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ML MANAGER LLC LOAN PORTFOLIO NEWSLETTER #17

Dear Investors:

As we have informed you in recent newsletters and many ballots, we have completed the vast majority of our foreclosures and have been active in marketing and selling the properties upon which we have foreclosed. As discussed later in this newsletter we are performing our actions in accordance with the Plan of Reorganization. Recently we have received or been made aware of messages from some investors expressing unhappiness with the fact that we are selling properties at amounts substantially below the amounts that were loaned on the properties. Some of these investors appear to want to blame the bankruptcy of Mortgages Ltd., the attorneys and other professionals that have worked on this case and the sale of the properties as the reasons for their losses. While we as Board members share the anger and frustration relating to the sizeable losses that are being sustained, we think that some investors do not really understand the true causes of the losses. We believe that an examination of how the loans were originally made and funded will be instructive as to the reasons for the losses.

The University & Ash loan is a good example to illustrate what happened to the investors' money. This loan was intended to finance the construction of a high-rise mixed use project in downtown Tempe. The collateral for the loan is a parcel of land that is slightly less than 2 acres. No buildings or improvements currently exist on the property. A total of approximately $30,278,000 was invested in this loan. Of that amount approximately $10,357,000 was retained by Mortgages Ltd. as upfront fees of various types. Another $4,487,000 was placed in an interest reserve account and used to make payments to investors giving the appearance that this was a performing loan. An affiliate of the borrower received management fees in the amount of $1,250,000. Approximately $10,335,000 was disbursed for pre-development costs, including marketing, insurance, architectural and engineering, demolition and an off-site sales office. Lastly, approximately $3,849,000 was used by the borrower to purchase the land. The previously existing buildings on the property were demolished and the land currently is vacant.

We foreclosed on the property and listed it for sale with CB Richard Ellis. It was actively marketed for over 3 months. We received 7 offers on the property. We asked the three highest bidders to reconsider their bids and determine if they could bid higher and all three did. After further negotiations relating to increasing the price, we selected the highest offer $3,240,000. This sale was approved by the investors and the Bankruptcy Court and is scheduled to close about May 6th. As you can see we are selling the property for about 84% of what Mortgages Ltd.'s borrower paid for the property in November 2005 when the real estate market was in good condition. The sales price represents a relatively small loss on the value of the land from what the borrower paid.

The foregoing numbers clearly illustrate the cause of the real loss, with the largest part being the upfront fees pocketed by Mortgages Ltd. The investors' money was lost before Mortgages Ltd. even filed for bankruptcy. Again, we share the anger and frustration about the amount of the losses, but the pending sale of the land is not the cause of the losses.

The Business Plan

We would like to reiterate some of the philosophies of the ML Manager Board that we have shared with you collectively and/or individually in the past about how and why are carrying out our business.

The ML Manager Board performs duties in compliance with the Plan of Reorganization confirmed May 20, 2009 and all of the other documents to which we are subject, including the Exit Loan Agreement and Inter-Borrower Agreement both dated June 11, 2009. Each member of the Board is an investor in the loans/properties of Mortgages Ltd. Each of us expects to suffer substantial losses just like each of you. Each of us has our own opinion about the Plan of Reorganization and the process dictated by it. Regardless of our own personal perspective about various aspects of the Plan, we recognize that we are obligated to implement that Plan as it was approved by the investors. Each of us has put in hundreds of hours performing our duties as members of the Board. The ML Manager Board has met weekly for almost two years. We are mindful of our duties to the investors and we are quite aware that the interests and desires of our approximately 1,500 investors are not uniform and often completely divergent.

As you are aware, in order to emerge from bankruptcy it was necessary to obtain substantial funds to pay for the costs of the bankruptcy and the operations necessary to carry out the Plan. Our understanding is that without exit financing to pay these costs, Mortgages Ltd. could not have emerged from bankruptcy but would have likely been forced into a Chapter 7 liquidation under the control of a bankruptcy trustee. The likely result would have been expensive litigation on the ownership of the loans, and a possible liquidation of the entire portfolio for as little as 3 to 5 cents on the dollar. That issue was decided two years ago, and cannot be revisited now. The exit loan in the amount of $20 million dollars was approved by the Bankruptcy Court, the Plan and the Official Investors Committee. Investors were aware of this as early as April 2009 and voted in overwhelming numbers in favor of the Plan.

We are very aware that the terms of the loan are expensive, including costs and fees that result in the annual carrying costs exceeding 25%. Thus far the interest expense and other loan costs and fees have exceeded $9,265,000. We still have an outstanding principal balance of approximately $10.4 million and a disposition fee of $7.5 million that must be repaid. Until the principal balance is repaid, interest and fees will continue to accrue in substantial amounts. Like all investors, we wish that it had been possible to obtain the necessary funds by cheaper means. Unfortunately, this loan was the only truly available loan at the time we were to emerge from bankruptcy. The Official Investors Committee in its sole discretion, after approval by the Bankruptcy Court, made this decision. Based upon the unappealled Confirmation Order, the ML Manager Board unanimously passed a resolution authorizing the signing of the Exit Loan documents. This resolution was signed by William Hawkins, Bruce Buckley and the other three Board members at the time. A copy of the signed Resolution is attached for your reference.

During the first six months of operations, the ML Manager Board directed its Chief Operating Officer, Mark Winkleman, to approach prospective lenders who might be interested in replacing the existing loan with less expensive money. Mark and, in some instances, Elliott Pollack met with several potential lenders. While most initially expressed interest in providing less expensive financing, each lost interest when they learned that they could not have their loan secured by first deeds of trusts in the various properties or loans. They were not willing to provide less expensive financing if they could not be secured by 100% interests in the collateral. As you know the current pass through investors did not pledge their interests to secure the repayment of the Exit Loan, but our Exit Lender was willing to make the loan without having security in 100% of the title to our assets and also without having traditional foreclosure and other security rights.

ML Manager received limited funds for its operating budget and it did not have funds to pay the past due and ongoing real property taxes for any of the properties. Almost all borrowers had previously ceased paying property taxes and defaulted on their loans. Interest on these unpaid property taxes accrues at 16% per annum and most of our properties have three years of unpaid property taxes.

In accordance with the Plan, if the borrowers defaulted and refused to pay their loans, the means by which ML Manager could generate additional funds for the repayment of the exit loan, past due property taxes and its operating expenses was by foreclosing on the loans and selling the properties. Given the high level of carrying costs as described above, the ML Manager Board determined that it was in the overall best interests of the investors to generate as much revenue as possible from the sale of the properties to attempt to pay the required costs as promptly as practical.

Our ability to foreclose and sell properties was significantly delayed during the first year of operations. Several borrowers filed for bankruptcy to prevent foreclosures and the Rev Op Group filed contested motions and took many actions to attempt to invalidate ML Manager's ability to act as their agent, which ultimately took a lawsuit to resolve. The Rev Op Group lost its lawsuit, but appealed the decision, which resulted in great difficulty for ML Manager to find title insurance companies willing to provide title insurance for its foreclosure activities and sales of properties. As reported in prior newsletters, this resulted in substantial additional costs and delays.

In his recent message to some investors bemoaning the fact that we are selling properties, former Board member, Bruce Buckley, suggested that the Exit Loan was supposed to be substantially repaid by the recoveries received by the ML Liquidating Trust from its lawsuits against the lawyers and other professionals that previously provided services to Mortgages Ltd. It is true that the ML Liquidating Trust is also responsible for repaying the Exit Loan from the recoveries from the lawsuits. The ML Liquidating Trust has hired contingent fee law firms and have sued the law firms, accounting firm and appraisers that worked for Mortgages Ltd and is seeking all the damages that they can, which might be hundreds of millions of dollars. They have also sued the beneficiaries that received the life insurance proceeds resulting from Scott Coles' death. We hope and expect that they will recover substantial sums from these firms and their insurance companies. That being said, it would be naïve to assume that it would be easy and quick to recover enough money from these defendants to repay a $20 million dollar loan in the near term. As with any defendant being sued for hundreds of millions of dollars, these firms are aggressively defending the ML Liquidating Trust's lawsuits and it will likely be years before amounts are recovered from these firms. The

Inter-Borrower Agreement between ML Manager and the ML Liquidating Trust provides for a final reconciliation with the result that the ML Liquidating Trust's recoveries will be used to reimburse the vast majority of the amounts initially paid by ML Manager toward the Exit Loan. To the extent ML Manager receives repayment, the funds will be distributed to the investors. Given the huge amount of accumulating costs it is obvious that properties must be sold to prevent the carrying costs from further escalating.

The ML Manager Board does not discriminate between the loans and properties. Promptly after foreclosure each property is offered for sale in the marketplace. The ML Manager Board has retained 12 different real estate firms to represent it in marketing the various properties, attempting the get the highest and best price in each instance. The properties are not being sold under "fire sale" conditions, but rather the properties are fully and professionally marketed. We receive multiple offers on most of our properties. After reviewing the initial offers, we typically respond to the highest offers by asking them to resubmit their highest and best offers. After receiving the final offers, the ML Manager Board makes its recommendation to the investors in that loan to accept the terms of the sale in an attempt to sell the property. Through this process, ML Manager is selling properties at current market prices and is not fire selling properties. Indeed, some have criticized ML Manager for waiting too long to sell properties and thereby incurring more carrying costs. ML Manager has not sought authorization to sell every property where an offer has been received. ML Manager has only sought authorization to sell properties where ML Manager believes it is receiving the current fair market value of the property. Even then, the fact that almost 50% of the properties that ML Manager places under contract are closing shows that the contract amounts are not substantially below market.

When the ML Manager Board is ready to recommend the sale of a property, the members of the relevant Loan LLC, including the affected MP Funds, are given the opportunity to vote to approve or reject the Board's recommendation. A ballot describing the transaction is sent to each of the investors eligible to vote. The ML Manager Board does not cast votes for any investors. Only the actual investors are entitled to vote. We typically provide two weeks for the votes to be cast. In a couple of occasions the nature of the transaction was such that it was necessary to shorten the two week period. All of the votes have resulted in greater than 80% of the votes being in favor of the ML Manager Board's recommendation. In the vast majority of sales we also seek the approval of the Bankruptcy Court. Anyone concerned about the sale is entitled to file an objection and voice their opinion in Court. So far, the Rev Op Group has always filed objections regarding the properties within which they hold an interest. As such, it is necessary for us to file responses to the objections and send our attorneys to appear in court. In every instance the Bankruptcy Court has overruled the objections and approved the requested sales, and ruled that the ML Manager Board has exercised its best business judgment in a manner consistent with its fiduciary duties and responsibilities.

As you can tell from our recent newsletters and ballots, we have a significant number of properties under contract to be sold. We believe that there is a good likelihood of generating enough sales proceeds during the next few months to fully repay the Exit Loan. Once the Exit Loan is paid in full the interests in the remaining properties will no longer be encumbered by the Exit Loan.

We hope the foregoing gives you a clear picture of how ML Manager is conducting its business.

Messages from Messrs. Hawkins and Buckley

Some of you have received additional messages from both William Hawkins and Bruce Buckley. While we recognize the right of each of these men to express their opinions, we do not believe that some of their assertions are an accurate, complete or adequate explanation. In fact, some appear to us to be an attempt to distort and misrepresent the facts to implicate the efforts of ML Manager. As such, we feel that we must respond. We would like to bring the following to your attention:

1. Mr. Hawkins stated in his most recent message that he did not vote to approve the Plan of Reorganization. The facts and record show otherwise. Paragraph 6 from the May 20, 2009 Confirmation Order includes the following: "At the Confirmation Hearing, as reflected below, additional holders of Classes changed their votes and accepted the Plan so that by the end of the Confirmation Hearing all objections were either withdrawn or overruled and every Class voted to accept the Plan or was deemed to have accepted the Plan, except for Class 12 and Class 13 which rejected or was deemed to have rejected the Plan." The Rev Op group was Class 10B and Class 11F.
2. Mr. Hawkins complains that we are selling properties now when values may go up later. What Mr. Hawkins ignores is the fact that the carrying costs for the properties are likely greater than any market appreciation. The properties would need to increase by approximately 20% every year just to keep pace with the carrying costs. Even if the carrying costs are ignored, many investors have made it clear to us that they cannot wait years and years for a return of their investments that originally intended to be short term investments. The fact that Mr. Hawkins may be in a position where he can wait out the market does not mean that everyone else is in the same position. Mr. Hawkins may be much more willing to speculate on market increases because he is taking that position that he is not obligated to share in the costs, including over $9.6 million of interest expenses that have accumulated thus far and will continue to accumulate. Below are excerpts from some of his many court filings:

> "[T]o the extent that the ML Manager has the right to enforce the contractual provisions set forth in the Agency Agreements or other agreements against any of the Rev Op Group members, the Court should clarify that the ML Manager does not have the right to impose any of the expenses or other terms/provisions of the Exit Financing on the Rev Op Group." Rev-Op Group's Motion for Clarification filed September 14, 2009 [Docket No. 2168] p. 7 ¶ 20.
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> "Specifically, the appellants present the following issues for review on appeal: 1. Whether the Bankruptcy Court erred in ruling that the Rev Op Investors could be held responsible for the principal, interest, fees and any other charges associated with the exit financing provided for under the confirmed plan, in contravention of Paragraph U of the *Order Confirming Investors Committee's First Amended Plan of Reorganization Dated March 12, 2009*." Rev-Op Group's Opening Brief on Appeal filed on June 4, 2010 [Docket No. 12] p. 1.
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> "ML Manager has sought to saddle the Rev Op Investors with the obligations and burdens of $20 million in usurious debt (17+% interest, 10% initial financing fee, and other onerous provisions), even though the Rev Op Investors are not borrowers under the Plan and even though such burdens were never disclosed to

the Rev Op Investors until after confirmation of the Plan. Indeed, nothing in the Plan even remotely suggests that the Rev Op Investors would be obligated to repay the exit financing. Rev-Op Group's Opening Brief on Appeal filed on June 4, 2010 [Docket No. 12] p. 3.

"For all the foregoing reasons, the Rev Op Investors respectfully request that this Court: A. Reverse the portions of the Bankruptcy Court's Order regarding: (i) the ML Manager's ability to charge back to the Rev Op Investors their proportionate share of all of its expenses, including but not limited to the Exit Financing . . . ." Rev-Op Group's Opening Brief on Appeal filed on June 4, 2010 [Docket No. 12] p. 16.

"Pursuant to this provision, the Liquidating Trust, ML Manager, the Loan LLCs, and/or the Reorganized Debtor are the borrowers of the Exit Financing, and ***those parties***, not the Rev Op Investors, must allocate amongst themselves the repayment of the Exit Financing." Rev-Op Group's Reply Brief on Appeal filed on July 9, 2010 [Docket No. 22] p. 4 .

So far, the Bankruptcy Court has rejected Mr. Hawkins' position and ordered that he and the Rev-Op Group members, just like every other investor, must pay their fair share of the costs. He continues to make this argument and has even filed multiple appeals and motions to have all of the prior decisions against him overturned. If he thinks he may succeed on his appeals, there is no wonder that he may be willing to speculate on the potential future appreciation of real estate because he apparently believes that all the other investors will have to bear the carrying costs or other expenses costs and he will not.

3. Mr. Hawkins and his Rev Op group have filed many objections, contested matters, motions and/or appeals. The Bankruptcy Court has consistently overruled, rejected or ruled against the Rev-Op Group. Nevertheless, it has been necessary for ML Manager LLC to file responses to each of these objections and to appear in court to defeat these objections. To date our costs in dealing with all of the litigation created by the Rev-Op Group has been more than $350,000. Besides increasing the costs to our operations and substantially delaying sales and other actions to repay the exit loan, dealing with these objections diverts our attention and energy away from our primary responsibilities.
4. Mr. Hawkins was removed from the Board due in large part to his inability to separate his personal interests from those of the rest of the investors. Attached is a copy of the Resolution adopted by the ML Manager Board, which was filed with the Bankruptcy Court on February 23, 2010.
5. Mr. Hawkins has suggested that in a couple of instances ML Manager and its real estate professionals have ignored comparable sales and accepted below market prices. Such a suggestion is without merit. ML Manager hires prominent and successful real estate professionals to market its properties who are typically paid on a commission to provide a incentive to maximize the price. The professionals retained by ML Manager were fully aware of the comparable sales cited by Mr. Hawkins and many other comparable sales. Assumedly, most if not all of the buyers making offers on our properties were also aware of those sales. If the marketplace

believed that the properties referred to by Mr. Hawkins were comparable, their offers would have reflected that fact. In his most recent message Mr. Hawkins suggests that because one of our properties permits a higher building height than another property, our property should be worth more. This is completely distorted logic. While in some instances the ability to build additional height might add value to a property, the permitted height is just one of a myriad of factors that cause a property to have value. Factors such as property size, location, access, visibility, adjoining uses, other encumbrances, and entitlement rights all affect a property's value. If Mr. Hawkins believed that we were selling a property for less than its fair market value he was welcome to offer to purchase the property or produce a willing buyer himself. He did neither.

6. Mr. Hawkins' statements do not accurately describe ML Manager's voting process. The ML Manager Board does not cast any votes for the "Major Decisions" that are required under the Operating Agreements of the Loan LLCs or MP Funds. The only parties that vote are the members of the Loan LLC's, including the members of the applicable MP Funds. ML Manager does not vote for the MP Funds or for the Loan LLCs. One of the benefits offered to pass through investors that chose to convert their investment into a membership in the Loan LLC's was obtaining the right to vote on major decisions, such as the sale of properties. Mr. Hawkins and the other members of the Rev Op Group elected not to become members of the Loan LLCs. It now appears that they did this because they thought they could then argue that they were not liable to pay their share of the costs and would not be bound by the actions of ML Manager. After that they have lost their arguments in Court, they now complain that they don't have a vote on major decisions. ML Manager believes that was the risk that they agreed to take. In any event, we believe the results of the numerous votes clearly demonstrate the overwhelming desire of the investors to sell the properties and complete the Plan of Reorganization as quickly as is practical. The percentages of the votes approving the sales (based upon dollars voted) are as follows: AZ Commercial 96.56%, CITLO 94.33%, Zacher Missouri 91.69%, Osborn III 93.00%, Centerpoint I 99.99%, Centerpoint II 99.48%, Roosevelt Gateway I 93.48%, Roosevelt Gateway II 92.84%, National Retail 99.38%, All State IX 89.06%, Zacher Rio Salado 82.99%, University & Ash 83.23%, Metro Lofts 84.49%, Portales 88.03% and Central & Monroe 89.38%. Again, these votes are solely those of the investors within the Loan LLCs and in the MP Funds, not ML Manager.
7. Mr. Hawkins and Mr. Buckley complain about the information disclosed in the ballots. The ML Manager Board strives to provide the investors sufficient information to make an informed decision as to how to vote. As with many situations like this, the Board must walk the line between providing information in sufficient detail to allow an informed vote versus providing so much detail that it becomes difficult to understand the information. In fact, ML Manager has received complaints that there is too much information so that it is hard to understand, and other complaint that more or different information such be provided. While opinions may differ as to the appropriate amount of information, the Board has attempted to find an acceptable balance. For those investors needing additional information, the Board makes available Mark Winkleman, Erica Jacob, Karen Epstein, Keith Hendricks and Cathy Reece to answer questions. Each of them has spent many hours explaining various issues. While our representatives have responded to many questions, at no time did it appear that the information presented was insufficient so as to result in an inordinate number of questions from investors. Please be aware that both Mr. Hawkins and Mr. Buckley were involved in the development of the form of the ballot and approved the

initial ballots, which are the same general form that has been used in every election since.

8. Mr. Buckley's recent message contained the following statement: "What is disgusting is that we, the victims of Scott Cole's action, are having our assets liquidated and used to pay all the costs of a Bankruptcy that was none of our doing, by a Board who is supposed to be our fiduciary." The ML Manager Board agrees with Mr. Buckley in referring to the investors as "the victims of Scott Cole's action". As illustrated in the beginning of this newsletter, much of the investors' money was lost before Mortgages Ltd. even filed for bankruptcy. While we would never suggest that the cost of the Mortgages Ltd.'s bankruptcy was anything other than expensive, the entire cost of the bankruptcy was less than the fees taken by Mortgages Ltd. on just the University & Ash loan. We, the members of the ML Manager Board, are just as angry about this as Mr. Buckley and all of the other investors.
9. Mr. Buckley states that he would like to see an audit by an independent accounting firm of the post bankruptcy activities of ML Manager. This is a little ironic because Mr. Buckley is complaining that there has already been too much administrative and professional costs involved. Nevertheless, from the beginning the ML Manager Board has contemplated an accountant review of the financial information from time to time. Mark Winkleman is soliciting proposals from several accounting firms to review the operations and handling of the funds. We will share the results of this review with the investors after it is complete.
10. Mr. Hawkins suggests in his message that "creative" solutions need to be considered in attempting to maximize the returns to the investors. Mr. Hawkins suggests that the ML Manager Board is turning down good ideas, citing our opposition to the Plan of Reorganization proposed by Steven Kohner in the Citrus 278 and Northern 120 bankruptcies. A little background would be helpful when assessing our actions. First of all, Mr. Kohner, the principal of both the Citrus 278 and the Northern 120 entities, made an initial offer to pay off both loans for the total sum of $3,000,000. This offer was so low that we could only conclude that Mr. Kohner was not interested in negotiating in good faith. Mr. Kohner refused to provide updated financial statements upon the same terms as other borrowers and did not and has not provided updated financial information. Mr. Kohner waited to the last day prior to foreclosure to put both entities into bankruptcy, a tactic used by borrowers delay as much as possible. Both entities had no assets other than the land pledged to Mortgages Ltd., which were so encumbered that there was no legitimate ability to reorganize the entitles unless we were willing to release the majority of our claims against the borrowers. During the bulk of time of the bankruptcies Mr. Kohner made no effort to discuss a resolution with us, but instead used tactics by his bankruptcy lawyers to make it as slow and expensive as possible for us to obtain the right to foreclose of the properties. Our legal bills in dealing with these two bankruptcies exceed $242,000. More than a year after filing for bankruptcy the borrowers finally proposed plans of reorganization the Plans involved cashing our investors that wanted cash and allowing those so desiring to join in the ownership of the properties. Although the Plans gave lip service to paying investors fair market value for their interests, the appraisals that accompanied the Plans provided for values that we think were significantly below the fair market value of the properties. There was no evidence that the borrowers had or could obtain the funds necessary to pay off the investors. Furthermore, the Plans did not provide any requirement or mechanism for the investors choosing ownership in the properties to pay their share of the bankruptcy, financing or operating expenses related to Mortgages Ltd. Undoubtedly, this feature was one of the main reasons Mr. Hawkins liked the proposed Plans.

While Mr. Hawkins may consider the borrowers' Plans "creative", we do not think they were in the best interests of the investors. The Citrus Plan was overwhelmingly rejected by the voting investors in that loan. It was not necessary for the investors to vote on the Northern Plan as the borrower agreed to allow us to foreclose on the property.

Mr. Hawkins has expressed the desire to continue to "communicate" with other investors. We do not intend to respond to each of his communications. We believe the foregoing provides you sufficient information to allow you to appropriately evaluate his messages.

If you have any questions, do not hesitate to contact Karen Epstein at 480-948-6777 or send your phone number to kme818@cox.net or Erica Jacob at ejacob@mtgltd.com or 623-234-9569 for further assistance. It is our preference that you communicate via email if at all possible to ensure efficiency. Thank you for your support of our efforts.

Best Regards,

Elliott Pollack
David Fieler
Scott Summers
Karen Epstein
Bruce Etkin
ML Manager LLC Board Members