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7 Attorneys for Kevin T. O'Halloran, Trustee of the
8 Liquidating Trust of Mortgages Ltd.

9 **IN THE UNITED STATES BANKRUPTCY COURT**
10 **FOR THE DISTRICT OF ARIZONA**

11 In re:

12 MORTGAGES, Ltd.,

13 Debtor(s).

In Proceedings Under Chapter 11

NO.: 2:08-bk-07465-RJH

**CHAPTER 11 POST-CONFIRMATION
INTERIM REPORT**

Date Plan Confirmed: May 20, 2009

14 Kevin T. O'Halloran, as Trustee of the Liquidating Trust of Mortgages, Ltd.
15 ("Liquidating Trust"), by and through its undersigned counsel, hereby advises the Court that it
16 is not presently in compliance with the terms of the confirmed Plan of Reorganization as a
17 result of the Liquidating Trust's Board of Director's decision not to pay the monthly mortgage
18 payments due to Arizona Bank & Trust in August and September, 2009. Following the
19 confirmation of the Plan, the Liquidating Trust did pay the July installment due to Arizona
20 Bank & Trust. However, the newly constituted Board of Directors of the Liquidating Trust
21 thereafter made a good faith determination that the fair market value of the property securing
22 the indebtedness owing to Arizona Bank & Trust was substantially less than such
23 indebtedness. As a consequence, the Liquidating Trust's Board of Directors concluded that it
24 was in the best interests of the Liquidating Trust to cease making any further payments with
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respect to such indebtedness and allow Arizona Bank & Trust to pursue its retained rights and remedies under the applicable loan documentation as contemplated by the express language of the Plan, including its right to foreclose its interest in the property securing such loan.

RESPECTFULLY SUBMITTED this 4th day of September, 2009.

MYERS & JENKINS, P.C.

/s/ William Scott Jenkins

William Scott Jenkins

Attorneys for Kevin T. O'Halloran, Trustee of the Liquidating Trust of Mortgages Ltd.