

ML MANAGER LLC
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ML MANAGER LOAN PORTFOLIO NEWSLETTER #10

Dear Investors:

Overall Plan for the Properties

We are making good progress in gaining control of the properties. I would like to take this opportunity to inform you of the ML Manager LLC Board's intentions as we proceed.

In order to emerge from bankruptcy it was necessary to obtain exit financing. The amount of the financing was \$20 million, which included a \$1.6M upfront fee. The loan accrues interest at a rate of 17.5% and there is a disposition fee that is capped at \$7.5 million. In prior newsletters we have given you a breakdown of how the \$20 million was used by the Liquidating Trust and ML Manager. The interests in each of the Loan LLCs were pledged, as outlined in the confirmed plan of reorganization, as security for the repayment of this financing. The cost of this financing is substantial and it is the desire of the Board to pay off this financing as soon as is practical.

It has become our practice to retain expert real estate companies to widely market each of our properties for sale promptly after foreclosures with the goal of obtaining the best prices possible in the current market. In those instances when the ML Manager LLC Board believes that good offers are received from capable buyers, the Board will recommend the sale of the properties. It is our hope that the sales in the next several months will produce enough revenue to pay off the exit financing. Once the exit financing is paid off, the interests in the Loan LLCs will no longer be pledged as security for the repayment of the exit financing. The investors whose sales proceeds are used to pay of the exit financing will receive interest to compensate them for the use of their funds.

The ML Manager LLC Board has been working for the past few months to develop a process to fairly allocate the costs of the bankruptcy and operations to all investors in each of the loans in accordance with the Plan of Reorganization, the Bankruptcy Court's Order Confirming the Plan and the other applicable legal documents. We expect to be able to inform you of the details of the cost allocation procedure in the near future. You will undoubtedly have many questions about the cost allocation procedure and we ask that you wait to ask your questions until we announce the details of the procedure.

Once the Exit Financing is repaid we expect that each loan will be given the opportunity to determine whether or not the investors desire to attempt to find a way to pay the allocated share of the costs of the bankruptcy and operating costs for the loan. Some of the loans that were not transferred into LLCs may be able to take advantage of this in the near term, however, we believe that it will be impractical for any of the Loan LLCs to consider alternatives for paying their share of costs until the exit financing is paid off. Once the interests of the Loan LLCs in the properties/loans are held free and clear we intend to ask each of the loans whether or not they would desire to attempt to find a way to pay their allocated share of the costs of the bankruptcy

and operating costs without selling the properties/loans. This decision will be up to each of the Loan LLCs and will be made in accordance with the provisions of the Operating Agreements of the Loan LLCs and the Plan of Reorganization. Be advised that the Operating Agreements specifically provide that no member of an LLC is obligated to contribute additional moneys to any of the Loan LLCs.

Once the exit financing is paid off and the interests of the Loan LLCs are owned free and clear we will provide each of the loans the opportunity to determine their desired course of action. If the investors in a particular loan desire to raise money to pay their share of the allocated costs, they will be given the opportunity to do so. If the investors do not desire to attempt to obtain funds to pay off their share of the allocated costs or are unable to do so, the ML Manager LLC Board will continue to attempt to sell the property and the allocated costs will be deducted from the sales proceeds and the remaining balance will be paid to the investors.

This decision is undoubtedly several months away and many more details will be provided before such decisions will have to be made. We felt, however, it would be helpful at this time to make you aware of the intentions of the Board.

Much activity has occurred since our last newsletter and we would like to update you on some of the more significant events.

Centerpoint (Loans 861905 and 857605)

As soon as we foreclosed on the two towers, we immediately began to market the property for sale. The response to our marketing efforts has been tremendous. Over 300 groups signed our confidentiality agreements and requested the marketing information. We have just received a substantial number of written offers, which we are in the process of evaluating. We anticipate selecting a group of qualified potential buyers to complete the analysis of the project and submit binding offers. At the appropriate time we will seek the approval of the members of the two Centerpoint Loan LLC's and the bankruptcy court to sell the property.

Recently, Mark Winkleman, the Chief Operating Officer of ML Manager LLC, appeared on the television program **Horizon** and discussed the marketing of Centerpoint and the sale of Chateaux on Central. If you would like to view this program, you may do so by going on the internet and clicking the following link: <http://www.azpbs.org/horizon/detailvid.php?id=2441>

We recently made significant progress on the surface parking lots adjacent to the Centerpoint towers and we are working to resolve the remaining legal issues. Additionally, we asked the members of the two Centerpoint Loan LLC's to approve borrowing funds to acquire rights in the two surface lots and in the potential Tempe Land Company bankruptcy claims against our investors and to prevent the guarantors from avoiding their personal guarantees. The members overwhelmingly approved the borrowing and we were the successful bidder at the sales.

Zacher Missouri and Maryland (Loans 857502, 857802, and 861805)

We successfully foreclosed upon these properties last month. Both properties were widely marketed and we received substantial interest from a significant number of qualified purchasers. We have received offers on both properties that we desire to accept and are working on finalizing sale agreements. The sales would be subject to the approval of the members of the appropriate Loan LLC's and the Bankruptcy Court.

VCB (Loan 856805)

We also proposed a sale of the VCB property, which is sometimes referred to as Adobe Meadows. We asked the members of VCB Loan LLC to vote to approve the sale on relatively short notice due to the pending extended vacation of the bankruptcy judge. We realize the short time frame created some anxiety amongst some investors and we hope that we do not have to similarly shorten the voting periods in the future. The recommendation of the ML Manager LLC Board to sell the property was approved by members holding 71.7% of the dollars that voted. A group of non-transferring pass through investors attempted to stop the sale at the Bankruptcy Court hearing arguing that their agency agreements were no longer valid and that ML Manager LLC does not have the right to represent their interests. The Bankruptcy Court rejected these arguments and approved the sale of the property. We anticipate closing that sale in July.

All State IX (Loan 861506)

The sale agreement for this property was finalized and the investors in the ASA IX Loan LLC were asked to vote to approve the sale. The recommendation of the ML Manager LLC Board to sell the property was approved by the investors holding 95% of the voting dollars. Five of the non-transferring pass-through investors attempted to stop the sale at the bankruptcy court hearing, but the Court overruled their objections and approved the sale. The sale was scheduled to close on July 16th, however, we just received notification from the buyer terminating the sale agreement and indicating that the price was too high. We intend to immediately resume efforts to market the property for sale.

Arizona Commercial Land Acquisitions (Loan 856206)

As you will recall, a sale agreement for this property was signed and approved several months ago. The buyer recently approached the ML Manager LLC Board and requested an extension of time to consummate the sale. In granting the extension, the Board required the buyer to deposit the remaining earnest money and to agree that it was non-refundable. We are now holding \$250,000 in non-refundable money. The sale is scheduled to close on October 22nd.

City Lofts (Loan 860806)

The ML Manager LLC Board signed a Sale Agreement for the City Lofts property, also known as the Bellevue Estates apartments. Ballots were sent to the investors in the Citlo Loan LLC and investors holding 81.4% of the voting dollars approved the sale. Unfortunately, shortly before we were scheduled to appear in the Bankruptcy Court for approval, the buyer elected to cancel the agreement. A leading real estate company, Hendricks and Partners, has been retained by ML Manager LLC to continue to market the property for sale and we have received additional offers that we are currently evaluating.

Rev-Op Lawsuit

As you also may recall, a group of investors in the so called "Rev-Op Group" sent various demands and took positions in various borrower bankruptcies, among other things, claiming that ML Manager LLC does not have the legal right to represent them and that they do not have to share in the cost of certain expenses. In order to address these issues, a lawsuit was filed asking the Bankruptcy Court to resolve the issues. These legal proceedings have caused delays in our efforts to deal with our loans and properties and have increased our legal fees. The Bankruptcy Court recently granted ML Manager LLC a partial summary judgment declaring that the agency agreements previously signed by the members of the Rev-Op Group are coupled with an interest and therefore cannot be terminated without the consent of ML Manager LLC. The Rev-Op Group had previously sent letters of termination, which the Court ruled were unenforceable. This is an important first step to finally resolve these issues. Other issues about the agency agreements will be heard in the Bankruptcy Court on July 15th and we hope the ruling from this hearing will resolve all the remaining issues raised by the Rev-Op Group.

In addition, last fall the Rev-Op Group and a few others filed a motion with the Bankruptcy Court asking it to rule that they did not have to pay their fair share of the exit financing. The Bankruptcy Court rejected their argument and indicated that ML Manager could assess them their fair share or proportional share of the exit financing and other expenses just like all the investors. The Rev-Op Group has appealed that ruling. Briefs on that issue are now being filed with the United States District Court. A hearing has not yet been set, but we are hopeful that the hearing will be set soon and that this issue will also be finally resolved.

The filings of the Rev-Op Group are a matter of public record as is the make up of the group. The Rev-Op Group includes the following persons and entities: William L. Hawkins Family LLP; AJ Chandler 25 Acres, LLC, Bear Tooth Mountain Holdings, LLP, Cornerstone Realty & Development Inc., Cornerstone Realty & Development Inc. Defined Benefit Plan and Trust, Pueblo Sereno Mobile Home Park LLC; Queen Creek XVIII, LLC; Yuval and Mirit Caine; Evertson Oil Company, Inc.; Ronald Kohner; The Lonnie Joel Krueger Family Trust; Brett McFadden; Michael Johnson Investments II, LLC; Louis B. Murphey; Morley Rosenfield, MD PC Restated Profit Sharing Plan; The James C. Schneck Revocable Trust; Trine Holdings LLC; and Weksler-Casselmann Investments.

Vento/Grace Communities Properties (Loans 849606, 851106, 852406, 852606, 858606, and 861706)

As reported previously we have entered into settlement agreements with the Grace entities for their 6 loans. The Rev-Op Group objected to the settlement agreements and an evidentiary hearing has been scheduled in the Bankruptcy Court for July 7, 2010. The settlement agreements allow us to analyze the financial condition of the borrowers and guarantors and we are in the process of doing so. The settlement agreements are subject to the approval of the members of the affected Loan LLCs and as the process continues, we anticipate requesting the vote of the investors to approve the settlement agreements.

HH 20, L.L.C. (Loan No. 858305)

We successfully foreclosed on this property on June 8th. The property is an approximately 20 acre commercial site located at the entrance to the Hunt Highway area in Pinal County. We are currently determining the appropriate real estate firm to represent us in marketing this property for sale.

SOJAC I, L.L.C. (Loan No. 857106)

This loan was scheduled for foreclosure last week on June 16th, however, the borrower filed for bankruptcy immediately prior to the trustee's sale delaying the foreclosure. We will attempt to obtain the Bankruptcy Court's permission to complete the foreclosure process, but the timing is unknown at this time. In the meantime we are pursuing each of the guarantors of this loan, which are Dale Jensen, Joe Pinsonneault, Brad Yonover and their wives.

Roosevelt Gateway L.L.C. and Roosevelt Gateway II L.L.C. (Loans 856605 and 859205)

These loans were successfully foreclosed upon this morning. The properties are a combination of a few unimproved parcels and a few unoccupied buildings in downtown Phoenix. We intend to determine the appropriate real estate firm to represent us in marketing these properties for sale.

Pending Foreclosures

We continue to work on a significant number of foreclosures. Foreclosures of the loans described below are scheduled as follows:

July 1, 2010

Town Lake Development Partners, L.L.C. (Loan No. 861305, Tod Decker is the principal) is scheduled at 10:00 AM

July 2, 2010

43rd Avenue & Olney, LLC and SH Land Holdings (Loan No. 854706, Randy Suggs is the principal) is scheduled at 10:00 AM

July 9, 2010

CGSR, L.L.C. (Loan No. 861105, Chuck Sorenson and Jeff Lipton are the principals) is scheduled at 10:00 AM

July 20, 2010

Vanderbilt Farms, L.L.C (Loan No. 859606, Ashton and Brandon Wolfswinkel are the principals) is scheduled at 10:00 AM

August 3, 2010

PDG Los Arcos, L.L.C. (Loan No. 859305, Rick Sodja is the principal) is scheduled at 10:00 AM

Foreclosures Delayed Due To Borrower's Bankruptcies:

The borrowers of the following loans have filed for bankruptcy and the foreclosures cannot be completed until permitted by the Bankruptcy Court. The foreclosures are currently scheduled for July 22nd; however, further postponements are likely.

Foothills Plaza IV, L.L.C. (Loan No. 853106, Doug Drago is the principal) is presently scheduled at 2:00 PM

Northern 120, L.L.C. (Loan No. 849206, Steve Kohner is the principal) is presently scheduled at 10:00 AM

Citrus 278, L.L.C (Loan No. 849306, Steve Kohner is the principal) is presently scheduled at 10:00 AM

Metropolitan Lofts, L.L.C. (Loan No. 860706, Michael Peloquin is the principal) is scheduled at 10:00 AM

MK Custom Residential Construction, L.L.C (Loan No. 845006, Michael Peloquin is the principal) is scheduled at 10:00 AM

Foreclosures Delayed Pending Approval of the Settlement Agreements with the Grace Entities (Jonathon Vento and Donald Zeleznak are the principals):

The following loans are subject to the settlement agreements with the Grace entities and cannot be completed until the settlement agreements are approved by the investors and the Bankruptcy Court:

July 22, 2010

70th Street Property, L.L.C. (Loan No. 861706) is scheduled at 10:00 AM

Central & Monroe, L.L.C. (Loan No. 858606) is scheduled at 10:00 AM

July 27, 2010

Osborn III Partners, L.L.C. (Loan No. 851106) is scheduled at 10:00 AM

August 5, 2010

Portales Place Property, L.L.C. (Loan No. 852606) is scheduled at 10:00 AM

Potential Tax Deduction Due to Fraud

We have retained the international accounting firm of PricewaterhouseCoopers LLC to provide advice regarding potential tax strategies relating to fraudulent activities. They will be interacting directly with the Internal Revenue Service and it is uncertain at this time when they will be in a position to render their advice and opinions. We will make appropriate disclosures upon receiving their final recommendations.

Update on Litigation to be Brought on Behalf of Investors

Pursuant to the Plan of Reorganization, we are cooperating with counsel who may be representing investors in connection with potential claims against several individuals and entities, including the debtor's pre-bankruptcy advisors, professionals, insurance companies and other third parties. In addition, ML Manager LLC has contacted several of these third parties and obtained tolling agreements on behalf of the MP Funds to protect against the expiration of any statute of limitations for claims of the MP Funds.

New Board Member

We are pleased to announce that we have selected Karen Epstein to fill the remaining vacancy on the ML Manager LLC Board. Karen is an investor in Mortgages Ltd and has extensive knowledge of the events of the Mortgages Ltd bankruptcy process and the plan of reorganization. She is known to many of you as she has provided a great deal of assistance to the ML Manager Board in communicating with investors.

We continue to make substantial progress in getting control of the properties and selling them to provide funds to pay off our exit financing and return monies to the investors.

If you have any questions, do not hesitate to contact Erica Jacob at ejacob@mtg ltd.com or 623-234-9569 for further assistance. Thank you for your support of our efforts.

Best Regards,

Elliott Pollack
Chairman
ML Manager LLC Board