

ML MANAGER LLC
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August 24, 2011

ML MANAGER LLC LOAN PORTFOLIO NEWSLETTER #19

Dear Investors:

The following are the significant events that have occurred since our last newsletter.

Distribution of Funds to Investors

The Bankruptcy Court approved the second distribution of funds of approximately \$6.5M to investors. The judge's order will allow us to proceed to distribute the funds being held in the separate accounts for the following loans: All State IX (861506), Zacher Rio Salado (855102), University & Ash (858905), Roosevelt Gateway I (856605), Roosevelt Gateway II (859205), Rodeo Ranch Estates (857906), Bisontown (Loan 852806) and Tempe Land (861905). Tempe Land (857605) will not receive a distribution at this time in accordance with the terms of the Inter-borrower Agreement. The checks are expected to be mailed by Canyon State Servicing Co. between August 29th and September 2nd.

The Bankruptcy Court had not previously authorized distributions from these accounts and, therefore, to make sure that there was no dispute about whether the money could be disbursed ML Manager filed a Motion to Authorize its Second Distribution. The Rev-Op Group that includes eight of Mr. Bill Hawkins' entities and five other investors, objected to this Motion and asked the Bankruptcy Court to stop the distribution (either completely or at least until there could be additional litigation). ML Manager argued against further litigation and delay. At the hearing the Bankruptcy Court rejected the Rev-Op Group's objections and granted ML Manager's Motion to Authorize the Second Distribution. Moreover, in a recent sale order the Bankruptcy Court authorized ML Manager to simply make distributions without further Bankruptcy Court approval. Hopefully, this will help expedite the distribution process in the future.

Portales Place (Loan 852606)

We continue to work with the buyer to resolve some outstanding issues, which we believe, can be resolved. The closing is now scheduled for September 12, 2011.

Rodeo Ranch Estates (Loan 857906)

The sale of the third house within this subdivision in Casa Grande was consummated for \$216,500 on July 18, 2011. We are continuing to market the final house for sale.

Bisontown (Loan 852806)

The sale of the majority of this land near Heber, Arizona was consummated on June 30, 2011. The buyer elected to pay the entire sales price in cash at the closing, instead of over two years.

All State Associates of Pinal XVI and IX (Loans 859506 and 861506)

A Sale Agreement for these properties, including the remaining 80 acres of All State IX, in Pinal County has been signed for a sales price of \$1,170,000. The buyer has deposited \$25,000 in earnest money and is conducting its analysis of the property. An additional \$25,000 in earnest money is due on September 22nd, if the buyer elects to proceed. This sale is subject to the affirmative vote of the members of ASA IX Loan LLC and ASA XVI Loan LLC and the approval of the Bankruptcy Court. The closing is scheduled for October 24th.

Arizona Commercial Land Acquisitions (Loan 856206)

This property has been in escrow for an extended period of time. Recently, ML Manager entered into an Amendment to the Sale Agreement increasing the sales price to \$10,400,000 and extending the closing to October 22, 2011. The buyer assigned their rights under the Sale Agreement to a qualified buyer that intends to develop apartments on the property. To date \$750,000 of non-refundable earnest money has been released out of escrow to ML Manager and is being held in a separate account for this loan.

MK Custom (Loans 839506 and 845006)

As reported in a prior newsletter, Mortgages Ltd made two loans on this property. The first loan (839506) is for \$7,495,000 and the second loan (845006) was for \$2,500,000. We foreclosed on the second loan last year; subject to the continuing lien of the first loan. After extensive marketing efforts (including over 200 showings of the house) and several false starts with potential buyers, ML Manager signed a Sale Agreement with a buyer for the price of \$2,600,000. Assuming this buyer elects to proceed, the property will be sold free and clear of all liens. However, it will be necessary to obtain the approval of up to three different Bankruptcy Courts due to the number of bankruptcy filings affecting this property. There is a dispute regarding the validity of the lien of the first loan that will have to be resolved. This sale is subject to the affirmative vote of the members of MK I Loan LLC and MK II Loan LLC and the approval of the appropriate Bankruptcy Courts. The sale will be consummated as soon as the necessary approvals have been obtained.

Central & Monroe (Hotel Monroe) (Loan 858606)

The new potential buyer elected not to proceed. We continue to market the property for sale. We also are continuing our efforts to eliminate the remaining mechanics liens that affect title to the property.

CS11 Maricopa/Panwebster (Loan 832705)

We are attempting to terminate an unfavorable agriculture lease. If successful, we have parties interested in purchasing the property.

Metropolitan Lofts (Loan 860706)

The sale agreement for this partially improved property in central Phoenix was approved by the members of Metro Loan LLC and the Bankruptcy Court. Unfortunately, the buyer terminated the sale agreement. ML Manager LLC and the bankruptcy trustee reached a settlement agreement regarding the validity of our lien, however, the settlement is conditioned upon the sale of the property. We have identified a new buyer and are working with the bankruptcy trustee to sign a new Sale Agreement to sell this property.

Foothills Plaza (Loan 853106)

We have been marketing this property over the past several weeks. We just called for offers and received several offers that we are analyzing. We expect to identify a purchaser shortly.

Northern 120 (Loan 849206) and Citrus 278 (Loan 849306)

We also have been marketing these adjoining properties for the past several weeks. We received several offers and are negotiating the terms of the highest and best offer. We expect to select a purchaser shortly.

Wolfswinkel (Loans 850206, 857306, 857406, 858006, 859606, 861206)

We are conducting our review of the financial condition of the borrowers and guarantors. A settlement agreement has been prepared pending the outcome of the financial review. The settlement agreement would be subject to the approval of the members of the Loan LLC's holding each of these loans and the Bankruptcy Court.

Rightpath Development Partners (Loan 859806)

We successfully foreclosed on the remaining two parcels of this loan adjacent to the Dodgers/White Sox spring training facility in west Phoenix on August 11, 2011. Cassidy Turley is marketing the properties for sale. The other Rightpath/Maryland Way properties that we previously foreclosed upon have been marketed for the past several weeks. Thus far we have not received significant interest from potential buyers and only one offer, which was not acceptable. We continue our efforts to market these properties.

SOJAC I (Loan 857106)

The bankruptcy was dismissed at the end of July and we successfully foreclosed upon the downtown Phoenix property on August 11, 2011. We will commence to market the property for sale shortly. We are pursuing the personal guarantees of Mr. and Mrs. Dale Jensen, Mr. and Mrs. Joseph Pinsonneault and Mr. and Mrs. Bradley Yonover.

Riverfront Commons/Cottonwood (Loan 853705)

The Riverfront Commons LLC bankruptcy was dismissed and we have scheduled the trustee's sale for November 10, 2011. We are in the process of having a receiver appointed to oversee the management of the property until we can foreclose. The borrower has communicated that it is considering putting the Cottonwood entity into bankruptcy to further delay the trustee's sale, so it is uncertain whether or not we will acquire the property on November 10th. We obtained a judgment against the borrower and the guarantors in excess of \$16.5M and are attempting to collect on this judgment.

Zacher Maryland (Loan 857802)

We expect to sign the Sale Agreement with the selected purchaser later this week at a price of \$2,160,000. We are continuing to resolve some issues relating to the title to the property. We anticipate that the closing would occur in the fall. The sale is subject to the affirmative vote of the members of ZDCIII Loan LLC and the approval of the Bankruptcy Court.

Potential Tax Deduction Due to Potential Theft Loss

As you were previously advised, PricewaterhouseCoopers ("PWC") has been working with the IRS Office of Chief Counsel ("IRS Counsel") to secure an agreement under

which taxpayers could rely on Revenue Procedure 2009-20, which provides a safe-harbor with respect to claiming theft losses associated with ponzi-type schemes, notwithstanding the fact that Mr. Coles, the lead figure to the fraudulent scheme, was not charged with fraud prior to his death. IRS Counsel was unwilling to provide such an agreement but agreed to propose a retroactive modification to Revenue Procedure 2009-20, designed to provide relief where, as in our case, the lead figure dies prior to being charged in relationship to the fraudulent arrangement. Although IRS Counsel could not provide specific language that might be included in the modified revenue procedure or provide a time frame within which a modified revenue procedure would be released, the modified revenue procedure has been circulated within the IRS and is awaiting approval by the Department of Treasury. Given PWC's discussions with IRS Counsel, PWC believes that in the event it is approved, the modified revenue procedure could be of benefit to Mortgages Ltd. investors

Lawsuits Against Individual Investors

We have good news regarding the attempt by borrowers to sue individual investors. In May, the Ninth Circuit Court of Appeals rejected an appeal from some of the Borrowers who had sought to be able to sue the investors. Early on in the bankruptcy proceeding, two borrowers, National Retail Development (NRDP) and PDG Los Arcos, filed lawsuits against the borrowers in those two loans alleging that the borrowers were liable to them under several different lender liability claims. During the bankruptcy, Mortgages Ltd. hired counsel to defend the interests of the investors. They removed those two lawsuits from the Arizona State Court to the Bankruptcy Court. After several months of discovery and motions, Mortgages Ltd. moved to dismiss these two lawsuits arguing that the investors never agreed to assume the obligations and liabilities of Mortgages Ltd. Shortly before it confirmed the Plan of Reorganization, the Bankruptcy Court ruled on this motion to dismiss the borrower lawsuits. The Bankruptcy Court rejected the borrower claims and dismissed the lawsuits. This was a major victory for the investors because several of the borrowers were watching this litigation to see if they could sue the investors directly with a hope that they might avoid deficiency actions, or to otherwise gain leverage in negotiating out their loans.

NRDP and PDG Los Arcos did not give up even though their case was dismissed. They appealed the Bankruptcy Court's decision to the United States District Court. ML Manager has retained counsel to defend the appeals. After a hearing, the District Court affirmed the Bankruptcy Court's decision. Still not done, the two borrowers then appealed to the Ninth Circuit. Following a hearing in San Francisco, the Ninth Circuit recently upheld the rulings of the Bankruptcy Court and the District Court. This ends this litigation, with the exception of ML Manager's efforts to recover attorneys' fees from the two borrowers.

Even though there is now strong precedent to establish that the borrowers do not have any valid claims against the investors, one other developer, the developer of the Centerpoint project, has filed two lawsuits naming individual investors. However, ML Manager has now succeeded in persuading the developer to voluntarily dismiss both of these lawsuits. One has already been dismissed, and a stipulation has been filed to dismiss the second lawsuit, and we are just waiting for the Court to enter the Order..

There has been one other entity that has brought lawsuits against some of the investors. That entity is Fidelity National Title Company or some of its affiliates. The Fidelity suits are seeking a ruling from the various courts that Fidelity does not have to

provide title insurance coverage for some of the loans that it insured. The loans involved right now are the Centerpoint loan and the Osborn III (or Ten Wine Lofts) loan. ML Manager has retained counsel to defend these lawsuits. Even though these lawsuits are not seeking damages beyond requesting attorneys' fees, the suits are very important because they seek to nullify Fidelity's obligation to provide insurance for millions of dollars of mechanic liens and other claims on the properties. This litigation is just beginning. If anyone receives a Summons or is otherwise named in such a suit, please notify ML Manager. For now, however, ML Manager has arranged for an extension of time to respond to the lawsuits to make sure that all of the investors are represented. ML Manager will continue to defend these actions and seek to secure all of the insurance coverage available for the loans.

VTL Fund

We would like to remind you that ML Manager does not manage the VTL Fund. All questions regarding the VTL Fund should be directed to:

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Disclosure of Information to Other Investors

We have received a few requests from other investors for the contact information on other investors in their loan or limited liability company. In accordance with Arizona Revised Statute 29-607 and the Operating Agreements for the MP Funds and Loan LLC's we are obligated to maintain and provide your name and last known mailing address to members within your MP Fund or Loan LLC who have submitted a formal written request for such information. Upon fulfilling any requests for this information, you will be notified of the name of the member to whom your information was released. Please note that any disclosures of your personal information will only be to the extent permitted by federal and state law and the operating agreements of the MP Funds and/or Loan LLC's. The information we collect about you may be shared with third parties only to administer your account, as permitted by law, or as authorized by you. We restrict access to nonpublic information only to those employees who need that information to provide product and services to you. We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information.

If you have any questions, you may contact our office at 623-234-9560 or via email at mortgagesinfo@mtqltd.com. Please also feel free to contact Karen Epstein at 480-948-6777 or kme818@cox.net. It is much more efficient for us to respond to written questions and we ask whenever possible, please communicate with us via email. .

Thank you for your support of our efforts.

Best Regards,

Elliott Pollack
Chairman