

ML Liquidating Trust
Newsletter No. 1
June 30, 2009

As you know, the Official Committee of Investors First Amended Plan of Reorganization (the “Plan”) became effective on June 15, 2009. Under the Plan, two Boards, ML Liquidating Trust Board and ML Manager Board, were formed. In general, ML Manager is responsible for the enforcement and collection of the loans owned by the Mortgages Ltd. Investors and Radical Bunny, LLC (the “ML Manager Board”). In contrast, the ML Liquidating Trust (the “LT”) is not responsible for any of these loans. Among other responsibilities, the ML Liquidating Trust Board (the “LT Board”) directs the court-appointed Liquidating Trustee, Kevin O’Halloran, in pursuing certain causes of action and in selling the real estate listed below and any other assets owned by the LT. The LT Board consists of five members, Joseph Baldino, Chair, David Goldman, James Merriman, Richard Shaw, and Jan Sterling.

The LT Board has met seven times since the confirmation of the Plan. We have spent most of this time transitioning from prior management and getting organized and educated on various matters, including determining the staff needs for the future. One of the first actions was to cut costs. Thus, the ML Manager Board and the LT Board jointly determined to eliminate certain employee costs. As a further cost cutting measure, we expect to move into smaller, less expensive office space in the near future. Because we have eliminated some employees and we have only recently become effective, we ask for your patience.

One of our initial responsibilities will be to review all of the administrative fee applications from the Mortgages Ltd. bankruptcy. We will need to determine if we object to the amount of the fees before Judge Haines rules on the reasonableness of these fees. We expect that the total amount of these fee applications will be in excess of \$12 million. Because we believe some of these fees to be excessive, we will employ a special legal counsel to object to a significant amount of the fees.

The two primary responsibilities of the LT are to own, manage, and eventually liquidate the assets of the reorganized Mortgages Ltd., re-named in accordance with the Plan of Reorganization, ML Servicing Co., Inc., and to enforce any litigation claims of ML Servicing, Inc. against third parties. As assets are liquidated and litigation claim proceeds are realized, the LT will distribute any proceeds (after all obligations of the LT are paid or provided for) to Mortgages Ltd. Investors, Radical Bunny, LLC, and other creditors in accordance with the terms of the Plan (the “Trust Beneficiaries”).

The LT has interests in five real estate assets:

- (1) A 10% interest in Mummy 8, LLC, an Arizona limited liability company. This entity owns 8.76 acres of residential land on Mummy Mountain in the Town of Paradise Valley (the “Mummy Mountain Lots”).

- (2) 40 acres of undeveloped land in Scottsdale near 122nd Street and Alameda (the "Troon North Property").
- (3) 29.44 acres of undeveloped land at 15431 North Cerro Alto Drive in Fountain Hills, Arizona (the "Fountain Hills Property").
- (4) An approximate 31% undivided interest in the Chateaux Condominium project on Central Avenue in Phoenix (the "Chateaux Project"). This project is not completed and thus not ready for sale as finished condominiums and may be subject to approximately \$3 million of mechanics liens. The remainder of the project is owned by various Mortgages Ltd. Investors, primarily MP Funds.
- (5) A promissory note secured by a first deed of trust on 141 developed lots and an 18-hole golf course in Eager, Arizona (the "River Run Property").

The Fountain Hills Property and the Troon North Property are subject to a first lien of Arizona Bank & Trust, which must be paid off before any proceeds can be available for LT business or eventual distribution to the Trust Beneficiaries. Likewise, all of the above assets are subject to the lien of the exit financing which must be paid off before any proceeds can be available for LT business or eventual distribution to the Trust Beneficiaries. In the coming weeks and months, we will be evaluating and assessing these assets with a view to maximizing the value to the LT and the Trust Beneficiaries.

The other major responsibility of the LT is to pursue claims held by the Mortgages Ltd. against third parties. The LT Board is in the process of interviewing lawyers for the purpose of evaluating the viability and extent of these claims. We expect this process to take several months. As this process continues, we will update you on our progress. However, you can be assured that we will vigorously pursue any claims the LT may have. You should be aware that these claims are distinguished from individual or direct claims held by any investors and other creditors against third parties other than Mortgages Ltd. which may be pursued by each individual investor or creditor. Under the Plan, the LT only owns the Mortgages Ltd. claims against third parties and does not own individual or direct investor or creditor claims against third parties and cannot, therefore, pursue these individual or creditor claims. Such claims can only be pursued by the individual investor or creditor, who should seek their own independent legal advice on this matter.

We take our commitment to you very seriously. As investors and creditors ourselves, we understand your desire to know how we are progressing. To handle this as efficiently as possible, we have chosen to communicate with you via regular e-mail and the revised Mortgages Limited Servicer website.

Thank you for your patience and understanding as we move forward

Sincerely,

ML Liquidating Trust Board