

ML MANAGER LLC
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August 22, 2017

ML MANAGER LLC NEWSLETTER #44

Dear Investors:

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

Rightpath II (Loan 859806)

This property, the Camelback Ranch property, was previously under contract to a prospective buyer, Bella Flora Communities. They were unable to meet the re-zoning requirements contained in the sale agreement and we terminated the agreement. We subsequently re-marketed the property and have entered into a Purchase and Sale Agreement with Mattamy Homes. The sales price is \$6,957,175, but can be adjusted upward or downward depending upon the number of lots that are approved for the property by the City of Phoenix. In no event can the sales price decrease below \$6,357,175. The property still needs to be re-zoned and this process will take several months. As before there will likely be opposition to the re-zoning by nearby property owners and the ultimate outcome remains to be determined. If the re-zoning effort is successful, the closing would occur around October 31, 2018. We have filed a Motion to Approve the Sale which is set for hearing September 12, 2017 at 11 a.m., and we will be soliciting the Loan LLC vote in a ballot to the investors in the RDL II Loan LLC.

Land Advisors Organization is going to market the 16.7 acre property to the west of the stadium facilities, the Ball Park Boulevard property, for sale. The property lacks entitlements and faces several development challenges, including its proximity to the runway to the Glendale airport.

Vistoso II (Loan 858006)

Our broker, Land Advisors Organization, continues its efforts to market the two remaining parcels of this property to homebuilders. We are in serious negotiation with one homebuilder to buy both parcels, but have not yet finalized or agreed to the terms. We are also in discussions with other homebuilders.

HH20 (Loan 858305)

Arizona Commercial Real Estate continues to market this property for sale. We have attempted to enter into sale agreements with a couple of different buyers, but ultimately the potential buyers elected not to open escrow. It appears that there is going to be a significant commercial development along the Hunt Highway near the property and we are hopeful that this will increase the attractiveness of our property.

Centerpoint Litigation

The litigation against Fidelity and Commonwealth moves forward, albeit very slowly. As we reported previously, the case is complex and has several components. One

component is our claim against Fidelity for reneging on its agreement with us to provide the buyer of the Centerpoint property with a clean title insurance policy. We are also pursuing bad faith claims and claims for coverage under the policies against both insurers. A critical aspect of the coverage claims are the settlements that were reached by the insurers under all of the policies when the Centerpoint project was sold. In previous litigation, the trial court ruled in our favor and found that those settlements were binding on Fidelity and Commonwealth under a case known as Morris, and that they would therefore be liable for the settlement amounts unless they could prove valid coverage defenses. Fidelity appealed from that judgment, but Commonwealth did not. In August 2015 the Court of Appeals reversed that decision as to Fidelity, but not as to Commonwealth (which failed to appeal). Surprisingly, the basis for the Court of Appeals' reversal of the judgment as to Fidelity was a form of judgment that the court mistakenly said had been entered in the trial court. Because of that error, we filed a motion for reconsideration with the Court of Appeals, which was ultimately denied. We have filed a petition for review with the Arizona Supreme Court, seeking review of the Court of Appeals' decision, and are awaiting a ruling on that petition.

Following the 2015 ruling by the Court of Appeals, Fidelity and Commonwealth took the position in the trial court that the ruling would (if it was not overturned) exonerate both of them, and on that basis (and over our objection), the trial court stayed further proceedings to allow the appeal process to play out. In January 2017, at a hearing on our motion to separate the Fidelity claims from the Commonwealth claims, the trial court ordered Commonwealth to file a motion for summary judgment with regard to its argument that the ruling by the Court of Appeals extinguished our claims against Commonwealth. That motion was filed and ultimately denied by the trial court, which means that there may be a possibility of proceeding to trial on the Commonwealth claims, even if the appeal process regarding Fidelity is continuing. Regardless, it will likely still be several more years before all the claims are resolved.

Osborn III Litigation

In connection with the sale of this property, we paid approximately \$1.7M to the general contractor to resolve mechanics liens that were filed against the property. We sued Fidelity National Title to receive a return of these funds and, following multiple rounds of summary judgment pleadings and a trial, the Judge ruled in our favor as to the full amount. We are in the process of preparing a motion for an award of attorneys' fees and costs. A judgment will be entered against Fidelity once the judge rules on that motion. We understand that Fidelity intends to file an appeal from that judgment, rather than pay the judgment amount or settle the claim. We will defend the appeal, and if we are successful, the interest on the claim against Fidelity will continue to accrue during that period.

Next Distribution

It is not yet known when the next distribution will be made. There is a significant cost involved in making any distribution, regardless of the total amount. At this point the Board wants to accumulate additional funds to distribute before incurring the cost of a distribution.

Final Reconciliation and Distribution

When all of the remaining properties have been sold and the ongoing litigation resolved, we will perform a final reconciliation and make a final distribution. It is not possible to know when this will occur at this time, but it appears that the Centerpoint litigation may continue for a few more years. We cannot perform a final reconciliation and distribution until this litigation is resolved. Depending upon the outcome of the Centerpoint litigation, it is possible that significant amounts could be distributed to the investors. We are seeking tens of millions of dollars from Fidelity National Title, but the outcome of the litigation remains uncertain.

Mainstar (formerly know as First Trust of Onaga) Accounts

As a reminder to those investors holding IRA or Roth IRA accounts with Mainstar, you were previously notified that Mainstar is no longer willing to serve as the custodian of those accounts. Many of you have not yet transferred your accounts to a new custodian and you need to do so. Mainstar has indicated that any future distribution checks sent to them will not be deposited, but will instead be rejected and returned to ML Manager. IRA and Roth IRA accounts are governed by complex federal regulations and there are rules and consequences to closing, transferring and opening IRA accounts. You should consult your tax and financial advisors for assistance with this situation. ML Manager cannot and will not advise you about how to deal with your IRA account. Because the Mortgages Ltd assets are interests in loans, not stocks, bonds or other more readily marketed securities, many security companies will not serve as custodians for IRAs that will hold Mortgages Ltd assets. It is completely in your discretion as to with whom you choose to open IRA or Roth IRA accounts or whether or not you choose to open an IRA or Roth IRA account at all. Many of our investors have had difficulty in finding companies that are willing to accept Mortgages Ltd investments. If you need further assistance, please feel free to contact our representatives using the contact information below.

Account Information.

Many investors have changed their addresses, phone numbers, and e-mail addresses. Please make sure that our records reflect your current information. In order to update your information it is necessary to complete an account change request form. These forms can be obtained by contacting us at mortgagesinfo@mtgltd.com.

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