

08-7465

October 7, 2009

Hon. Randolph J. Haines
U.S. Bankruptcy Judge
230 North 1st Avenue, Suite 101
Phoenix, Arizona 85003

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CLERK
U.S. BANKRUPTCY
DISTRICT OF ARIZONA

Re: Mortgages Ltd.

Dear Judge Haines:

We are four of the five members of the Official Committee of Investors ("OIC") in the Mortgages.Ltd. case. The fifth member of the OIC lives in California and we have been unable (despite attempts to do so) to make contact with him to determine whether he wanted to join in this letter in the short time in which we decided to write this letter to you. We have been following the recent Motion filed by certain Revolving Opportunity Investors and the responses to such Motion. Since we were among the proponents of the Plan of Reorganization confirmed by the court, we thought it was important to share our thoughts and concerns relating to this Motion.

Although the Motion appears merely to request "clarification" of certain issues concerning the Plan, it is clear from statements of members of this group and their attorneys that the real intention of this Motion is to have the court rule that these Rev Op Investors and other pass-through investors are essentially "free agents" concerning the loans for which they are partial owners. More importantly, they want the court to rule that they can deal with their interests in the loans (1) free from any costs relating to exit financing and (2) without regard to the interests of the other investors in the loans. Without suggesting the bad intention or motive of anyone, this latter position creates the potential for mischief by one or more non-transferring investors by holding up a transaction for a disproportionate portion of the proceeds of a transaction or some other economic gain.

The Rev Op Group's position was clearly not the intention of the Plan of Reorganization proposed by the OIC We would never had proposed the Plan or voted in favor of our Plan if the Rev Op Group's positions were intended or otherwise implemented. We insisted, and it was our intention, that all investors would bear their fair share of all costs of the bankruptcy and the exit financing whether or not an investor transferred his or her interest into the applicable Loan LLC. Also, it was our intention and understanding that each non-transferring investor was bound by the terms of the applicable agency agreement to permit the ML Manager to bind the non-transferring investor to the terms of any agreement he or she made on behalf of the non-transferring investor. We passed on our understanding along to investors who asked about this matter when considering how to vote on the Plan. If a pass-through investor wants voting rights, such investor has the option to transfer his or her interest into each applicable Loan LLC.

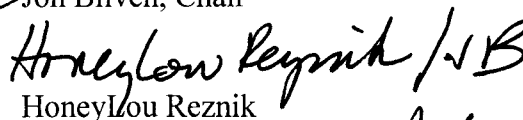
If the Rev Op Group's position is approved, it would most certainly create chaos and embroil the investors in protracted litigation among themselves. We understand that transferring investors, MP Fund participants, and Radical Bunny would have claims against those who asserted their "free agency" and freedom from exit financing and other costs on the grounds of unjust enrichment. Also, and perhaps more importantly, we have heard that borrowers are already using this controversy to assert that the ML Manager does not have the authority to deal with the loans.

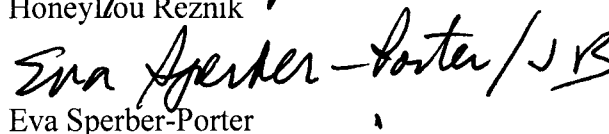
We are somewhat surprised by the position of this Rev Op Group in light of some of the facts that transpired at or near the Plan confirmation. First, this group voted to confirm the Plan. Second, at their insistence, the Plan provided for Revolving Opportunity Investor representation on both boards. Indeed, several members of this Group and Mr. Forrester's client, Bill Lewis, actively tried to obtain seats on both boards. Third, several members of this Group and Mr. Forrester's client, Bill Lewis, tried to arrange alternative exit financing and, in fact, were willing to contribute their own personal funds to this effort. We are wondering why they would actively seek or accept positions on both boards, particularly, the ML Manager Board, if they believe they were "free agents." Being a free agent seems inconsistent with the duties of ML Manger Board members, who have fiduciary responsibilities to all investors. Likewise, it is inconsistent to actively seek to lessen the burden of exit financing if they believe they are not responsible for the exit financing. It is also somewhat ironic that Mr. Lewis and this Group are seeking to recover legal fees as "substantial contributions" that will be paid from the very exit financing for which they claim they should bear no responsibility.

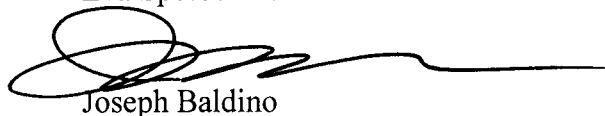
Finally, our Committee took very seriously the notion that we should make decisions for the benefit of all investors without preference to any group. We vigorously defended this Group, Mr. Lewis and all Revolving Opportunity Investors against the assertion by Radical Bunny that they were unsecured creditors under a Ninth Circuit decision. The legal fees were paid from the exit financing for this matter. For these reasons, we respectfully ask you to deny this Motion and rule that no investor is a so-called "free agent" and all investors should bear their fair share of all costs and expenses, including all exit financing costs.

Sincerely yours,

 /JB
Jon Bliven, Chair

 /JB
HoneyLou Reznik

 /JB
Eva Sperber-Porter


Joseph Baldino