

ML MANAGER LLC
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October 11, 2016

ML MANAGER LLC NEWSLETTER #42

Dear Investors:

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

Rev Op Litigation

This past June we participated in a week long trial with the Rev Op group to determine if ML Manager is the agent for the Rev Op investors and can act on their behalf. We are please to announce that the bankruptcy Judge ruled that ML Manager is the irrevocable agent for the Rev Op investors. This is consistent with the decision reached by former Judge Hanies approximately 7years ago, which was repeatedly appealed by the Rev Op group. There are other appeals and lawsuits that are pending and, in light of this ruling, we will make appropriate filings in those actions with the hope that all of those proceedings can be resolved in the near term. We will also be seeking to recover our attorney's fees from the Rev Op group. In that regard, some of you recently received a notice entitled Bill of Costs and Notice of Taxation from the clerk of the court. We are seeking these fees from the Rev Op group and not any other investors. We are sorry for any confusion this notice may have caused.

The 8th Distribution

As reported in the past newsletters, we have not been permitted to make the 8th distribution of approximately \$16M due to a stay motion filed by the Rev Op group with the 9th Circuit Court of Appeals. We will file a notice of the recent ruling by the bankruptcy judge and hope that it will speed the process of allowing us to proceed to make the \$16M distribution. Unfortunately, it is not possible to predict how long it will take for the 9th Circuit to take action.

Vistoso II (Loan 858006)

We have entered into a sale agreement with Maracay Homes to sell an approximately 40 acre portion of the property for a price of \$3,750,000. We own an adjoining approximately 60 acres that is undevelopable and is required be restricted as permanent open space and conveyed either to the Town of Oro Valley or the Rancho Vistoso homeowners association. Under our agreement, Maracay can attempt to obtain rights to develop up to 15 acres of this adjoining property and, if they are successful, will pay us the same price per acre as the 40 acre parcel. The sale is subject to the affirmative vote of the members of VP II Loan LLC and the Bankruptcy Court. The hearing is scheduled for October 19th at 1:30. The buyer has deposited \$25,000 of refundable earnest money into escrow and the sale is expected to closing during the summer of 2017.

Our broker, Land Advisors Organization, is continuing to market the third phase of the Vistoso II property to homebuilders as well.

Rightpath II (Loan 859806)

As reported previously, the prospective buyer of this property, Bella Flora Communities, was not initially successful in obtaining the zoning it needed in order to purchase the 60 acre property. The buyer has continued to work with representatives of the City of Phoenix on the zoning issues and believes it has found a way to successfully rezone and entitle the property. This process will take several months and the ultimate outcome remains to be determined.

Regarding the 16.7 acre property to the west of the stadium facilities, we continue to attempt to work with the City of Phoenix and the City of Glendale to address issues surrounding the potential sale of this property.

HH20 (Loan 858305)

Arizona Commercial Real Estate continues to market this property for sale.

Central and Monroe Settlement

As reported previously, in connection with the sale of this property a settlement agreement was signed to resolve the litigation with the mechanic lienholders that affected this property. We sued the title company, Fidelity National Title, to attempt to recoup some of this money. By way of a mediation, we reached a settlement with Fidelity Title Insurance Company whereby they agreed to pay us \$300,000 and release another \$700,000 that was being held in escrow. The settlement agreement was approved by the investors in C&M Loan LLC, but objected to by the Rev Op group. Shortly after making the ruling against the Rev Op group described above, the Bankruptcy Court approved the settlement. The Rev Op group is now seeking a stay to stop the consummation of the settlement agreement. We will continue our efforts to consummate the settlement agreement and obtain the \$1,000,000.

Ten Loft/Fidelity Litigation

In connection with the sale of this property, we paid \$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. We just completed the trial seeking the recovery of these funds and the Judge ruled in our favor. Additional legal proceedings remain as we seek to recover our attorney's fees and punitive damages.

Centerpoint/Fidelity Litigation

The litigation against Fidelity and Commonwealth moves forward, albeit very slowly. As we reported to you over a year ago, the case is complex and has several components. One component is our claim against Fidelity for its actions in withdrawing the title commitment, and reneging on its agreement to provide the buyer of the Centerpoint property a clean title insurance policy. We are also pursuing bad faith claims against both insurers. Another aspect of the case is an action to bind Fidelity and

Commonwealth to the settlement agreement that was entered into when the Centerpoint project was sold. This is sometimes referred to as a Morris Agreement. In the separate Morris Agreement case, the trial court ruled in our favor. 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 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. Fidelity and Commonwealth, on the other hand, took the position in the trial court that the ruling by the Court of Appeals could exonerate them, and on that basis (and over our objection), the trial court stayed further proceedings pending a ruling by the Court of Appeals. Unfortunately, it has now been over a year since the motion for reconsideration was filed, and the Court of Appeals has not ruled. We are currently working on a motion to be filed in the trial court to terminate the stay at least as to some of the claims, so that we can proceed. It will likely still be several more years before all the cases are resolved.

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