

ML MANAGER LLC  
14050 N.83<sup>rd</sup> Ave., Suite 180  
Peoria, AZ 85381

August 26, 2010

ML MANAGER LOAN PORTFOLIO NEWSLETTER #11

Dear Investors:

I would like to update you on the significant events since our last newsletter.

**Centerpoint (Loans 857605 and 861905)**

For the past many weeks we have been marketing the Centerpoint towers in Tempe for sale. We have just requested and received final and binding offers, which we are evaluating. As soon as we have selected the highest and best offer we will proceed to seek the necessary investor and bankruptcy court approvals. We anticipate obtaining approval for and consummating this sale by early October. The sale should provide substantial funds to pay down the Exit Financing Loan.

**City Lofts (Loan 860806)**

After the initial buyer backed out of the sale agreement, we re-marketed the property and identified a new buyer to purchase the City Lofts property, also known as the Bellevue Estates apartments, at a higher price of \$1,925,000. A sale agreement was signed by the buyer and ML Manager LLC. The CITLO Loan LLC investors were asked to vote on the sale and over 94% of the dollars that voted accepted the sale recommendation of ML Manager LLC. Three non-transferring pass-through investors, Queen Creek XVIII, LLC and Bear Tooth Mountain Holdings, LLP (owned by William Hawkins) and Morley Rosenfield, MD PC Restated Profit Sharing Plan filed an objection to the sale. ML Manager LLC will ask the Bankruptcy Court to overrule the objection and approve the sale at a hearing at the Bankruptcy Court at 10:30 a.m. on August 25th. The anticipated closing date of the sale is September 10th.

**Zacher Missouri (Loan 857502)**

A sale agreement for this property in north central Phoenix has been signed by the ML Manager LLC Board with a purchase price of \$2,112,000. The buyer has been performing its due diligence for the past few weeks and its earnest money is scheduled to become non-refundable on August 30<sup>th</sup>. Ballots were sent to the investors in the ZDC II Loan LLC and 91.66% of the dollars that voted accepted the sale recommendation of the ML Manager LLC. Two of non-transferring pass-through investors, Queen Creek XVIII, LLC and Pueblo Sereno Mobile Home Park LLC (owned by William Hawkins) filed an objection to the sale. We will ask the Bankruptcy Court to overrule the objection at a hearing at the Bankruptcy Court scheduled for 3:30 p.m. on August 26th. The anticipated closing date of the sale is September 14th.

**Ten Wine Lofts Condominiums/Osborn III (Loan 851106)**

The property was acquired through a foreclosure at the end of July. ML Manager LLC selected Hendricks and Partners to widely market the property. The interest in this project has been substantial and we are calling for offers by August 27<sup>th</sup>. We anticipate selecting the highest and best offer shortly thereafter and seeking the necessary approvals of the investors and the Bankruptcy Court. It is anticipated that the sale would

occur in late October and provide substantial funds with which to reduce the Exit Financing Loan.

### **VCB (Loan 856805)**

The sale of the VCB property, also known as Adobe Meadows, was previously approved by the members of the VCB Loan LLC and the Bankruptcy Court. Unfortunately, several problems were subsequently discovered, including issues relating to title, construction bonds and additional development costs, and the sale is not proceeding at this time. We are busy addressing those problems and hope to be in a position to sell the property in the coming weeks.

### **Zacher Maryland (Loans 857802 and 861805)**

In the process of marketing the property, an issue with the legal description of the property was identified and ML Manager LLC Board determined that it is necessary to commence a judicial foreclosure to establish ownership of the entire subdivision. Unfortunately, the process could take almost a year to complete and we do not anticipate marketing the property for sale again until the issues are resolved.

### **Sales of Properties**

As reported in previous newsletters, several ballots have been submitted to the appropriate investors during the past few months. We report the results of all of the balloting in our newsletters and several of you have contacted us to ask about the sales that you have been asked to approve. The following is a recap of the current sales activities:

#### **Properties Currently Under Contract to Sell**

1. Arizona Commercial Land Acquisitions I, LLC – Loan 856206
2. City Lofts, LLC (Bellevue Estates ) – Loan 860806
3. Zacher Development Company (Missouri) – Loan 857502

#### **Properties Listed With a Broker and Being Actively Marketed**

1. Tempe Land Company (Centerpoint) – Loans 857605 and 861905
2. Osborn III Partners, LLC (Ten Wine Lofts) – Loan 851106
3. PDG Los Arcos, LLC (Los Arcos Crossing) – Loan 859305
4. Central & Monroe, LLC (Hotel Monroe) – Loan 858606
5. Roosevelt Gateway LLC – Loan 856605
6. Roosevelt Gateway II, LLC – Loan 859205
7. National Retail Development Partners I, LLC (Tutor Time) – Loan 860905
8. All State Associates of Pinal County IX, LLC – Loan 861506
9. HH 20, LLC – Loan 858305
10. All State Associates of Pinal County XVI, LLC – Loan 859506
11. Metropolitan Lofts, LLC – Loan 860706
12. 70th Street Property, LLC – Loan 861706
13. McKinley Lofts, LLC - Loan 860606
14. 4633 Van Buren, LLC – Loan 860506
15. Zacher Development Company (Rio Salado) - 855102
16. Rodeo Ranch Estates, LLC – 857906

Many of you have asked us to tell you how much your properties are worth relative to your original investments. The ML Manager LLC Board determined that it was not

practical or financially advisable to obtain appraisals for each of the properties securing the loans or to otherwise spend time and money attempting to estimate values for each of the properties. The only way to accurately know what the properties are worth is to widely expose them to the market place and to obtain and accept offers from qualified buyers. Thus far, the values of the properties that have either sold, or are under approved contracts to be sold, are as follows:

<u>Property</u>	<u>Sales Price</u>	<u>Original Loan Amount</u>	<u>Percentage</u>
Chateaux on Central	\$7,000,000	\$37,300,000	18.77%
Arizona Commercial	\$9,637,650	\$15,392,000	62.61%
City Lofts	\$1,925,000	\$11,888,000	16.19%
Zacher Missouri	\$2,112,000	\$11,897,435	17.75%

Each property is unique and has its own conditions and characteristics. We caution you against drawing conclusions about what any particular property may be worth until it is actually sold. We are working hard to obtain the highest prices for each of the properties by choosing the best real estate brokers and widely marketing each of the properties. Additionally, as discussed below we are determining if tax strategies can be adopted due to potential theft loss activities by Mortgages Ltd.

**Vento/Grace Communities Properties (Loans 849606, 851106, 852406, 852606, 858606, and 861706)**

As you know from prior newsletters, we entered into a settlement agreement with the Grace Entities on their 6 loans. The investors in the applicable Loan LLCs voted to accept the recommendation of the ML Manager to approve the settlements.

95.8% of the dollars voted by investors in PPP Loan LLC accepted the settlement;  
95.2% of the dollars voted by investors in 70 SP Loan LLC accepted the settlement;  
95.4% of the dollars voted by investors in C&M Loan LLC accepted the settlement;  
95.7% of the dollars voted by investors in Osborn III Loan LLC accepted the settlement;  
87.8% of the dollars voted by investors in 44 CP I Loan LLC accepted the settlement;  
and 95.9% of the dollars voted by investors in 44 CP II Loan LLC accepted the settlement.

As for the objection filed by the 13 investors in the Rev Op Group, which we discussed in Newsletter #10, the Bankruptcy Court held hearings on July 7 and 8 and approved the settlements, over the objection of the Rev-Op Group. The Bankruptcy Court entered an order stating that the settlements "reflect a reasonable compromise of the complex issues involved, are in the best interests of the investors in the Grace Entities Loans, are supported by the best exercise of business judgment of ML Manager and are consistent with ML Manager's fiduciary duties and responsibilities." The settlements were closed on July 27, 2010 and the 4 trustee sales were completed, among other things. The Rev-Op Group appealed the judge's decision, but ML Manager LLC filed a motion to dismiss the appeal.

**Foreclosures**

The following foreclosures have completed since the last newsletter:

43rd Avenue & Olney, LLC and SH Land Holdings (Loan 854706, Randy Suggs is the principal)

CGSR, L.L.C. (Loan 861105, Chuck Sorensen is the principal)  
Vanderbilt Farms, L.L.C (Loan 859606, Brandon Wolfswinkel is the principal)  
PDG Los Arcos, L.L.C. (Loan 859305, Rick Sodja is the principal)  
Osborn III Partners, L.L.C. (Loan 851106, Jonathon Vento and Donald Zeleznak are the principals)  
Central & Monroe, L.L.C. (Loan 858606, Jonathon Vento and Donald Zeleznak are the principals)  
70<sup>th</sup> Street Property, L.L.C. (Loan 861706, Jonathon Vento and Donald Zeleznak are the principals)  
Portales Place Property, L.L.C. (Loan 852606, Jonathon Vento and Donald Zeleznak are the principals)

### **Pending Foreclosures**

We continue to work on a significant number of foreclosures. Foreclosures of the loans described below are scheduled as follows:

#### **August 30, 2010**

Town Lake Development Partners, L.L.C. (Loan 861305, Tod Decker is the principal)

#### **October 26, 2010**

MK Custom Residential Construction, LLC (Loan 839506 and 845006, Michael Peloquin is the principal)

University & Ash L.L.C. (Loan 858905, Charles LaMar is the principal)

#### **November 23, 2010**

CS 11 Maricopa, LLC fka Panwebster Holdings, LLC (Loan 832705, Chuck Sorensen is the principal)

Additionally, we intend to commence foreclosure actions on the following loans as soon as the title companies resolve a few outstanding issues:

Rightpath Limited Development Group, LLC (Loans 858406 and 859806)

Maryland Way Partners, LLC (Loan 858506)

ABCDW, LLC (Loans 850206, 857306, and 861206)

Vistoso Partners, LLC (Loans 857406 and 858006)

#### **Foreclosures Delayed Due To Borrower's Bankruptcies:**

The borrowers of the following loans have filed for bankruptcy and the foreclosures cannot be completed until permitted by the Bankruptcy Courts. The foreclosures are currently scheduled for September 16th; however, further postponements are likely.

Foothills Plaza IV, L.L.C. (Loan 853106, Doug Dragoo is the principal)

Northern 120, L.L.C. (Loan 849206, Steve Kohner is the principal)

Citrus 278, L.L.C (Loan 849306, Steve Kohner is the principal)

Metropolitan Lofts, L.L.C. (Loan 860706, Michael Peloquin is the principal)

### **Allocating Costs to Each Loan**

As we have stated in prior newsletters, ML Manager LLC has been working on a process to fairly allocate the costs of the bankruptcy and operations to all investors in each of the loans in accordance with the Plan of Reorganization, the Bankruptcy Court's Order Confirming the Plan and the other applicable legal documents. ML Manager LLC is charged with exercising its business judgment to allocate the costs, including the costs of the Exit Financing, "in a fair, equitable and nondiscriminatory manner." ML Manager

LLC agreed to a September 1, 2010 date for making a net distribution to the investors in the Newman Loans, which were paid off by the borrower, and for providing an accounting of the allocated costs and the methodology for determining the allocated costs. ML Manager LLC plans to provide all investors with the cost allocation methodology on September 1, 2010 by email or mail and will post the methodology on the website ([www.mtgld.com](http://www.mtgld.com)). The Bankruptcy Court has set a hearing for September 21, 2010 at 1:30 p.m. to address the allocation of costs. Any objections must be filed with the Bankruptcy Court by September 10, 2010.

#### **Rev-Op Lawsuit**

As you will recall, a lawsuit was pending before the Bankruptcy Court where the Bankruptcy Court was asked to resolve the agency agreement issues. On July 27, 2010, the Bankruptcy Court ruled in favor of ML Manager LLC on the agency issues and entered a Declaratory Judgment against the Rev-Op Group. ML Manager has filed an application for attorneys' fees as the prevailing party against the Rev-Op Group which has been set for hearing for September 28. The Rev-Op Group has filed an appeal of the Declaratory Judgment which is pending. A copy of the Declaratory Judgment is posted on the [www.mtgld.com](http://www.mtgld.com) website.

#### **Potential Tax Deduction Due to Potential Theft Loss**

We have retained the international accounting firm of PricewaterhouseCoopers LLC to provide advice regarding potential tax strategies relating to potential theft loss activities. They are interacting directly with the Internal Revenue Service and it is uncertain at this time when they will be in a position to render their advice and opinions. We will make appropriate disclosures upon receiving their final recommendations.

#### **Restated Operating Agreements for the MP Funds**

An amended and restated operating agreement has been completed for each of the MP funds. The amendment addresses a necessary update to the Exhibit A attached to each operating agreement. If you wish to receive an amended and restated operating agreement for your records, please contact Erica Jacob at 623-234-9569, or email your request to [ejacob@mtgld.com](mailto:ejacob@mtgld.com) and indicate whether you prefer to receive your document(s) by email or regular mail.

As you can see from the above report we believe that we are on the verge of producing substantial revenues that will allow us to pay off our expensive exit financing and return monies to the investors.

If you have any questions, do not hesitate to contact Karen Epstein at 480-948-6777 or [kme818@cox.net](mailto:kme818@cox.net) or Erica Jacob at [ejacob@mtgld.com](mailto:ejacob@mtgld.com) or 623-234-9569 for further assistance. Thank you for your support of our efforts.

Best Regards,

Elliott Pollack  
Chairman  
ML Manager LLC Board