

November 3, 2009

ML MANAGER LOAN PORTFOLIO NEWSLETTER #5

As has been reported to you previously, a Motion to Clarify was filed with the Bankruptcy Court by certain RevOp investors and as a result we have been delayed from pursuing many of our anticipated activities involving the loans and our borrowers. The bankruptcy judge has now rendered his decisions and we hope to be able to devote our full attention to resolution within our large portfolio of non-performing loans. This newsletter is intended to provide you with more details about the nature of our ongoing actions. We are working on a system, whereby we can make available detailed information about the status of specific loans to individuals holding interests within them. We will try and strike a balance between providing general information to all investors and detailed information to the specific investors of each loan. The following is a general update concerning some of our activities:

Centerpoint Loan

On October 22nd, the bankruptcy judge in the Tempe Land Company's Chapter 7 bankruptcy issued an order granting us stay relief so that we can begin to enforce our rights under the loan documents, including commencing the foreclosure process on the two Centerpoint condo towers. We have retained Main Street Real Estate Advisors as the interim property managers to safe-guard the project and to ensure that all appropriate bills are paid. There are several issues that remain to be resolved, including mechanic's liens filed by unpaid subcontractors. We are meeting regularly with various parties in an effort to resolve all of the outstanding issues. Further, Mortgages Ltd. previously filed a proof of claim in the Tempe Land Company Chapter 11 case. We will look at this proof of claim and see if it needs to be amended. It previously covered 100% of the principal and interest owed on the notes and purported to cover the interests of the investors in the notes. If an amended proof of claim needs to be filed, ML Manager LLC will be filing such a proof of claim.

You may receive additional pleadings in the law suits concerning the mechanic's liens as the state court law suits go forward. The title company has agreed to pay the costs of defense and has hired Gust Rosenfeld to represent the investors and Loan LLC. We are working with counsel to try and consolidate all the mechanic's lien law suits in one court before one judge.

New Loan Servicing Company

As has been previously reported, Mortgages Ltd's mortgage broker's license was surrendered and ML Manager LLC did not have a license to service the loans. The loans in which the borrowers are still making payments must, by law, be serviced by a company holding a valid license. Our loan servicing requirements are more complex than most and we have negotiated with a couple of escrow companies to handle our accounts. We are pleased to announce that we have signed a loan servicing agreement with Canyon State Servicing Company and

are in the process of transferring all of the necessary information and files to them. In order to allow the staff at Canyon State to commit their full attention to an accurate and timely set up, please refrain from contacting Canyon State until the process is complete. We anticipate that the accounts will be set up and funds that have accumulated during the past few months will be processed and paid to the appropriate investors within the next 2-3 weeks. The initial loans that will be serviced are: Loan Nos. 794402 & 794502 – 300 East Camelback, L.L.C.; Loan Nos. 7987S2 & 856500 - Michael C. Newman and Darlene Newman; and Loan No. 7465S6 - Maximum Management Corp. We will be working with Canyon State to restart distributions of payments previously paid from June through October on those loans as soon as possible. There will be no distribution for other loans at this time, since, unfortunately, the loans listed above are the only loans in which borrowers have continued to make payments.

As many of you are aware the court ruled early in the Bankruptcy case that distributions payable to people the court deemed as “insiders” would be held. Insiders usually are defined as the former or current officers, directors, shareholders and employees of Mortgages Ltd. This order is still in effect. Thus, under our new servicing agreement, “insiders” will not receive distributions until the court makes a determination that ML Manager LLC can distribute insider payments. Insider payments will continue to be withheld in an escrow account.

Pending Foreclosures

During the past two weeks, successful trustee’s sales have occurred on the Downtown Community Builders’ loan (which is owned 100% by the 401k Plan) and the GP Properties Carefree Cave Creek loan (Loan No. 860206). We have had to refrain from conducting any other trustee’s sales until the deadline for the pass through investors to opt into the LLC’s has passed. We anticipate holding trustee’s sales this week on four defaulted loans: VCB Properties, LLC (Loan No. 856805), Arizona Commercial Land Acquisitions I, LLC (Loan No. 856206), Citrus 278, LLC (Loan No. 849306) and Northern 120, LLC (Loan No. 849206). Some of the other pending sales will be postponed in order to allow time to explore all incoming information regarding negotiations with relevant borrowers and additional issues with the properties. We will contact the investors in the specific loans directly to apprise them of the details of these foreclosures and other matters.

Settlement Discussions with Borrowers

We continue to negotiate with several of our borrowers that have demonstrated good faith in providing current financial information and realistic resolutions of the loans. The principals and/or guarantors representing the borrowing entities include Dale Jensen, Tod Decker, Chuck Sorenson, Jeff Lipton, Michael Peloquin, Gary Martinson, Jonathon Vento and Conley Wolfswinkel. If we reach settlements involving any of the borrowing entities this group represents, we will inform the individuals with interest in the affected loans. If we are unable to reach acceptable agreements, we will aggressively assert our legal rights and remedies. We have retained two forensic accounting firms to assist us in the analysis of the financial status of our borrowers and guarantors. These firms are Simon Consulting and James C. Sell, PC.

Properties for Sale

We have listed the approximate 500 acres that we previously acquired by foreclosing on the All State Associates of Pinal XVI, LLC loan for sale (Loan No. 859506). This property is being marketed by Land Advisors Organization, one of the leading land brokers in the state. Any sale of this property will be subject to the approval rights of the members of the ASA XVI Loan LLC.

ML Servicing Co, Inc. (which is owned by the ML Liquidating Trust), the MP Funds and certain pass-through investors own the property known as Chateaux on Central, which was foreclosed on before the Mortgages Ltd. bankruptcy was filed. ML Servicing Co., Inc. is also currently marketing Chateaux on Central for sale.

If you have any questions, do not hesitate to contact Karen Epstein at kme818@cox.net or (480) 948-6777.
You may also contact either Dana Wilson or Erica Jacob at 623-234-9560 for further assistance. Thank you for your consideration.

Elliott Pollack
Chair of the Board of Managers
ML Manager LLC

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