

NEWSLETTER

August 25, 2014

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 twelfth 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.

Scott Coles Life Insurance

The ML Liquidating Trust filed two lawsuits relating to the funds paid in connection with the life insurance policies on the life of Scott Coles. One was filed against Francine Coles and the Trusts of Scott Coles' children, and the second lawsuit was filed against Ashley Coles. Judge Anderson dismissed both lawsuits, but based on advice of legal counsel the ML Trust appealed the adverse rulings. Prior to the oral arguments in the appeal, we reached a \$10,000,000 settlement with Francine Coles and the family trusts established for the children of Scott Coles. The Bankruptcy court approved the settlement and the defendants paid the \$10,000,000. The case was handled on a contingency fee arrangement which resulted in \$4,000,000 being paid to our attorneys. Of the remaining \$6,000,000, \$2,000,000 was paid to ML Manager for disbursement in accordance with the disbursement procedures previously approved by the Bankruptcy Court, and the remaining \$4,000,000 is being held by the Trust in reserve to cover costs for the remaining litigation and continuing operations. We do not expect to need the entire \$4,000,000, but given the Bankruptcy Plan's requirement that we establish conservative reserves, the unpredictability of litigation and the large sums involved with the remaining suits, we determined that the remaining funds should not be disbursed until the Trust's remaining litigation is complete.

Regarding the life insurance suit against Ashley Coles, oral arguments on the appeal occurred on April 22, 2014. We believe that the arguments went well for the Trust and are optimistic that the appellate court will overturn Judge Anderson. A ruling on the appeal is expected before the end of 2014. If we receive a favorable ruling, the Trust will continue to litigate with Ashley Coles, or if possible, mediate a settlement. If we receive an unfavorable ruling, then we will work with legal counsel to determine our best course of action.

Greenberg Traurig and Robert Kant

The ML Liquidating Trust filed a lawsuit against Greenberg Traurig LLP and an individual attorney with that firm on March 25, 2011. This case has been delayed due primarily to numerous changes in judges assigned to our case. Since the last newsletter in December of 2013, the case moved from Judge Anderson to Judge Reyes, and then to Judge Warner after Judge Reyes was appointed to the federal bench. We hope to stay with Judge Warner for the remainder

of the case, but there is no way to know if there will be further judge changes. We attempted to mediate a settlement with Greenberg, but our efforts were unsuccessful. We are continuing to vigorously pursue the case and depositions are expected to occur the beginning of 2015.

Mayer Hoffman McCann and CBIZ

The Trust's lawsuit against Mayer Hoffman McCann ("MHM") and CBIZ relating to the accounting malpractice claims was filed on August 26, 2010. This case was also delayed substantially because of procedural issues that took nearly two years to resolve. As discussed in previous newsletters, MHM and CBIZ filed a motion to dismiss but the Trust's case survived and the parties exchanged Disclosure Statements in November of 2013. Discovery has been delayed because of the other lawsuits against MHM and CBIZ, but depositions are expected to commence before the end of 2014. The Arizona State Board of Accountancy has found that MHM committed audit failures in their audits of the financial statements and has penalized the three accountants that worked on the audits.

Preference Claims

The ML Liquidating Trust continues to litigate 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. The District Judge that heard the appeal refused to overturn Judge Haines, but we believe the District Judge also made errors in his analysis, so based on the advice of legal counsel we appealed the ruling to the 9th Circuit Court of Appeals. Briefing on the appeal to the 9th Circuit should be completed by the end of 2014, but a final ruling could take a year or more.

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 closed on the sale of its last piece of real estate, which consisted of a golf course development in Eager, Arizona. The sales price was \$925,000 and approximately half of the proceeds were used to pay the loan secured by the property and closing costs. The remaining funds were used to create a reserve to cover 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 Liquidating Trust 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 Liquidating Trust Board directs and acts through its Court appointed Trustee, Matthew Hartley. The Board of Directors of both the Liquidating Trust 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 Liquidating Trust and President/CEO of ML Servicing, Inc.

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, all five properties have been sold. The status of claims and preference actions was reviewed earlier in this newsletter. 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 is not responsible for any of these loans.

Going Forward The Liquidating Trust is focused almost exclusively on its outstanding litigation 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