

ML MANAGER LLC

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Phoenix, AZ 85004

December 20, 2012

ML MANAGER LLC NEWSLETTER #27

Dear Investors:

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

Fourth Distribution of Cash

Yesterday, our new servicing company, Essex Financial Services, LLC, made the fourth distribution of 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 a distribution next year. We anticipate making the next distribution in the weeks after the sale of the Foothills property scheduled for January 28, 2012.

Theft Losses

As we reported previously, we filed amended 2009 tax returns (technically administrative adjustment requests) for each of the 9 MP Funds reporting theft losses for the 2009 tax year. After receiving these amended returns, the local IRS office requested guidance from the IRS's Office of Chief Counsel in Washington DC ("Chief Counsel") on whether 2009 or 2010 was the proper year of discovery for purposes of reporting theft losses. As stated in our last Newsletter, the IRS reported orally to our accountants that 2009 would be the proper year of discovery. On December 14, 2012, we received a copy of an unsigned memorandum from the IRS, referred to as a "Chief Counsel Advice" or "CCA", which was issued by the Chief Counsel to an IRS attorney in Phoenix, confirming the 2009 discovery year. The copy of the CCA, which is dated October 19, 2012, was issued with respect to only one of the MP Funds and is unsigned. Issuance of the CCA was apparently delayed because of internal IRS procedures for redacting information that is taxpayer specific before the CCA could be made public. We have requested a signed copy of the CCA, so we can confirm that we have the final version, but it appears that we have a definitive answer on 2009 being the discovery year for the MP Funds. We will inform investors when we receive the final CCA and post it on our website.

While we believe that the CCA resolves the year of discovery for the MP Funds, we do not yet have confirmation that the IRS has accepted our calculation of the losses contained in the amended returns. Once the IRS accepts the calculation of the theft

losses for 2009, the IRS is obligated to make the appropriate adjustments for the 2009 tax returns of the individual investors in the MP Funds. If the IRS follows these rules, the individual investors in the MP Fund investors should not be required to file amended returns to claim theft losses. We have asked our accountants to follow up with the IRS to determine how and when the IRS plans to process the amended returns for the MP Funds. We will provide investors with updates as we receive responses from the IRS. If the April 15 tax return deadline approaches without our receipt of confirmation that the IRS has processed adjustments for the individual investors, we will provide you with additional information on potential tax strategies for filing defensive returns.

The CCA does not specifically address the year of discovery for pass-through investors, nor does it address whether the Loan LLCs tax returns need to be amended. The implication of the CCA is that the theft losses should be reported by pass-through investors, rather than the Loan LLCs, with a 2009 discovery year. We have asked our accountants to follow up with the IRS on matters relating to the Loan LLCs and will provide investors with updates when we get more information from the IRS. As always, we urge you to discuss this and all tax matters with your own professional tax advisors.

Solicitations

Some investors have received phone calls and mass mailing solicitations from groups wanting to represent you in connection with your tax matters. The most recent solicitation came from a group called Investment Tax Recovery, Inc. We did not provide your names or addresses to this group or any other group and we have not provided them with any information. We again urge you to use caution as you continue to receive solicitations from groups, and, as always, we highly recommend that you consult with your own professional tax and legal advisors. There are significant issues that are involved with the appropriate tax treatments for all your investments. Individual circumstances vary. ML Manager again encourages all investors to be careful about responding to unsolicited mass mailings.

De Jong/ABCDW, LLC (Loan 857306)

The sale of the approximately 316 acres of farm land in Maricopa, Arizona was consummated on December 7th for the price of \$1,899,960

CGSR (Loan 861105)

The sale of the 789 acres of raw desert in Pinal County was consummated on December 10th for the price of \$1,532,867.

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

The modification of the Sale Agreement for this approximately 1.58 acres of unimproved land near Osborn on 70th Street in Scottsdale, Arizona received the affirmative vote of the members of the 70 SP Loan LLC and the approval of the Bankruptcy Court. The sale is scheduled to close on December 27th.

HH20 (Loan 858305)

The sale of the approximately 31,616 square feet of property to widen the Hunt Highway was approved by the members of the HH Loan LLC and the Bankruptcy Court. The closing should occur in January after the Pinal County Supervisors approve the sale.

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

A global settlement with the various borrowers and guarantors involved in the Wolfswinkel loans was approved by the six affected Loan LLCs and the Bankruptcy Court.

If you have any questions, you may contact our office at 623-234-9560 or via email at mortgagesinfo@mtgltd.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