

ML Liquidating Trust
Newsletter No. 2
September 25, 2009

In our prior Newsletter, we told you that we were planning to move the location of ML Servicing Company to a smaller, less expensive location. The move was completed in late July and the new address and main telephone number are: 14050 North 83rd Avenue, Suite 180, Peoria, AZ 85381, (623) 234-9560. The e-mail addresses of the company's employees are unchanged

We have been reviewing all of the administrative fee applications from the Mortgages Ltd. bankruptcy. The total administrative fees applications in this case are in excess of \$13.5 million. Because of conflicts of interests and reluctance of some lawyers to handle fee disputes, we engaged the firm of Stradley Ronon Stevens & Young, LLP of Philadelphia to represent the ML Liquidating Trust in this matter. We have filed numerous objections to these fee applications, including the four largest fee applications of the Debtor, Jennings, Strouss & Salmon, Greenberg Traurig, DLA Piper, and FTI Consulting. We have objected to almost every fee application and reached a compromise on many so far. All totaled, we have objected to over \$8 million of the fees sought in the Debtor's applications. To date, we have resolved several fee disputes totaling a reduction of approximately \$1.4 million. Attached to this Newsletter is a Summary of the Administrative Fees containing the amount and status of each fee application.

We have retained the law firm of Diamond & McCarthy of Houston to evaluate any claims Mortgages Ltd. may have against third parties. In this process, Diamond McCarthy firm will likely have opinions on claims investors and other creditors may have against third parties. This report is due sometime next month. The next step will be to conduct more interviews with contingent fee law firms interested in representing the Liquidating Trust.

Our prior Newsletter detailed the real estate interests owned by the Liquidating Trust. We have listed for sale the Chateaux and the River Run Property. As previously discussed, the Troon North Property and the Fountain Hills Property are subject to a first lien in the approximate amount of \$6.5 million. Under the Plan of Reorganization, if the Liquidating Trust intends to retain ownership of these two properties, the Trust must, among other things, pay monthly interest to the Lender at the rate of 7.25% per annum. However, based on two recent Broker Opinions of Value, the Board has reason to believe that the two properties are worth substantially less than the outstanding loan balance. Thus, the Board has decided to cease making the monthly interest payments effective August, 2009. This decision likely will result in the loss of the two properties to foreclosure and the possible assertion by the Lender of a deficiency claim against the Liquidating Trust. The Board nonetheless believes that paying over \$39,000 per month in interest plus real estate taxes is not in the best interests of the Liquidating Trust given the estimated value of the real estate.

We know that you are anxious to hear news about progress. We will send further communications as significant developments occur. Thank you for your patience.

Sincerely,

ML Liquidating Trust Board

**Schedule of Administrative Claims
September 15, 2009**

<u>Applicant</u>	<u>Representing</u>	<u>Total Fees & Costs</u>	<u>Amount Paid Final</u>	<u>Discount</u>	<u>Comments</u>
					Judge Haines approved interim Payment of \$1.2 million, subject to disgorgment. Stipulation for total fee award of \$2.75 million and costs of \$124,141. JSS had increased its claim an additional \$200,000 post-fee application and agreed to remove that additional claim as part of its settlement.
Jennings Strouss & Salmon	Debtor	3,753,479.53	2,874,141.00	879,338.53	
Greenberg Traurig	Debtor	580,668.07			Evidentiary Hearing scheduled for 1/20/2010.
DLA Piper	Debtor	1,443,274.19			Evidentiary Hearing scheduled for 10/29.
FTI Consulting	Debtor	2,430,951.50			Pretrial statement due 12/2. Hearing 12/16.
MCA	Debtor	122,131.25			Pretrial statement due 11/2. Evidentiary hearing set for 11/16 at 1:30 p.m.
Gust Rosenfeld	Debtor	198,188.80	183,119.07	15,069.73	Stipulated to a 10% discount. Paid.
Roska DeWulf & Patten	Henning (EE)	63,093.00	63,093.00		To be paid by September 8, 2009 by Court order
Haynes Benefits PC	Debtor 401(k)	49,943.69	-	49,943.69	Stipulated order to be entered releasing Liquidating Trust (9/17)
Thomas Marlowe	Brown (EE)	14,631.30	13,168.17	1,463.13	Court approved 8/27. Paid.
Mariscal Weeks	Newman (EE)	20,393.44	18,409.10	1,984.34	Court approved 8/17. Paid.
Gallagher & Kennedy	Sollomi (EE)	16,216.88	14,595.20	1,621.68	Court approved 8/17. Paid.
Mack Drucker & Watson	(Debtor Pass- Through Inv.)	102,354.99	92,388.02		Court awarded fees as prevailing party. Court approved 8/17 and paid by estate. 9,966.97 May try to collect from plaintiff.
Paul Johnson Co.	Debtor Appraser	156,850.00	144,085.49	12,764.51	Order 9/16/2009.
Coppersmith Schermer	Feldheim, Sas, Oslon & Wimmer (Employees)	46,785.10	44,311.80	2,473.30	Stipulated to 5% discount. Stipulation filed 8/19. Order entered 9/2.
Foster Pepper	Debtor	26,413.40	26,413.40	-	No objection filed due to small amount due. Approved 8/27
Abacus Project Management	Debtor	21,925.00	21,925.00	-	No objection filed due to small amount due.
Jaburg & Wilk	Martini (EE)	14,704.75	14,704.75	-	Expect to pay on or before September 8, 2009. Approved 8/27
Douglas Behm	Everette, Yang, Walter, Kinnaman, Kaplan, Lee (EEs)	43,689.30	43,689.30	-	Order 9/16/2009.
Feder Law Office	Martini & Feldheim (EEs)	31,860.82	28,720.57	3,140.25	Stipulation filed.
Total Debtor		<u>9,137,555.01</u>	<u>3,582,763.87</u>	<u>977,766.13</u>	
Fennemore Craig	OIC	2,106,143.03	1,898,643.03	207,500.00	Settlement approved 8/27. Paid.
Fennemore Craig	Unofficial Inv. Cte.	95,222.25	-	95,222.25	Settlement approved 8/27.
Alvarez & Marsal	OIC	742,019.04	707,019.04	35,000.00	Settlement agreement. Order 9/16. Paid.
Alvarez & Marsal	Unofficial Inv. Cte.	29,095.00	-	29,095.00	Settlement agreement
OIC	OIC	6,995.21	6,995.21		No Objections. Paid balance due of \$1,100.60.
Nussbaum & Gillis	Unsec. Cred. Cte.	328,401.70	231,029.77	20,000.00	Stipulated to a \$20,000 discount. Paid.
Sierra Consulting Group	Unsec. Cred. Cte.	60,838.32	54,759.77	6,078.55	Stipulated to a 10% discount. Paid.
Schian Walker	VTL Committee	360,385.76	324,654.51	35,731.25	Stipulated to a 10% discount. Paid.
Total Committees		<u>3,729,100.31</u>	<u>3,223,101.33</u>	<u>428,627.05</u>	
Total Debtor & Committees				<u>1,406,393.18</u>	
Deconcini McDonald	Radical Bunny	595,798.15			Stipulated facts due 10/26. Briefs due 11/9. Hearing 11/18.
Forrester & Worth	Bill Lewis	61,902.50			Pretrial statement due 12/4. Status conference 12/7.
Bryan Cave	Hawkins Group	61,555.00			Pretrial statement due 12/4. Status conference 12/7.
Total Substantial Contribution		<u>719,255.65</u>			

Jennings Strouss also agreed to withdraw an additional claim for \$200,000 for fees incurred defending its fee application.