

February 4, 2010

## ML MANAGER LOAN PORTFOLIO NEWSLETTER #7

We continue to make progress in pursuing our collection and enforcement efforts of the various loans. We are making our best efforts to provide the necessary information to all investors, however, we have limited staff and resources and it is not possible to respond to requests for information on an individual basis. Our goal is to address the majority of the questions and concerns through these newsletters and our periodically updated portfolio status summaries. Please keep in mind that many of the loans are the subject of legal proceedings or sensitive negotiations and it is not possible or advisable to provide complete details of the ongoing activities. The following are the most significant events occurring since the last newsletter.

Recently, you were sent a separate newsletter distributed by the ML Liquidating Trust. A brief outline of the duties of ML Liquidating Trust was provided in the first paragraph of that newsletter. The updates distributed by ML Manager will provide information about and related to the pools, Loan LLCs, and post-bankruptcy Real Estate Owned properties. Although we are all working together to achieve a common goal, ML Manager LLC and ML Liquidating Trust are separate companies.

### **Sale of Chateaux on Central**

As reported in the last newsletter, this property was marketed for sale over the past several months and we are pleased to announce that a sale agreement has been signed to sell the property. A motion to sell the property free and clear of all liens has been filed with the Bankruptcy Court and the sale is subject to obtaining an Order from the Bankruptcy Court. A hearing has been set for February 25, 2010 at 11:00a.m. The sale agreement provides for a minimum sales price of \$7,000,000, and as part of the bankruptcy process, other parties may also submit offers to pay a higher price. This property is owned jointly by ML Servicing Co, Inc. (which is owned by the ML Liquidating Trust), the MP Funds, and three pass-through investors. The sale is expected to close in late March.

### **Sale of Arizona Commercial Land Acquisitions (Loan #856206)**

As reported in the last newsletter, we have entered into a sale agreement for this property, which was overwhelmingly approved by the members of the Loan LLC. The agreement was subject to specified contingencies that we, as Agent for the seller, were required to satisfy before the due diligence period could begin. All of these contingencies have been satisfied and the buyer is proceeding with its due diligence review and investigation of the property. The prospective buyer has deposited \$50,000 into escrow and, unless it elects to terminate the sale agreement, is obligated to deposit an additional \$200,000 on or before March 22<sup>nd</sup>. At that time all of the earnest money would be non-refundable. No money will be distributed from the escrow account until either the sale is final or a termination of the sale agreement is complete. We will keep you apprised of the progress of this sale.

### **When Will You Receive a Check?**

We frequently are asked when checks will be sent out and would like to assure you that our highest priority is to return as much money as possible to the investors. Monies will only become available as properties are sold, payments are received, or there is some recovery on lawsuits against guarantors or borrowers.

Currently, the same five loans are receiving payments from borrowers. Members of the Loan LLCs will receive quarterly disbursements of amounts that are received. Members of pool funds will receive disbursements as such time as enough money has accumulated to justify the expense sending out distributions.

We have over 50 loans and/or properties that we deal with on an almost daily basis. Two loans, initially discussed in the beginning of this newsletter are foreclosed properties that we are trying to sell. Other loans are now in default; subsequently, foreclosures are being scheduled and lawsuits are being pursued. Unfortunately, there are borrowers who seem to use the expense and delays inherent in our legal system to make our tasks as difficult as possible. We hope that as you read through the details of our newsletters you gain an appreciation not only for the amount of work performed daily by the existing staff but also the complexity of the challenges that we face operating in a terrible real estate market.

## **Finances**

In the near future you will be receiving information from us discussing the financial aspects of our operations. A significant activity over the past several months has been challenging the amount of fees charged by professionals, the majority of which are attorneys, in the bankruptcy process. A large amount of our funds have been used thus far to pay these liabilities. We were successful in obtaining substantial reductions in many of the fees. Unfortunately, the amount of fees that were applied for greatly exceeded what was anticipated at the time the Plan of Reorganization was approved. Now that the amount of these fees has largely been determined, we believe that we can present a report that accurately portrays our current financial condition and our requirements going forward.

## **Completed Foreclosures**

Since the last newsletter we have completed foreclosures on the following loans:

4633 Van Buren, LLC (Loan #860506) This loan was foreclosed upon on January 8, 2010. As you may recall, the borrower filed for bankruptcy immediately prior to the scheduled trustee's sale in early December. Subsequently, the borrower failed to file the necessary schedules and the bankruptcy was dismissed. Following the dismissal, we were able to complete the foreclosure and we will now proceed to seek to collect the deficiency from the borrower and the guarantors.

McKinley Lofts, LLC (#860606) This loan was foreclosed upon on January 8, 2010. As you may recall, the borrower filed for bankruptcy immediately prior to the scheduled trustee's sale in early December. Subsequently, the borrower failed to file the necessary schedules and the bankruptcy was dismissed. Following the dismissal, we were able to complete the foreclosure and we will now proceed to seek to collect the deficiency from the borrower and the guarantors.

City Lofts, LLC (#860806) This loan was foreclosed upon on January 8, 2010. As you may recall, the borrower filed for bankruptcy immediately prior to the scheduled trustee's sale in early December. Subsequently, the borrower failed to file the necessary schedules and the bankruptcy was dismissed. Following the dismissal, we were able to complete the foreclosure and we will now proceed to seek to collect the deficiency from the borrower and the guarantors.

## **Properties for Sale**

We are currently marketing the following properties for sale:

All State Associates of Pinal XVI, LLC (Loan #859506) This property consists of approximately 511 acres in Pinal County in the vicinity of Eloy. We listed this property for sale with Land Advisors Organization in December. We have received offers to purchase this property and the ML Manager Board is evaluating these offers to determine a recommendation to the investors in this loan. If a major decision needs to be made on this property, the votes of the members of ASA XVI Loan LLC will be solicited.

All State Associates of Pinal IX, LLC (Loan #861506) This property consists of approximately 1,680 acres in Pinal County also in the vicinity of Eloy. We recently listed this property for sale with Nathan and Associates. We hope to have multiple offers within the next 30 days. If a major decision needs to be made on this property, the votes of the members of ASA IX Loan LLC will be solicited.

4633 Van Buren, LLC (Loan #860506) This property consists of 6.48 acres in central Phoenix upon which sits a one-story abandoned commercial building. We have just listed the property for sale with Hendricks and Partners for a sale price of \$3,650,000. If a major decision needs to be made on this property, the votes of the members of 4633 VB Loan LLC will be solicited.

McKinley Lofts, LLC (#860606) This property consists of 5.15 acres in central Phoenix which are unimproved, except for a parking lot. We have just listed the property for sale with Hendricks and Partners for a sale price of \$3,750,000. If a major decision needs to be made on this property, the votes of the members of MCKIN Loan LLC will be solicited.

City Lofts, LLC (#860806) This property consists of a 42 unit apartment complex known as Belleview Estates and 5.74 acres of land in Phoenix. We have just listed the property for sale with Hendricks and Partners for a sale price of \$2,505,000. If a major decision needs to be made on this property, the votes of the members of Citlo Loan LLC will be solicited.

### **Pending Foreclosures**

Trustee's Sales have been scheduled for the following properties:

Tempe Land Company/Centerpoint (Loan #857605 and #861905)	April 8, 2010
National Retail Development (Loan #860905)	April 13, 2010
Central & Monroe (Loan #858606)	April 20, 2010
70 <sup>th</sup> Street Property (Loan #861706)	March 4, 2010

The trustee's sales for Central & Monroe and 70<sup>th</sup> Street are subject to a settlement agreement being finalized and signed, and certain contingencies being satisfied. A settlement agreement is being reviewed by the attorneys for the borrowers and we are optimistic that a binding settlement agreement can be reached. The settlement will likely be subject to the approval of the members of the LLCs that hold interests in the affected loans.

### **New Trustee's Sales**

Despite our efforts to schedule trustee's sales as soon as possible, we have experienced unexpected delays with our title companies. This work is finally nearing completion and we anticipate receiving trustee's sale guarantees next week for the following loans: CS 11 Maricopa, LLC (Loan #832705), Roosevelt Gateway LLC (Loan #856605) and Roosevelt Gateway II LLC (Loan #859205), SOJAC I, LLC (Loan #857106), Zacher Development Company, LLC (Loan #857502) (Missouri) and (Loan #857802) (Maryland), HH 20, LLC (Loan #858305), University & Ash , LLC (Loan #858905), PDG Los Arcos, LLC (Loan #859305), CGSR, LLC (Loan #861105) and Town Lake Development Partners, LLC (Loan #861305). As soon as the trustee's sale guarantees are issued we will commence the foreclosure process.

### **Borrower Bankruptcies**

Many of our borrowers have filed for bankruptcy protection. These include Riverfront Commons (Loan #853705), Tempe Land Company (Loans #857605 and #861905), Metropolitan Lofts (Loan #860706), Foothills Plaza IV (Loan #853106), MK Custom (Loans #839506 and 845006), Northern 120 (Loan #849206) and Citrus 278 (Loan #849306).

We filed for and received relief from the automatic bankruptcy stay in the Tempe Land Company bankruptcy and are proceeding to foreclose. We have also filed for stay relief in each of the other bankruptcies and are awaiting approval from the bankruptcy court to proceed. As you would expect, each of these borrowers is resisting our efforts, but we will remain diligent in our efforts to assert our rights.

Additionally, many of the borrowers have insisted that each of the underlying investors receive notices in the bankruptcy proceedings. Therefore, if you haven't already, you may be receiving notices of hearing dates and copies of pleadings related to the bankruptcies of the borrowers for loans in which you have invested. ML Manager will file proofs of claims in all those bankruptcy cases if it has not already done so. ML Manager will

be taking legal positions, filing pleadings, and will continue to work with counsel in order to represent your interests and assert any rights and remedies available in order to maximize the recovery to the investors.

### **Osborn III Partners, 44<sup>th</sup> & Camelback Property, Portales Place, Central & Monroe and 70<sup>th</sup> Street Property—the Grace Entity loans**

As mentioned above, a tentative settlement of the Grace Entity loans (Loan #s 849606, 851106, 852406, 852606, 858606, and 861706) has been reached. Attorneys for both sides are reviewing written settlement agreements. If definitive agreements are signed that require a major decision under the Loan LLC operating agreements, the votes of the members of each affected LLC will be solicited. If and when a final settlement is reached, we will provide those details.

### **Questions About Voting**

As is referenced in this newsletter several times, we will be regularly asking members of the Loan LLCs to vote on certain matters relating to the loans. As reported in the last newsletter, the ML Manager Board asked the members of AZ CL Loan LLC (Loan #856206) and MK I Loan LLC (Loan # 839506) to vote about matters affecting their loans. The voting process seemed to work very well. If you are unsure of the decisions which require a vote, I would encourage you to read the provisions of the operating agreement for the Loan LLCs

### **Rightpath Default**

Many of you may have read the article appearing in the January 15<sup>th</sup> edition of The Business Journal reporting that Rightpath was in default of its loans to us due to the failure to pay property taxes. The three loans (#858406, #858506 and #859806) total approximately \$110 million. We sent a letter of default on December 22, 2009 informing the 3 borrowers of their failure to pay property taxes. The unpaid property taxes were in a total amount of slightly less than \$40,000. One of the principals for the borrowers contacted us and asked for extra time to pay the \$40,000 in taxes, which we denied. The borrowers have now paid the taxes and are no longer in default.

### **Rodeo Ranch (Loan #857906)**

The Rodeo Ranch loan was foreclosed prior to our emergence from bankruptcy. This property consists of four virtually completed houses and 17 finished lots. We have taken steps to safeguard the houses. It is not possible to sell any of the houses or lots without obtaining a public report from the Arizona Department of Real Estate. The report previously obtained by the developer is no longer effective. As you would expect, there are a few requirements that need to be satisfied that involve at least a couple of governmental agencies. Our staff is working with these agencies to obtain the necessary information and approvals and hopes to have the public report effective some time in March. At that time we will have the option of selling one or more of the houses. If a major decision needs to be made on this property, the votes of the members of RRE I Loan LLC will be solicited.

### **Security Fraud Recovery Trust/The Fraud Guys**

Some of you may have been contacted by a company using the name Security Fraud Recovery Trust, Tim Kelleher and/or The Fraud Guys offering tax assistance related to acts of fraud. Please be aware that we do not have any information about this company or person, or the services being offered. We did not provide this company with the contact information of any investors and are not recommending the use of this company. We do, however, highly recommend that you consult with your own tax and legal advisors and thoroughly investigate any person or company soliciting your business in connection with Mortgages Ltd.

### **Tax Documentation**

ML Manager LLC will be providing year end tax documentation as required by law. Pass-through investors should have already received a 1099 Form mailed on January 29, 2010. Please note that you may also receive a substitute 1099 form from Canyon State Servicing for any distributions done in December. Those of you that are members of any of the MP Funds or any of the newly formed LLCs will be receiving the Schedule K-1 form. The preparation of these returns is underway and we anticipate they will be completed and mailed out around mid-March.

## **Asset Valuations**

Many of you have contacted us seeking valuations of the loans or properties that are collateral for the loans. For numerous reasons, we will not be providing valuations of the funds, the loans, or the underlying collateral property, to any investors, IRA custodians, or other entities. At such time as a loan or property is sold, a market determination of the value will have been established and will be available for your use. In the interim, it is not advisable for ML Manager LLC to provide valuations of individual loans or foreclosed properties for a variety of reasons.

If an asset is in an IRA Account or a Pension Plan, it is up to each individual to determine the value of the assets in their Pension Plan or IRA and to provide that value to their trustee or custodian. Since the value of the loans and the properties is uncertain given the current market, we believe that it is appropriate that individuals be conservative in their valuations. It is extremely difficult for anyone, including the IRS, to produce a definitive value at the current time.

## **Canyon State Servicing**

Canyon State Servicing has been hired to service the paying loans. If you have questions about distributions that you have received, or are supposed to receive from Canyon State, please feel free to contact them. Please be advised, however, that Canyon State is not involved in the negotiations with any of the borrowers and cannot answer any questions relating to ongoing negotiations. Please refrain from contacting them about borrower negotiations.

We believe the foregoing represents the significant issues arising since our last newsletter. If you have any general informational questions, do not hesitate to contact Karen Epstein at [kme818@cox.net](mailto:kme818@cox.net) or (480) 948-6777. If you have more specific account or records related questions, including processing you may also contact either Dana Wilson or Erica Jacob at 623-234-9560 for further assistance. Thank you for your support of our efforts.

Elliott Pollack, Chair  
ML Manager LLC