob@mtgltd.com) or a fax to Erica at (623) 234-9575 would be sufficient. If ML Manager does not receive this written cancellation then ML Manager will assume you still want to transfer and will proceed accordingly. The transfer documents will be recorded the first week in November, 2009.

If you have not signed any documents and want to obtain a set of your transfer documents so you can to execute and return them, then make a request in writing to Erica Jacob at [ejacob@mtgltd.com](mailto:ejacob@mtgltd.com) as soon as possible and she will arrange for the paperwork on your loans to be prepared and mailed to you so that you can return it.

If you have any questions, do not hesitate to contact Karen Epstein at [kme818@cox.net](mailto:kme818@cox.net) or (480) 948-6777. Thank you for your consideration.