

ML MANAGER LLC

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November 28, 2012

ML MANAGER LLC NEWSLETTER #26

Dear Investors:

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

Next Distribution of Cash

As we reported previously ML Manager has desired to make the fourth distribution for the last several months, but the Rev-Op Group (made up of several entities including entities owned by Bill Hawkins, Louis Murphey and an individual investor entity owned by Jan Sterling) filed an objection and asked for an evidentiary hearing that was scheduled for November 5th. We then spent over two months allowing the Rev-Op Group to examine the Cost Allocation Model, our files and all invoices and other source documents. The Rev Op Group even hired a large accounting firm to examine our information. Prior to the hearing the Rev Op Group was obligated to identify all specific issues they found relating to the distribution. Shortly before the scheduled hearing their attorneys notified us that they were unable to identify any factual issues to bring before the Court and they withdrew their request for an evidentiary hearing. The Rev Op Group reserved their legal arguments and continue to assert that they should not be responsible for paying their share of the costs and expenses related to the Exit Financing and other general costs thus shifting their share to the remaining investors. The court subsequently issued the order overruling the Rev Op Group legal arguments and approving the fourth distribution last week and the time to appeal this order will expire on December 4th. Assuming the Rev Op Group does not appeal the order and obtain a stay, we will have the right to make the fourth distribution.

The fourth distribution involves approximately \$13M from the sale of CS11, Sojac, Cottonwood Parking, ABCDW (Pearce Farm), HH20 and Metro Lofts. The proceeds from the properties that have subsequently sold will be included in the next distribution. We anticipate making the next distribution after the sale of the Foothills property described below.

New Servicing Company

As part of each distribution, payments are being made to re-pay the replacement loans that resulted from the disproportionate use of proceeds from the early sales to repay the Exit Loan. This results in thousands of payments as part of each distribution. The large number of payments has caused the cost of making each distribution to substantially increase. In an effort to minimize the costs of the distributions, we solicited proposals from three new firms, as well as Canyon State Servicing, our previous servicing company. We have selected Essex Financial Services LLC to handle our future distributions, including the upcoming forth distribution. You recently received a form allowing you to receive your distributions by electronic transfer from Essex. We are currently collecting and processing these forms and assisting Essex in setting up its system to make the next distribution. We anticipate making the next distribution within the next three weeks, assuming the Rev Op Group does not appeal the order approving the distribution and obtain a stay to prevent the distribution from being made.

Theft Losses

PricewaterhouseCoopers was verbally informed this week by IRS representatives, both locally and nationally, that the IRS has concluded that the year of discovery for the theft losses is 2009. This is the result for which we have been hoping. We have not yet received a copy of the written decision, but expect to shortly. Once we have received the written decision from the IRS and discussed the relevant issues with our tax advisors, we will provide you with additional information about the various tax issues.

Maryland Way, Rightpath I and Rightpath II (Loans 858506, 858406 and 859806)

The sale of the approximately 23 acre Maryland Way property, the approximately 46 acres of the Rightpath I property and approximately one quarter of an acre (17,000 square feet) of the Rightpath II property was consummated on November 27th for a combined price of \$7,000,000

All State XVI (Loan 859506) and All State IX (Loan 861506)

The sale of this approximately 585 acres of raw desert located in Eloy, Arizona for \$922,950 was consummated on October 11th.

Foothills Plaza (Loan 853106)

The sale of the approximately 16 additional acres of land to Sheldon Sternberg reported in the prior newsletter was consummated on October 26th for a price of \$356,319. We also entered into a Sale Agreement for the remaining 291 acres of unimproved industrial land located in Mesa, Arizona, for a price of \$6,547,500. The sale agreement is subject to the affirmative vote of the members of FP IV Loan LLC and the approval of the Bankruptcy Court. The hearing at the Bankruptcy Court is scheduled for December 11th. The buyer has deposited \$300,000 of non-refundable earnest money and the sale is scheduled to close January 28th.

De Jong/ABCDW, LLC (Loan 857306)

A sale agreement was signed by our borrower for the approximately 316 acres of farm land in Maricopa, Arizona and we, as the lender, are prepared to consent to the short sale for a price of approximately \$1,900,140. We have not yet foreclosed on this property, but we have agreed to release the lien on the property provided that all of the net sales proceeds are paid to us. This is essentially a short sale. The sale received the affirmative vote of the members of the ABCDW II Loan LLC and the approval of the Bankruptcy Court. The buyer has deposited \$175,000 of non-refundable earnest money and the sale is scheduled to close on December 6th.

CGSR (Loan 861105)

This property is 789 acres of raw desert in Pinal County and is subject to a Sale Agreement for the sales price of \$1,577,720. The sale agreement received the affirmative vote of the members of the CGSR Loan LLC and the Bankruptcy Court. The buyer has completed its analysis of the property and \$200,000 of earnest money has become non-refundable. The sale is scheduled to close on December 10th.

70th Street Property, L.L.C. (Loan No. 861706)

We entered into a Sale Agreement for this approximately 1.58 acres of unimproved land near Osborn on 70th Street in Scottsdale, Arizona for a sales price of \$875,000. The sale agreement was approved by the affirmative vote of the members of the 70 SP Loan LLC and the Bankruptcy Court. At the end of the Feasibility Period, the buyer requested that we defer the payment of \$475,000 of the sales price for a period of 90 days following the closing date. The buyer will pay \$400,000 at the closing (scheduled for December 27th) and the unpaid balance will accrue interest at 8% and will be evidenced by a promissory note and secured by a first lien deed of trust. The modification of the sales terms will be subject to the affirmative vote of the members of the 70 SP Loan LLC and the Bankruptcy Court at a hearing on December 11th.

Vistoso I (Loan 857406)

A sale agreement was signed by the borrower for approximately 26 acres of single family residential land in Oro Valley, Arizona and we, as the lender, are prepared to consent to the short sale for a price of \$3,380,000. We have not yet foreclosed on this property, but we have agreed to release the lien on the property provided that all of the net sales proceeds are paid to us. This is essentially a short sale. The sale is subject to the affirmative vote of the members of the VP I Loan LLC and the approval of the Bankruptcy Court. The buyer has deposited \$100,000 of earnest money and the sale is scheduled to close on January 21, 2013. An approximately 26 acre multi-family parcel also located in Oro Valley is part of this loan and is not included as part of this sale. The lien on the remaining property will not be released.

Tempe Land (Loans 857605 and 861905)

The Chapter 7 trustee of the Tempe Land bankruptcy recently made its final distributions and we received payments of \$2,275,688.93.

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

A global settlement with the various borrowers and guarantors involved in the Wolfswinkel loans has been reached. The primary terms of the settlement are that the borrowers and guarantors will agree to deficiency judgments in the collective amount of \$100M, and we will be permitted to foreclose upon and/or sell each of the properties. The borrowers and guarantors must pay all past due real property taxes. The borrowers and guarantors will be given 18 months to pay off the deficiency judgments at reduced amounts that vary over time and receive releases from further obligations. The obligations of the borrowers and guarantors will be secured by the pledge of ownership interests in entities that have ownership rights to properties west of the White Tank Mountains and in the Harquahala Valley. The borrowers and guarantors permitted our financial advisors to inspect their financial records. The settlement is subject to the approval of the six affected Loan LLCs and the Bankruptcy Court. The hearing is scheduled for December 11th.

44th Street & Camelback (Loans 849606 and 852406)

As reported previously, we filed bankruptcy for the two 44th Street Loan LLCs in an effort to prevent the lender in first position, Parkway Bank, from completing a foreclosure and wiping out the liens securing our two loans. Unfortunately, the Bankruptcy Court granted Parkway Bank's motion for stay relief and is allowing them to complete their trustees sale. It is highly probable that our liens will be eliminated and we not receive any proceeds from the sale of the property.

Cottonwood Parking (Loan 853705)

A group affiliated with one of the guarantors has agreed to purchase our deficiency judgment against the borrower and guarantors for the price of \$4,000,000. The agreement is being finalized. The sale would likely be consummated in February, subject to the affirmative vote of the members of the CP Loan LLC and the approval of the Bankruptcy Court.

HH20 (Loan 858305)

Pinal County has agreed to purchase approximately 31,616 square feet of this property in order to widen the Hunt Highway. The sales price is \$56,000 and the sale agreement is being finalized. The sale is subject to the affirmative vote of the members of the HH Loan LLC and the approval of the Bankruptcy Court. The hearing is scheduled for December 11th. The closing should occur near the end of December. We continue to market the remaining 13 acres.

ABCDW, LLC (Loan 861206)

As previously reported, we have identified a potential purchaser of this property consisting of approximately 4,000 acres located on the edge of Sierra Vista, Arizona. Like the De Jong/ABCDW property described above, this sale would likely be a short sale. A sale agreement is being negotiated and the potential buyer continues to put considerable effort in determining whether a purchase is feasible.

Remaining Properties

The following are the other properties that remain unsold:

Town Lake Development Partners, L.L.C. (Loan No. 861305)

This property is less than one acre of unimproved land near the Tempe Town Lake. It is presently restricted for development as a high rise luxury hotel. The unpaid taxes and assessments are extremely high relative to the potential value of the property. We filed a chapter 11 bankruptcy for TLDP Loan LLC to stop the City of Tempe from foreclosing one of several assessments on the property. HREC Investment Advisors is currently marketing the property for sale. We have been attempting to sell this property for over 18 months.

Rightpath Limited Development Group, LLC (Loans 858406)

The remaining property consists of approximately 5 acres of unimproved property on the south side of Glendale Avenue, near the Glendale airport. This property has been marketed for approximately over 18 months. This property is currently being marketed by Arizona Commercial Real Estate.

Rightpath Limited Development Group, LLC (Loan 859806)

This property consists of two parcels in west Phoenix near the Camelback Ranch baseball facility. One parcel is approximately 16 acres currently designated as park/open space and will need to be re-zoned by potential buyers. The other property is approximately 60 acres and likely will be rezoned for single family residential use. These properties have been marketed by Cassidy Turley for approximately 16 months.

HH20 (Loan 858305)

The remaining property consists of approximately 13 acres of unimproved property along the Hunt Highway in Pinal County. This property has been marketed for sale for approximately 28 months and is currently being marketed by Cassidy Turley.

ABCDW, LLC (Loan 850206)

This property is the remaining approximately 10,000 acres of raw desert in southern Pinal County, exclusive of the Pearce Farm, which was sold earlier this year). This property is being marketed for sale for sale by CRA, LLC. We have not yet foreclosed on this property pending the approval of a settlement agreement with the Wolfswinkel entities.

Vistoso Partners, LLC (Loan 857406)

The remaining 26 acre parcel is entitled for apartment development. It is located in Oro Valley, Arizona. We have not yet foreclosed on this property pending the approval of a settlement agreement with the Wolfswinkel entities.

Vistoso Partners, LLC (Loan 858006)

This unimproved property in Oro Valley, Arizona consists of several single family residential parcels. We have not yet foreclosed on this property pending the approval of a settlement agreement with the Wolfswinkel entities.

Rodeo Ranch Estates (Loan 857906)

The remaining property consists of 17 improved lots. Citycity Commercial is currently marketing the lots for sale.

300 E. Camelback (Loans 794402 and 794402)

The borrower recently ceased making payments on these two loans and trustees sales have been commenced to foreclose on this property unless an acceptable settlement can be reached with the borrower and/or the existing tenant.

Maximum Management (Loan 7465S6)

This is a loan that is currently performing. The loan matures in 2018.

Vanderbilt Farms, L.L.C (Loan No. 859606)

This property is approximately 115 acres located in Queen Creek, Arizona. This property is not currently being marketed pending resolution of issues involving Mortgages Ltd 401k plan.

Bisontown (Loan 852806)

The remaining property consists of a small parking parcel. This property is not currently being marketed pending resolution of issues involving Mortgages Ltd 401k plan.

If you have any questions, you may contact our office at 623-234-9560 or via email at mortgagesinfo@mtglttd.com. It is much more efficient for us to respond to written

questions and we ask whenever possible, please communicate with us via email. Also, please also feel free to contact Karen Epstein at 480-948-6777.

Thank you for your support of our efforts.

Best Regards,

Elliott Pollack

Chairman