

ML MANAGER LLC  
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Peoria, AZ 85381

January 19, 2011

ML MANAGER LOAN PORTFOLIO NEWSLETTER #14

Dear Investors:

As we begin the new year of 2011 we wanted to update you on the ongoing activities of ML Manager LLC. The following are the significant events since our last newsletter.

**Distribution of Funds to Investors**

We are very pleased to be able to provide you with news for which you have been waiting for quite some time. On January 11, 2011, the Bankruptcy Court approved the cost allocation model and the distribution of funds to investors. The judge's order will allow us to proceed to distribute the funds being held in the separate accounts for the Chateaux on Central (856905 and 857005), City Lofts (860806), Zacher-Missouri (857802), Newman I (7987S2), Newman II (856500), and Osborn III (851106) loans as of January 24<sup>th</sup> unless further legal proceedings prevent this from happening. We have retained Canyon State Servicing Co, LLC to service our loans and we are working with them to make sure the distribution of the funds goes smoothly.

**Transfers of Assets**

For various reasons such as estate planning, required minimum distributions, custodial release of assets, and Roth IRA conversions, you may elect to transfer your Mortgages Ltd. assets to a new entity. In accordance with our current process, a transfer of all or a portion of your assets to a new entity will only be effectuated and recognized by ML Manager LLC when all necessary paperwork has been completed and submitted for approval by ML Manager LLC.

Many of you have requested the necessary documentation, but have not submitted it back to us. Unless and until you have fully complied with the process, the transfer of interest will not be reflected in the records of ML Manager LLC. The failure to fully complete the process may result in a delay of receipt of distributions that may be due to you.

Please be sure to contact Erica Jacob by email at [ejacob@mtg ltd.com](mailto:ejacob@mtg ltd.com) or by phone at 623-234-9560 if you need to request the documentation to transfer your assets to a new entity or if you have any questions.

**Roosevelt Gateway (Loans 856605 and 859205)**

A Sale Agreement of these lands in downtown Phoenix has been signed by the ML Manager LLC Board for the sales price of \$3,085,138. The buyer has deposited \$100,000 into escrow. The buyer has until January 31, 2011 to complete its investigation of the properties and elect to proceed by depositing an additional \$100,000 into escrow. The closing is scheduled for March 2, 2011. The sale was overwhelmingly approved by the vote by members of RG I Loan LLC and RG II Loan LLC. The Rev Op Group filed an objection to the sale with the Bankruptcy Court, but the Bankruptcy Court overruled their objection and approved the sale.

### **Zacher – Rio Salado (Loan 855102)**

As reported in the last newsletter this property near Tempe Town Lake is in escrow to be sold for \$4.6 million. The buyer has deposited \$50,000 into escrow and is obligated to deposit an additional \$50,000 into escrow on January 28<sup>th</sup>. The closing is scheduled to occur on June 10<sup>th</sup>.

### **All State IX (Loan 861506)**

A Sale Agreement for these lands in Pinal County has been signed by the ML Manager LLC Board for the sales price of \$4,188,925. The buyer has deposited \$50,000 into escrow. The buyer has until February 14, 2011 to complete its investigation of the properties and elect to proceed by depositing an additional \$200,000 into escrow. The closing is scheduled for March 1, 2011. The sale is subject to the affirmative vote of the members of ASA IX Loan LLC and the approval of the Bankruptcy Court.

### **PDG Los Arcos, LLC (Los Arcos Crossing) (Loan 859305)**

A Sale Agreement for this property in Scottsdale has been signed by the ML Manager LLC Board for the sales price of \$6,400,000. The buyer has deposited \$250,000 into escrow and is obligated to deposit an additional \$150,000 into escrow on approximately March 13, 2011. It is necessary for the buyer to rezone the property, which will take several months. The closing is currently scheduled for September 22, 2011, but is subject to acceleration or extension depending upon the rezoning process. The sale is subject to the affirmative vote of the members of PDG LA Loan LLC and the approval of the Bankruptcy Court.

### **Central & Monroe, LLC (Hotel Monroe) (Loan 858606)**

A Sale Agreement of this property in downtown Phoenix has been signed by the ML Manager LLC Board for the sales price of \$7,750,000. This property is encumbered by a significant number of construction liens and we are working to resolve the lien issues. The sale is subject to the resolution of the lien issues and the affirmative vote of the members of C & M Loan LLC and the approval of the Bankruptcy Court.

### **MK Custom (Loans 839506 and 845006)**

Mortgages Ltd made two loans on this property. The first loan (839506) was for \$7,495,000 and the second loan (845006) was for \$2,500,000. We foreclosed on the second loan on December 14, 2010, subject to the continuing lien of the first loan. We immediately began marketing the house for sale and the ML Manager LLC Board has just signed a Sale Agreement with a buyer for the price of \$3,750,000. The property will be sold free and clear of all liens, however, it will be necessary to obtain the approval of up to three different Bankruptcy Courts due to the number of bankruptcy filings affecting this property and loans. There is a dispute regarding the validity of the lien of the first loan that will have to be resolved. This sale is subject to the affirmative vote of the members of MK I Loan LLC and MK II Loan LLC and the approval of the appropriate Bankruptcy Courts. The sale will be consummated as soon as the necessary approvals have been obtained.

### **National Retail (Loan 860905)**

This property in Litchfield Park has been marketed for the past several months and the ML Manager LLC Board has just selected the highest and best bid from the potential buyers submitting offers. We are working on finalizing and signing the Sale Agreement and expect to open escrow shortly.

### **Metropolitan Lofts, L.L.C. (Loan 860706)**

The borrower declared bankruptcy several months ago and the assets of the borrower are in the process of being liquidated. We reached an agreement with the Bankruptcy Trustee to jointly

market the property for sale. The property has been marketed by the national real estate firm of Cassidy Turley for the past several weeks. We have just received several offers from qualified buyers and we are in the process of selecting the highest and best offer.

#### **Centerpoint (Loans 857605 and 861905)**

We continue to work to resolve the title and mechanic lien issues that prevented the sale of Centerpoint from occurring last October. Last week the ML Manager LLC Board entered into a new Sale Agreement with the prior buyer as part of attempting to resolve the issues. While we remain hopeful that the various issues can be resolved, it remains uncertain as to whether or not a sale can be consummated at this time. The sale is subject to the affirmative vote of the members of Centerpoint I Loan LLC and Centerpoint II Loan LLC.

#### **Properties On the Market**

A complete list of the properties being actively marketed and the firms representing us is available on our webpage at [www.mtg ltd.com](http://www.mtg ltd.com).

#### **CS 11 Maricopa LLC and CGSR, LLC (Loans 832705 and 861105)**

Last month members of CS Loan LLC and CGSR Loan LLC were asked to vote to approve a Forbearance Agreement affecting these two loans and the guarantors Chuck Sorensen and Jeff Lipton. The investors in both loans overwhelmingly approved the Forbearance Agreement. A payment of \$200,000 was paid to us in accordance with the terms of the Forbearance Agreement and we are anticipating the second installment of \$1.8 million within the next 60-90 days.

#### **Sojac (Loan 857106)**

This borrower declared bankruptcy several months ago. The guarantors of this loan have provided financial information that indicates that their net worth has decreased dramatically and may not be positive. We have financial experts reviewing the information. Dale Jensen has made an offer to stipulate to a judgment, which the ML Manager Board deems to be inadequate. We will continue to do our utmost to collect as much money as possible for the investors. However, it is without question that his financial resources are a fraction of what they were when the loan was made and that he has multi-million dollar judgments against him and his wife.

#### **Wolfswinkel (Loans 850206, 857306, 857406, 858006, 859606, 861206)**

These loans are scheduled for foreclosures during the second half of this month. Serious settlement negotiations are underway between the ML Manager LLC Board and the borrowers and guarantors. We expect to obtain ownership to these properties in the near future either through foreclosures or voluntary conveyances. The potential settlement includes the agreement of the borrowers and guarantors to substantial deficiencies, with additional security being provided to insure the ultimate payment of the deficiencies. We hope to finalize the settlement within the coming weeks.

#### **Recent Foreclosures**

CS 11 Maricopa, LLC fka Panwebster Holdings, LLC (Loan **832705**, Chuck Sorensen is the principal) deeded the property to us by deed in lieu of foreclosure in December. The property is currently being marketed for sale by Nathan & Associates.

### **Pending Foreclosures**

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

#### **February 1, 2011**

ABCDW, LLC (Loans **850206** and **857306**, Conley Wolfswinkel is the principal)

#### **February 2, 2011**

Vistoso Partners, LLC (Loans **857406** and **858006**, Conley Wolfswinkel is the principal)

#### **February 3, 2011**

ABCDW, LLC (Loan **861206**, Conley Wolfswinkel is the principal)

#### **February 8, 2010**

Zacher – Maryland (Loan **857802**, Rich Zacher is the principal)

Rightpath Limited Development Group, LLC (Loans **858406** and **859806**, Robert Banovac and Danny Hendon are the principals)

Maryland Way Partners, LLC (Loan **858506**, Robert Banovac and Danny Hendon are the principals)

### **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. We continue to attempt to obtain permission from the bankruptcy court to complete the foreclosures, but the timing is uncertain at this time.

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)

Riverfront Commons LLC/Cottonwood (Loan **853705**, Glen Morrison is the principal)

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

SOJAC I, L.L.C. (Loan **857106**, Dale Jensen, Joe Pinsonneault and Brad Yanover are the principals)

### **Ballots in Bankruptcies**

Some of you may have received ballots relating to the bankruptcy cases of Riverfront Commons, LLC, Foothills Plaza IV, LLC, Citrus 278 LLC and Northern 120, LLC. In these cases [involving three separate bankruptcy judges] the Bankruptcy Court issued a definitive ruling regarding the extent of ML Manager LLC's agency authority, which ruling provided that ML Manager LLC has the right to 1) cast ballots on behalf of all investors (including pass through investors) accepting or rejecting any plan of reorganization; 2) make the 1111(b) election on behalf of all investors; 3) make any treatment election on behalf of all investors that any plan of reorganization provides; and 4) receive all payments under any plan of reorganization which are directed to all investors and to distribute such funds received to the investors pursuant to the confirmed Mortgages Ltd. Plan of Reorganization. The borrowers in each of these cases have appealed the rulings by the Bankruptcy Court. However, the agency rulings by the Bankruptcy Courts are controlling unless and until they are reversed on appeal, which outcome ML Manager LLC believes to be unlikely. In the interim, ML Manager LLC will cast ballots on behalf of all investors rejecting the pending Plans of Reorganization in the four

borrower bankruptcies. Accordingly, there is no need for any investors to file ballots on any of these pending Plans of Reorganization.

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

As reported in prior newsletters, we have retained the international accounting firm of PricewaterhouseCoopers LLC ("PwC") to provide advice regarding potential tax strategies relating to fraudulent activities. They met with the IRS in September 2010 and subsequently requested a private letter ruling on behalf of an investor. They have remained in regular contact with the persons at the IRS working on of this issue. The IRS will not commit to issue its decision by any particular date, and it is not possible to know when they will issue their decision. PwC spoke with the IRS at the end of last week and will contact the IRS again in early February for an update. We will naturally let you know as soon as the IRS decision is issued.

**K-1s**

ML Manager LLC is working with an outside CPA firm on the preparation of K-1s for 2010. Due to the activity in 2010 related to the various Trustee's Sales and sale of property, the K-1s will be more complicated to prepare this year. We are committed to sending these out to all MP Fund and Loan LLC members as quickly as possible and in advance of the April 15, 2011 deadline.

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@mtgltd.com](mailto:ejacob@mtgltd.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