

ML Manager LLC
14050 N. 83rd Avenue, Suite 180
Peoria, Arizona 85381

Re: Chateaux on Central Property

Dear Investor:

This email is intended to provide you with information and notice about an upcoming sale of the Chateaux on Central property.

The property is a partially built residential condominium project in Phoenix on Central Avenue and Palm Lane, commonly known as Chateaux on Central. Mortgages Ltd. in the Spring of 2008 prior to its bankruptcy obtained title to this property under a deed in lieu, released the guarantees and put the property up for sale. The original principal amount of the two loans on the property was approximately \$37 million. However since the property was obtained by Mortgages Ltd. the residential condominium market has collapsed in Arizona and values have decreased significantly. Some of the buildings appear to be 85% complete, while others appear to be only 50% complete. There are no funds to complete the project or to maintain the insurance, security, utilities and taxes on the property. Property costs continue to mount. Further because of the deed in lieu obtained by Mortgages Ltd., the property may be subject to mechanics liens of about \$3 million which are disputed but alleged to be a lien on the property. Mechanics liens are being disputed and if not consensually resolved will be arbitrated. Further, because of the alleged mechanics liens, it would be difficult to obtain a first position source of funding if it were warranted to complete the project and to pay holding costs. The property was for sale for almost a year by Mortgages Ltd. and for the last 4 months the property has been listed by the ML Liquidating Trust with a broker. While there have been expressions of interest by possible buyers, this is the only offer that has been finalized and substantial earnest money posted.

ML Liquidating Trust obtained an offer for the property of \$7 million. The buyer would be MSI West Investments, LLC. It is an unrelated party from out of state. The buyer has posted \$500,000 earnest money and opened escrow. The sale is "AS IS, WHERE IS with no representations or warranties", would be free of any mechanics liens and would be an all cash deal. It is anticipated that a sale could close in about 45 days from now. At the close of escrow approximately \$3 million of the sale proceeds will be set aside in an escrow subject to the alleged mechanics liens until the dispute is resolved. The offer is an initial or opening bid which will be submitted to the Bankruptcy Court for a sale hearing and will be subject to higher and better bids at the sale hearing. Other possible qualified buyers can appear at the sale hearing and make higher bids. While it is not likely there will be other bidders, it is possible. The sale hearing will be February 25, 2010 at 11 a.m. at the Bankruptcy Court at 230 N. First Avenue, Courtroom 603, Phoenix. Objections to the sale will be due February 18, 2010. A copy of the Motion to Sell, the Notice of Hearing and the Purchase Agreement are attached for your review.

ML Manager LLC, as the manager for the 9 MP Funds and as agent for the 3 pass-through investors, has approved the deal and believes that given the market conditions and property condition this is a good price for the property. ML Manager has consulted with several real estate professionals familiar with the property in evaluating the price. ML Manager also believes that it is unlikely in the foreseeable future to get a higher amount for the property but the sale in the courtroom means that it is subject to higher bids so if there are other buyers they have the opportunity to appear and bid.

ML Manager is providing this notice and information to you so that you can review the details and be informed. The sale hearing is set for February 25, 2010 when the Court will review the sale. If you have any concerns or comments, please contact Mark Winkleman at mwinkleman@mtgltd.com.

Once the sale closes, proceeds for the disputed mechanics liens will be set aside pending a resolution of the dispute. As for distribution of net sales proceeds to the MP Fund investors or the 3 pass-through investors, no decisions have been made about the net distributable amounts or the timing of such payments. ML Manager will go through and figure out what net distributions can be made and will notify you of the process and decisions made. It is not likely that the decision about net distributions to MP Fund investors and the 3 pass-through investors will be made or announced until after the close.

ML Manager will make all the cash distributions in accordance with the provisions of the Plan and the Confirmation Order in a way that fulfills their obligations to all investors. Assuming gross sale proceeds of \$7 million and closing costs and taxes of \$100,000, there will be approximately \$6.9 million of net proceeds. Unless the mechanics lien dispute is resolved before the closing, we will need to reserve over \$3.1 million for this dispute, leaving about \$3.8 million of net proceeds. Based on the ownership interests in the property, the Liquidating Trust is entitled to about 31% of the net proceeds and the MP Funds and investors are entitled to about 69% or \$2.6 million. ML Manager would take 10% as a reserve for operating costs and a reimbursement of about \$380,000 for expenses related to this property. That would leave about \$1.96 million for net distributions to the MP Funds and 3 investors. The exit lender would be paid 70% of that number and the remaining 30% would be available for distribution to the MP Funds and investors, subject to an additional withholding by ML Manager for future costs and expenses for the MP Funds in an amount to be determined. In the future as other properties are sold the MP Funds and investors would be compensated for having 70% of their proceeds diverted to pay the Exit Financing.

For now, the salient facts are that a buyer has been obtained for the Chateaux on Central partially complete residential condo project for \$7 million, the sale will be taken to the Bankruptcy Court for approval, the sale is subject to any other qualified bidders making a higher and better bid, and the sale will close about 45 days from now.

Regards,
Elliott Pollack, Chair