

ML Liquidating Trust

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NEWSLETTER

August 30, 2011

Dear Trust Beneficiaries,

In our continuing effort to keep you apprised of the Trust's efforts to maximize your recoverable assets, this is our eighth newsletter.

Litigation. We have continued to focus on litigation against various parties to recover funds on behalf of our Trust beneficiaries. As mentioned in previous newsletters, nearly all of the attorneys retained by the Trust are being paid on a contingency basis to reduce our out-of-pocket legal expenses.

Greenberg Traurig and Robert Kant

Michael Manning from the law firm of Stinson Morrison Hecker LLP filed the Trust's lawsuit against Greenberg Traurig LLP and Robert Kant on March 25, 2011. Greenberg and Mr. Kant attempted to remove the case to Federal Court and to have the case against Mr. Kant dismissed, but the Trust prevailed and the case is continuing in State Court which we believe is a better choice for the Trust.

Scott Coles Life Insurance

Michael Manning is also handling the lawsuit to recover the proceeds of the life insurance policies of Scott Coles. This suit was filed on March 28, 2011. Because of a legal conflict, Scott Dosek of Hinshaw & Culbertson is handling the portion of the Trust's life insurance case against Ashley Coles. Mr. Dosek's complaint was filed on July 14, 2011.

Mayer Hoffman McCann and CBiz

Nick DiCarlo of DiCarlo Caserta & Phelps filed the Trust's lawsuit against Mayer Hoffman McCann and CBiz relating to the accounting malpractice claims. This suit was filed on August 26, 2010. This case is on hold pending our appeal relating to whether the case will be heard in Bankruptcy Court or State Court.

Appraisal Claims

The law firm of Berk & Moskowitz is continuing its review of our potential claims against the appraisers of the real estate used to secure the loans of Mortgages Ltd. We expect this analysis to be completed in the near future.

Preference Claims

The law firm of Carson Messinger is continuing its pursuit of the Trust's preference claims (that is, individuals and organizations that were cashed out of their investments within 90 days before the bankruptcy and ML insiders within one year). Of the 18 cases filed, 3 have settled, 3 appear close to settling, 3 are expected to go to trial, 4 have been dismissed and the remaining 5 are working through issues that we believe will soon turn into settlement offers.

Claim Payments. The Trust resolved the last of the post-bankruptcy professional fee claims. The claims originally totaled \$13.7 million, but the Trust was able to reduce the amount by nearly \$3.9 million to approximately \$9.8 million.

Exit Financing. As of July 15, 2011, the outstanding principal balance of the Exit Financing is approximately \$6.1 million. We expect this amount to be paid in full by the end of the year from the proceeds of the real estate sales ML Manager currently has in escrow. There is an additional \$7.5 million disposition fee that does not accrue interest and will be paid to the Exit Lender over an extended period of time as additional properties are sold or the Trust recovers monies through its litigation claims.

Owned Real Estate. The Trust continues to hold ownership of one property consisting of a golf course development in Eager, Arizona, which is approximately 40 miles east of Show Low. The asset includes 141 residential lots, a commercial parcel and golf course. The golf course is not currently operational. We terminated the listing agreement with the original brokers and recently retained Cassidy Turley to market the project.

Trustee and Board Updates. Joe Baldino recently resigned from the Trust Board. Joe has dedicated an incredible amount of time to the Mortgages Ltd. case, serving on both the Official Investor Committee and the Trust Board. Joe's efforts are greatly appreciated and he will be missed. Joe's replacement will need to be another investor who is not a RevOp. If you are interested in the position or know anyone that is, please let our Trustee Matt Hartley know at 602-424-7005 or mhartley@sierracgllc.com.

Mission. We occasionally receive inquiries regarding the ML Liquidating Trust's responsibilities, and how they differ from the ML Manager, LLC. In our first newsletter (June 30, 2009) general background information was provided, which has now been updated below:

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 Board is responsible for the enforcement and collection of the loans owned by the Mortgages Ltd. Investors and Radical Bunny, LLC. In contrast, the ML Liquidating Trust (the "LT") is not responsible for any of these loans. Among other responsibilities, the Board of the LT

directs the court-appointed Liquidating Trustee, Matthew Hartley, in pursuing certain causes of action and in selling the real estate owned directly by Mortgages Ltd. and any other assets owned by the LT. The LT is also the sole shareholder of ML Servicing, Inc., which employs the remaining employees and maintains possession of the millions of documents being used in numerous lawsuits. The LT Board has four board members who are: Richard Shaw – Chair, David Goldman, James Merriman and Bob Casselman, and is seeking a fifth person to replace Joe Baldino.

All previous newsletters may be found on our website <http://www.mtg ltd.com/webs/MLSNews>.

Richard C. Shaw
Chair
ML Liquidating Trust Board

Matthew R. Hartley
Trustee
ML Liquidating Trust