REL Liquidating Trust
Dennis S. Faulkner, Liquidating Trustee

400 N. St Paul, Suite 600
Dallas, TX 75201

December 6, 2012

RE: *In re R.E. Loans, LLC*—tax information

Dear Noteholder:

I am the Liquidating Trustee (the "***Trustee***") of the Liquidating Trust of R.E. Loans, LLC (the "***Trust***"), which was created pursuant to the *Modified Fourth Amended Joint Chapter 11 Plan of Reorganization, Dated June 1, 2012* [Docket No. 905] (the "***Plan***"). The Plan was approved by the court in the R.E. Loans bankruptcy case on June 26, 2012.

This letter is intended to provide you with some current information to assist you and your tax advisor in determining the nature and extent of your losses and your ability to declare those losses on any tax return. Additional general information is available in the disclosure statement filed by R.E. Loans in its bankruptcy case. A copy of the disclosure statement (the "***Disclosure Statement***") ultimately approved by the Court can be obtained at https://www.reloansllc-info.com/CourtFilings-Download.aspx?Docket=796.

NOTICE

This letter contains general information about the tax consequences of the R.E. Loans bankruptcy case, and is not intended to constitute tax or legal advice. Consult your tax advisor to determine the precise amount of your loss on this investment, and to determine the nature and extent of any losses you may be able to declare on your tax return. Neither the Trustee nor his legal or financial advisors can provide tax or legal advice concerning the nature or extent of your ability to declare a loss on your 2012 or any other tax return.

IRS Circular 230 Notice Requirement: This communication is not given in the form of a covered opinion, within the meaning of Circular 230 issued by the United States Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any tax advice contained in this communication for the purpose of avoiding United States federal tax penalties. In addition, any tax advice contained in this communication may not be used to promote, market or recommend a transaction to another party.

Confirmation of the Plan was a Taxable Event

The plan of reorganization (the "***Plan***") in the R.E. Loans bankruptcy case was approved by the bankruptcy court on June 26, 2012 and became effective on June 29, 2012. This triggered a "taxable event" for Noteholders and other creditors of R.E. Loans in the 2012 tax year; therefore, the tax consequences to Noteholders of the Plan are applicable to 2012 tax year.

Nature of the Loss—non-Retirement Account

Based on the information I have seen to date, most (if not all) Noteholders will recognize significant losses on their investments in R.E. Loans. The tax consequences of those losses, however, and your ability to declare those losses on any tax return, will depend entirely on your individual circumstances.

Based on the assumption that most (if not all) Noteholders held their investments in R.E. Loans for longer than one year, these losses should generally take the form of long term capital losses. Generally speaking, long term capital losses may be applied only to offset long term capital gains in any tax year in an amount equal to the amount of long term capital gains recognized in that year plus $3,000. Any long term capital loss that is not recognized may be carried forward and used to offset long term capital gains in subsequent years.

Nature of the Loss—Retirement Account

Please note that different rules apply if your investment was held in an IRA or other tax-deferred retirement account. Generally, capital losses for an investment held in an IRA or other tax-deferred retirement account will not be deductible by you. If your investment is held in a retirement account, you are encouraged to contact a professional tax advisor for assistance because the tax issues associated with holding these types of investments in retirement accounts are complex.

Required Minimum Distributions

If your investment in R.E. Loans is held in an IRA and you are over the age of 70 ½, you may have to take a required minimum distribution (RMD) that includes a distribution of a portion of your investment in R.E. Loans. Upon receiving notification from your IRA servicer (*e.g.*, IRA Services Trust, Pensco) of a distribution of a portion of your investment from your IRA, the Liquidating Trust will make a corresponding adjustment to its records to reflect that the distributed portion of your investment in R.E. Loans is no longer held in your IRA. At that time, we will also ask you to complete and return a Form W-9 so that we can update our records with your tax information for the distributed portion of your investment. Unfortunately, the Liquidating Trust cannot distribute funds at this time to cover any tax liability that may be associated with an RMD.

What about the "Madoff Rule"?

Many of you have contacted us with questions about whether RE Loans was a Ponzi scheme, and whether the "Madoff Rule" could apply here to allow Noteholders to declare their losses as "ordinary losses." Such a ruling could be significant, of course, because ordinary losses (as distinguished from capital losses) can be deducted from gross income to reduce the amount of taxable income you may have in a given year.

The "Madoff Rule" stems from Section 165 of the Internal Revenue Code, which permits certain losses to be treated as ordinary losses if the loss resulted from a Ponzi scheme *and* the lead figure in the scheme is charged by indictment under state or federal law with fraud, embezzlement, or a similar crime meeting the definition of theft. To my knowledge, there has not yet been any criminal indictment in connection with the RE Loans case that would meet the requirements of the "Madoff Rule" and trigger the right to declare ordinary losses. We will, of course, let you know if we learn at some point in the future that such an indictment has occurred.

How Much Is My Loss?

One of the most important questions we have had from Noteholders concerns the *amount* of the losses Noteholders may now be able to declare for tax purposes. This is perhaps the most difficult question to answer, and is rendered slightly more complicated by the fact that, under the Plan approved by the bankruptcy court, each Note was exchanged for a beneficial interest (a "***Trust Interest***") in the Trust. Accordingly, as of the effective date of the Plan, you are no longer the holder of a Note. Instead, you are now the holder of a Trust Interest that entitles you to a *pro rata* distribution of all funds from the Trust.

Generally speaking, the present value of your Trust Interest is equal to the value of the total assets of the Trust after expenses, discounted to present value and possibly discounted further to account for the risks associated with an investment of this nature. The Trust assets include both the remaining real estate portfolio of R.E. Loans and various potential litigation claims, and are speculative in nature and difficult to value precisely absent significant expense. The information provided herein concerning the value of the Notes and—by extension—the Trust Interests should be used in consultation with your tax advisor or financial planner to determine your investment loss for tax purposes.

Prior Valuations

According to a 2010 valuation report prepared for R.E. Loans by Valuation Consulting Group, Inc., the value of the Notes as of December 31, 2009 was equal to $12 per $100 of face value. As of December 31, 2009, therefore, the value of a $100,000 Noteholder claim was appraised at $12,000, which suggests a loss equal to $88 per $100, or 88% of your investment in R.E. Loans. To my knowledge, no other report on the valuation of the Exchange Notes has been prepared for R.E. Loans since that time.

I have also learned that the accounts held with IRA Services Trust (approximately 500 accounts) were previously revalued based on this information. Therefore, if your investment was held in an account with IRA Services Trust, it has already been written down by 88% from its original face value.

Although the 2010 report was prepared primarily to establish a fair market value of the Notes for the purpose of calculating "required minimum distributions" for Noteholders whose investments are held in IRAs, I have no reason to believe that all Noteholder investments could not be similarly revalued based on the report previously prepared for R.E. Loans, regardless of whether the investment is held in an IRA; however, you should consult with your tax advisor before reporting losses based on this information.

Current Valuation—Real Estate Assets

Although the real estate assets are speculative in nature, we do have some information on their projected value based on what R.E. Loans believes it will ultimately recover from their sale. In the disclosure statement that accompanied the Plan filed in the bankruptcy case over the summer, R.E. Loans projected that Noteholders would recover between 3.6% and 6.7% of the amount of their claims. My own financial advisors, who represented the Noteholder Committee during the chapter 11 case, have reviewed the analysis underlying that conclusion and have concluded that this is a reasonable estimate of the likely recovery to Noteholders from the real estate assets.

Current Valuation—Litigation Assets

The litigation assets owned by the Trust are highly speculative in nature. For tactical reasons, we cannot commission a precise appraisal of their value. Nevertheless, I believe an appraiser would likely value the litigation assets at zero based on both the speculative nature of litigation and the fact that any recovery from that litigation is still a few years away. This is not an indication of our level of confidence in potential lawsuits we may be able to bring against the Ng family and others responsible for the significant losses suffered by Noteholders; rather, it is simply a reflection of the fact that any potential litigation recoveries are too speculative to predict at this time.

Conclusion

For the reasons set forth above, it is our conclusion that the present value of the Trust Interests is not more than 3.6% to 6.7% of the amount of your claim in this case. For tax purposes, including for purposes of determining the value of your Trust Interest, it is our recommendation that you use the higher end of that range, and value your claim at 6.7% of the amount of your claim. Based on that valuation, the *current* value of the Trust Interest issued in exchange for a $100,000 Noteholder claim would be equal to $6,700, which would correspond to a loss of $93,300.

How much will I get, and when will I get it?

As noted above, we currently project that proceeds from the real estate portfolio will generate recoveries to Noteholders of between 3.6% and 6.7% of the allowed amount of their claims. Under the rules of the Bankruptcy Code and the terms of the plan of reorganization, however, Noteholders will not be paid until certain other senior claims—including the claims of Wells Fargo and certain other creditors entitled to priority under the Bankruptcy Code—have been paid first. We project that those claims will be repaid by September 2013. Assuming these senior claims are repaid on schedule, we would not expect the Trust to begin making distributions to Noteholders any earlier than the first half of 2014.

Once distributions commence, the Trust may make one or more distributions depending on the timing of recoveries. When that happens, funds available for distribution to Noteholders will be paid out to all Noteholders at the same time on a *pro rata* basis—that is, in an equal proportion to the size of the claims. For example, there are approximately $800 million in Noteholder claims. If the Trust has $8 million to distribute to Noteholders, that is equal to 1% of the total outstanding claims. Subject to the terms of the Plan, each Noteholder would therefore receive a check equal to 1% of his or her allowed claim.[1]

Importantly, please note that, while we are working to minimize this possibility wherever possible, the income that you recognize from the Trust in the future may not be equal to the amount of cash you actually receive. As stated in the Disclosure Statement, certain holders of Trust Interests could incur a federal income tax liability with respect to their allocable share of the income of the Trust even if that holder has not received any prior or concurrent distribution.

What other tax forms will I get from the Trust?

As the holder of a Trust Interest, you are a beneficiary of the Trust. Therefore, beginning in January 2013 (and each year thereafter for the duration of the Trust), you will receive a Schedule K-1 with information about your share of any income, deductions, or other items stemming from your beneficial interest in the Trust that you will be able to use to complete your tax records. A sample form of Schedule K-1 can be viewed at: http://www.irs.gov/pub/irs-pdf/f1041sk1.pdf.

Where can I find more information about the tax treatment of my investment?

Additional information concerning the potential tax treatment of Noteholders' claims and Trust Interests may be found in Section X of the Disclosure Statement. As noted above, a copy of the Disclosure Statement may be obtained at https://www.reloansllc-info.com/CourtFilings-Download.aspx?Docket=796.

Although we cannot provide you with specific tax or legal advice, I hope you find this information helpful. We strongly encourage you to contact your tax or financial advisor for further assistance in determining the nature and amount of your tax losses suffered as a result of the collapse of R.E. Loans.

Regards,

Dennis S. Faulkner,
Liquidating Trustee of REL Liquidating Trust

[1] In that example, if you had a claim of $150,000, you would receive a check in the amount of $1,500.