

ML Liquidating Trust

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NEWSLETTER

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Dear Trust Beneficiaries,

In our continuing effort to keep you apprised of the efforts of the ML Liquidating Trust and ML Servicing, Co., Inc., this is the latest information, and our eleventh newsletter.

Litigation. We continue 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 up-front legal expenses. Below are brief updates for each of the outstanding matters.

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 an individual attorney with that firm on March 25, 2011. As mentioned in a previous newsletter, in October of 2012 our attorneys and the MLT Board Chairman met with Greenberg and their attorneys in New York to mediate a settlement. That effort, however, was unsuccessful. The initial judge assigned to the case retired which caused a substantial delay, until early 2013 when our case was assigned to Judge Reyes. Judge Reyes issued the first substantive ruling in the case to dismiss the named individual, with leave to allow the Trust to amend the complaint. However, because of the additional delays that would have been caused by amending the complaint and the belief that any recoveries against the individual would ultimately be paid by Greenberg, the Trust elected to not amend the complaint. More recently, Greenberg filed a motion with the Court to have the case removed from Judge Reyes and consolidated with the pending Mayer Hoffman case before Judge Anderson. This caused several months of additional delay as we waited for Judge Anderson to rule on the issue, but in November of 2013 Judge Anderson ruled that he would take over the case.

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. The two cases have been consolidated in front of Judge Anderson. Judge Anderson ruled against the Trust on the Coles's Motions to Dismiss. Our legal counsel believes this ruling was a substantial misreading of applicable statutes and advised the Trust to appeal the decision. The Trust filed the appeal and it has been fully briefed. A ruling on the appeal is expected in mid to late 2014.

Mayer Hoffman McCann and CBIZ

Nick DiCarlo of DiCarlo Caserta & Phelps filed the Trust's lawsuit against Mayer Hoffman McCann ("MHM") and CBIZ relating to the accounting malpractice claims on August 26, 2010. This case was also delayed substantially because of procedural issues that took nearly two years to resolve. Once the matters were resolved, MHM and CBIZ filed a motion to dismiss. The Trust's case survived the Motion to Dismiss and the parties exchanged Disclosure Statements in November. Discovery will commence in early 2014. Although not directly related to our case, an interesting event occurred with regard to the Arizona Board of Accountancy. The Board of Accountancy conducted a multi-year investigation into the audit work performed by MHM. Based on the investigation, the Board of Accountancy voted in October to suspend the CPA licenses of three MHM accountants that worked on the audits, and to impose additional educational requirements on all MHM CPAs in Arizona. This decision by the Board of Accountancy should have a positive effect on the Trust's litigation against MHM and CBIZ.

Appraisal Claims

As discussed in previous Newsletters, the initial law firm retained by the Trust to pursue potential claims against the appraisers was not able to proceed with the cases. After discussing the matter with additional attorneys, the Trust determined that it had no viable claims against the appraisers. The primary issue with the appraisals is that Mortgages Ltd. typically obtained the appraisals after the loans were made and thus it was very difficult to prove there was reliance by Mortgages Ltd. on the work performed by the appraisers.

Preference Claims

The law firm of Stinson Morrison Hecker took over the remaining preference claim held by the Trust against Craig and Lauri Forte as Trustees of the Forte Family Revocable Living Trust. Unlike other investors, the Fortes were able to convince Scott Coles on behalf of Mortgages Ltd. to return their entire investment of \$1,250,000 less than 90 days before Mortgages Ltd. filed Bankruptcy. Under the Bankruptcy Code this type of payment is considered a preference payment and must be given back and distributed to all creditors in accordance with the Plan of Reorganization. The Fortes refused to return the money so the Trust brought suit. The Fortes filed a Motion to Dismiss and Judge Haines ruled in their favor. The Trust's legal counsel believes Judge Haines misinterpreted the Plan and applicable law, and so the Trust appealed the ruling. A scheduling order was recently issued setting forth the briefing schedule. We hope to have a ruling on the appeal in the second half of 2014.

Class and Mass Action Lawsuits. As stated in the last newsletter, we occasionally receive questions regarding the differences between the lawsuits brought against the former lawyers and accountants of Mortgages Ltd. (i.e. Greenberg Traurig and Mayer Hoffman McCann/CBIZ) by the attorneys for the Class Action, which includes the majority of investors and a few smaller group lawsuits (referred to as "mass" actions), as compared to the attorneys for the ML Liquidating Trust. The main differences between the cases relate to the calculation of the damages owed. While the types of claims differ in technical ways, the important thing for investors is that most if not all proceeds recovered by the Trust will be distributed back to investors through ML Manager on the same basis as previously approved by the Bankruptcy Court.

Owned Real Estate. The Trust entered into a contract to sell its remaining real estate asset which consists of a golf course development in Eager, Arizona. The sale was submitted to the Bankruptcy court for approval. No objections were filed and Judge Haines approved the sale. The sales price is \$925,000 and the closing is expected to occur in December of this year. Approximately half of the proceeds will be used to pay the loan secured by the property and closing costs. The remaining funds will be used to fund the costs of litigation as well as the costs to operate the Trust.

Operations. The Trust Board strives to minimize the administrative costs of the Trust. As mentioned in previous newsletters, neither ML Servicing nor ML Manager has a physical office and neither entity has any employees. Our former Controller, Veronica Sas, has been retained on a part time consulting basis to oversee distributions and provide needed continuity.

Mission. We occasionally receive inquiries regarding the ML Liquidating Trust's responsibilities, and how they differ from the ML Manager, LLC. In each of our Newsletters we have provided a brief explanation of the differences.

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. The LT is also the sole shareholder of ML Servicing, Inc., which employed the remaining employees (there are presently none) and administers the millions of documents being utilized in numerous lawsuits. The LT Board directs and acts through its Court appointed Trustee, Matthew Hartley. The Board of Directors of both the LT and ML Servicing, Inc. are: Richard Shaw – Chair, David Goldman, James Merriman, Bob Casselman, and Ralph Ponce de Leon. All five board members were investors in Mortgages Ltd. Matthew Hartley is the Trustee of the LT and President/CEO of ML Servicing, Inc.

In general, the ML Manager Board is responsible for the enforcement and collection of the loans owned by the Mortgages Ltd. investors and Radical Bunny, LLC. The ML Liquidating Trust (the "LT") is not responsible for any of these loans. The Liquidating Trust Board was assigned two major tasks: (1) liquidate the five real estate properties owned directly by Mortgages Limited (now ML Servicing Inc.) and (2) pursue causes of action against certain professionals and collect preference claims. As to the first task, four properties have been sold, and the fifth is expected to be sold by year end. The status of claims and preference actions was reviewed earlier in this newsletter.

Going Forward As of yearend, the LT will be focused almost exclusively on its outstanding claims. We are often asked how much longer this effort will take. Unfortunately, this is very difficult to predict. The Trust claims, however, represent the potential of a substantial recovery for investors and will be vigorously pursued by the Board and its Attorneys.

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