

FREQUENTLY ASKED QUESTIONS

The following questions and answers are applicable to individuals who acquired direct (pass-through) or indirect (pooled fund) interests in loans originated by Mortgages Ltd. They will be supplemented from time to time as investors ask additional questions, with the most recently-asked questions appearing at the end of the list of questions.

Q-1. The newsletters and other information posted by ML Manager LLC ("ML Manager") on its webpage use the terms "Loan LLC" and "MP Fund". What do these terms mean and why are they important?

A-1. A Loan LLC is a limited liability company formed pursuant to the Mortgages Ltd. bankruptcy plan, to which some investors transferred fractional interests in loans that they acquired directly from Mortgages Ltd. Loan LLCs are easily identified because they include the words "Loan LLC" in their names.

An MP Fund is a limited liability company formed prior to the Mortgages Ltd. bankruptcy for the purpose of acquiring interests in multiple loans originated by Mortgages Ltd. The following entities are the existing MP Funds:

MP122009 LLC (frequently referred to as MP09)
MP062011 LLC (frequently referred to as MP10)
Mortgages Ltd Opportunity Fund MP11 LLC
Mortgages Ltd Opportunity Fund MP12 LLC
Mortgages Ltd Opportunity Fund MP13 LLC
Mortgages Ltd Opportunity Fund MP14 LLC
Mortgages Ltd Opportunity Fund MP15 LLC
Mortgages Ltd Opportunity Fund MP16 LLC
Mortgages Ltd Opportunity Fund MP17 LLC

The issues faced by members of Loan LLCs differ from those faced by members of MP Funds for purposes of reporting theft losses. Accordingly, many of the questions are answered separately for the Loan LLCs and MP Funds.

Q-2. The February 14, 2013 newsletter from ML Manager indicates that investors' failure to file an accurate amended tax return by April 15, 2013 which claims theft losses for 2009 could potentially terminate any possibility of obtaining a refund for theft losses. Why was this information delivered so close in time to the date by which action is required?

A-2. ML Manager's tax advisors have been in regular contact with the IRS since early 2012, seeking clarification on the correct taxpayers to report theft losses and the proper year for reporting them. After making substantial progress with the IRS, ML Manager had hoped to have definitive answers on these issues in advance of the April 15, 2013 filing deadline. The most recent conversation with the IRS occurred at the end of January, 2013, at which time ML Manager was informed that answers to these

issues will not be forthcoming until late in 2013 or in 2014, long after the April 15, 2013 filing deadline has passed.

Q-3. Why do you keep emphasizing the need for investors to retain professional tax advisors to assist them with filing amended tax returns to claim refunds for theft losses?

A-3. Issues relating to the proper reporting of theft losses are complex. ML Manager has consulted with experienced tax professionals on theft loss issues and they, along with senior IRS representatives, have commented frequently on the complexity of these issues. Failure to file correct forms or to follow proper procedures could result in complete and permanent disallowance of potential theft losses. There is a substantial risk that investors who attempt to file amended returns claiming theft losses without seeking professional assistance will make errors that could place their theft losses at risk.

ML Manager urges you to use care as you select your tax advisors, to confirm their credentials and to obtain recommendations from people you know and trust to assist you in your selection. As ML Manager has stated in its newsletters, some investors are receiving phone calls and mass mailing solicitations from groups (including a group called Investment Tax Recovery, Inc.) wanting to represent them in connection with tax matters. ML Manager did not provide your names or addresses to any of these groups and is not endorsing their proposed services.

ML Manager, its staff and its professional advisors are not in a position to offer tax advice to investors regarding how to calculate theft losses or to report them on their tax returns, other than through posting on ML Manager's webpage of conceptual responses to frequently asked questions that are submitted to ML Manager in writing. Investors who call with questions on theft losses will be referred to the ML Manager webpage and asked to submit their questions in writing. ML Manager's staff will not attempt to render tax advice over the telephone.

Q-4. Has the IRS agreed that 2009 is the proper year of discovery for reporting theft losses?

A-4. PricewaterhouseCoopers LLP ("PWC") issued to ML Manager a written opinion (subject to qualifications and limitations therein) that it is more likely that a neutral fact finder would conclude that 2009 is the year of discovery for the MP Funds. PWC's opinion was provided to the IRS and the IRS subsequently issued an internal memorandum that concluded 2009 was the proper year of discovery for one of the MP Funds. The IRS recently informed ML Manager's tax professionals that despite the issuance of the internal memorandum, the IRS is auditing the amended tax returns for all of the MP Funds and could reach a different conclusion on the year of discovery upon completion of the audit. The IRS has not issued any internal or public communication on the proper year of discovery for members of the Loan LLCs. Because 2009 may be the proper year of discovery, ML Manager believes it is

advisable for all investors who have not already done so to file amended tax returns claiming theft losses for 2009.

Q-5. I received a Schedule K-1 from either a Loan LLC or an MP Fund on which I received an allocable share of long-term capital losses for 2009 or a subsequent tax year.

Q-5A. Can I properly report both the long-term capital losses shown on my 2009 Schedule K-1 and a theft loss for 2009?

A-5A. No. If you report a theft loss for 2009 it will reduce or eliminate the amount of long-term capital losses that can properly be reported for 2009. See questions and answers 6B, 7B and 7C below for additional information on how to report theft losses for 2009.

Q-5B. If I report a theft loss for 2009, will it affect my ability to deduct the long-term capital losses shown on the Schedule K-1s I received or will receive from a Loan LLC or MP Fund for 2010 and subsequent years?

A-5B. Yes. Because of the uncertainties regarding the proper year of discovery for reporting theft losses and the lack of information available to the Loan LLCs regarding which investors have claimed theft losses (and the amounts of theft losses that were claimed and in what years), the Loan LLCs have generally computed the long-term capital losses reported to the IRS and to investors on their Schedule K-1s with respect to loan foreclosures based on the assumption that no theft losses had been claimed by investors. This assumption may have resulted in an overstatement of the amounts of long-term capital losses that were allocated on Schedule K-1s to investors who claimed theft losses for periods prior to such foreclosures (for both Loan LLC and MP Fund investors). Accordingly, investors who claim or have claimed theft losses should consult with their tax advisors regarding whether any adjustments are required with respect to the long-term capital losses shown on the Schedule K-1s the investors received from the Loan LLCs or MP Funds, and whether it is necessary for the investors to file amended tax returns with respect to any years in which they may have reported excess long-term capital losses.

Q-6. I am a member of a Loan LLC and have the following questions:

Q-6A. Will I receive a Schedule K-1 from my Loan LLC reporting an allocable share of theft losses?

A-6A. No. ML Manager's tax advisors have indicated that it is highly unlikely that Loan LLCs can properly report theft losses. Accordingly, there is no current plan for any of the Loan LLCs to file amended tax returns reporting theft losses for 2009 and the Loan LLCs will not issue Schedule K-1s to their members reporting theft losses. As a precautionary measure, the Loan LLCs plan to consent to an extension of applicable statutes of limitations for 2009 so they can file amended tax returns at a later date, in

the unlikely event that the IRS were to determine that theft losses are properly reportable by the Loan LLCs.

Q-6B. How do I compute and report a theft loss for 2009?

A-6B. Theft losses can be reported on a Form 1040X filed in accordance with the requirements set forth in Revenue Procedure 2009-20 no later than April 15, 2013. A copy of this Revenue Procedure is posted on the ML Manager webpage under the "IRS Theft Loss Tax Information" link. As more fully described in the Revenue Procedure, the Form 1040X must be accompanied by a Form 4684, with appropriate legends, and a special appendix in the form attached to the Revenue Procedure. The amount of the theft loss is 75% of your "qualified investment", as defined in the Revenue Procedure. You should discuss with your tax advisor whether you need to file a Form 8082 with your Form 1040X to reflect any inconsistencies between your claim of a theft loss and items reflected on the Schedule K-1 you received from your Loan LLC. You should also discuss with your tax advisor whether net operating losses, if any, resulting from the theft loss shown on your Form 1040X can be carried back to prior tax years. If, in addition to being a member of a Loan LLC, you are also a member of one or more MP Funds, and if you elect to file a protective refund claim (described in question and answer 7B below), it is probably advisable to include theft losses that are allocable to both your Loan LLC and MP Fund interests on the same amended tax return, but to do so in a manner that makes it clear that you are seeking an immediate refund with respect to theft losses attributable to your Loan LLC interest and that the protective refund claim applies only to theft losses attributable to your MP Fund interest.

Q-6C. I have already filed a Form 1040X claiming a theft loss for 2009 or a prior tax year. Why do you recommend that I review this amended tax return with my tax advisor?

A-6C. As reflected in answer A6B above, there are specific procedures that must be followed as a condition to claiming a theft loss under the Revenue Procedure. It is advisable to make sure these procedures were properly followed on your previously-filed Form 1040X.

Q-7. I am a member of an MP Fund and have the following questions:

Q-7A. Will I receive an amended 2009 Schedule K-1 from my MP Fund reporting an allocable share of theft losses?

A-7A. No. The MP Funds filed amended tax returns claiming theft losses for 2009 and provided their members with informational K-1s showing what their theft losses would be if the IRS accepted the amended returns as filed. The IRS is auditing the amended tax returns filed by all of the MP Funds and will make a final determination of the amount of theft losses (if any) that will be allowed and the year for which they will be allowed. The IRS has indicated that it will process adjustments to the

investors' returns when the audit is complete, without any further Schedule K-1s being provided to the MP Funds' members. It is possible that the IRS could disallow theft losses to the MP Funds in their entirety, on the basis that the theft losses are "nonpartnership items" to be claimed directly by the MP Funds' members on their own tax returns, rather than "partnership items" to be claimed by the MP Funds.

Q-7B. A memorandum posted on your webpage indicates that it highly advisable for all MP Fund members to consult with their tax advisors and to file, before April 15, 2013, amended tax returns claiming theft losses for the 2009 tax year (if they have not done so already). What is the reason for this recommendation?

A-7B. The IRS has not determined whether the MP Funds or their respective members are the proper parties to report theft losses. If the MP Fund members are determined to be the proper parties to report theft losses and if they have not filed amended tax returns by April 15, 2013, claiming theft losses for 2009, they may never be entitled to those theft losses. The technical term for the amended returns recommended in the memo referred to above is a "protective refund claim", which is described in IRS Publication 556 as follows:

Protective claim for refund. If your right to a refund is contingent on future events and may not be determinable until after the time period for filing a claim for refund expires, you can file a protective claim for refund. A protective claim can be either a formal claim or an amended return for credit or refund. Protective claims are often based on current litigation or expected changes in the tax law, other legislation, or regulations. A protective claim preserves your right to claim a refund when the contingency is resolved. A protective claim does not have to state a particular dollar amount or demand an immediate refund. However, to be valid, a protective claim must:

- Be in writing and be signed,
- Include your name, address, social security number or individual taxpayer identification number, and other contact information,
- Identify and describe the contingencies affecting the claim,
- Clearly alert the IRS to the essential nature of the claim, and
- Identify the specific year(s) for which a refund is sought.

Generally, the IRS will delay action on the protective claim until the contingency is resolved. Once the contingency is resolved, the IRS may obtain additional information necessary to process the claim and then either allow or disallow the claim.

Mail your protective claim for refund to the address listed in the instructions for Form 1040X, under Where To File.

IRS personnel have indicated that MP Fund members desiring to avoid confusion can add a legend at the top of their amended tax returns reading: "Protective Refund Claim – Mortgages Ltd. Theft Losses", to ensure that the amended returns are processed in concert with the amended tax returns filed by the MP Funds.

Q-7C. How do I compute and report a theft loss for 2009?

A-7C. The forms and procedures for filing an amended return for MP Fund members are the same as those for Loan LLC members (see question and answer A6C), except for the requirements relating to protective refund claims as described in question and answer 7B above.

Q-7D. I have already filed a Form 1040X claiming a theft loss for 2009 or a prior tax year. Why do you recommend that I review this amended tax return with my tax advisor?

A-7D. As reflected in answers A-7B and answers A-6-B and A-7C above, there are specific procedures that must be followed as a condition to claiming a theft loss under the Revenue Procedure and for filing a protective refund claim. It is advisable to make sure these procedures were properly followed on your previously-filed Form 1040X.