

ML MANAGER LLC

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February 14, 2013

ML MANAGER LLC NEWSLETTER #28

Dear Investors:

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

**Theft Losses**

As reported previously, we recently received a memorandum from the IRS referred to as a "Chief Counsel Advice" or "CCA" indicating that 2009 was the year of discovery for reporting theft losses for one of the nine MP Funds. The CCA does not address the other eight MP Funds or any of the other Mortgages Ltd. investors. Our representatives have had subsequent discussions with the IRS in which it was indicated that, despite the issuance of the CCA, the IRS has not made final decisions with respect to Mortgages Ltd. regarding (i) the correct parties to claim theft losses, or even (ii) the year for which the theft losses should be claimed. Accordingly, we are recommending that all investors who have not previously filed original or amended tax returns claiming theft losses for the 2009 (or for earlier tax years) consult with their tax professionals about the advisability of filing amended tax returns for 2009 claiming theft losses with respect to their direct or indirect investment in loans originated by Mortgages Ltd. This recommendation supersedes all prior communications suggesting that investors should refrain from filing amended returns until further clarification is received from the IRS or accountants engaged by ML Manager LLC. Those clarifications will not be received before the time expires for filing amended tax returns claiming theft losses for 2009.

THE STATUTE OF LIMITATIONS FOR FILING AMENDED RETURNS FOR 2009 EXPIRES ON APRIL 15, 2013 FOR INDIVIDUALS AND ON MARCH 15, 2013 FOR CORPORATIONS AND CERTAIN OTHER ENTITIES (INVESTORS WILL NEED TO DETERMINE THEIR OWN STATUTES OF LIMITATIONS). WHILE FILING AN AMENDED RETURN CLAIMING A THEFT LOSS DOES NOT GUARANTY A REFUND, THE FAILURE TO FILE A TIMELY AND ACCURATE AMENDED RETURN COULD TERMINATE ANY POSSIBILITY OF OBTAINING A REFUND FOR THEFT LOSSES. FOR A NUMBER OF INVESTORS, THE AMOUNT OF THE POTENTIAL REFUND WITH RESPECT TO THEFT LOSSES COULD EXCEED ALL OTHER POTENTIAL RECOVERIES COMBINED FROM PROPERTY SALES, LEGAL ACTIONS AGAINST PROFESSIONALS AND OTHER SOURCES. IT IS THUS IMPERATIVE THAT INVESTORS CONSULT WITH COMPETENT PROFESSIONAL TAX ADVISORS TO ENSURE THAT ANY CLAIMS PREVIOUSLY FILED BY INVESTORS FOR REFUNDS

HAVE BEEN PROPERLY COMPLETED AND/OR TO OBTAIN ASSISTANCE IN FILING AMENDED RETURNS FOR 2009 TO PROPERLY CLAIM REFUNDS.

We have posted on our webpage a memorandum dated February 13, 2013, prepared by Fennemore Craig, P.C. that is addressed to our board of managers. The memorandum includes information that may be useful to investors and their tax advisors, but it is not a substitute for independent advice from investors' own tax advisors. We have also posted on our webpage a copy of the CCA referred to above. The CCA provides additional information and analysis that should be helpful to investors and their tax advisors as they evaluate theft loss issues. The effect of the CCA is discussed in greater detail in the Fennemore Craig, P.C. memorandum. Our webpage is [www.mtglltd.com](http://www.mtglltd.com) and there is an "IRS Theft Loss Tax Information" tab next to ML Manager LLC.

Some investors continue to receive phone calls and mass mailing solicitations from groups (including a group called Investment Tax Recovery, Inc.) wanting to represent them in connection with tax matters. We have not provided your names or addresses to any of these groups and are not endorsing their proposed services or those of any other potential tax advisors. We urge you to use caution as you select your tax advisors, to confirm their credentials and to obtain recommendations from people you know and trust to assist in your selection. There are significant tax issues to address and individual circumstances may vary, so it is important to obtain individual advice that is tailored to your specific needs.

#### **Fifth Distribution of Cash**

We are working on the next distribution of cash to investors. The loans that are involved in the next distribution are McKinley Lofts, 4633 Van Buren, All State IX, Foothills Plaza, Maryland Way, ABCDW II, CGSR, Vistoso I and Tempe Land. However, not all of these loans will have sufficient sales proceeds to make distributions to investors. Also, the repayment of the replacement loans will continue. We will make the distribution as soon as we have received the approval of the Bankruptcy Court. The timing is not yet known, but we hope it will be within the next 60 days.

#### **Issuance of K-1's**

Our outside CPA firm is working on the preparation of K-1s for the 2012 tax year. The K-1s continue to be complicated. We are required to send out the K-1 tax returns to all MP Fund and Loan LLC members on or before April 15th and we do not expect the returns to be completed until shortly before April 15th. At the time that the 2012 Schedule K-1s are complete, they will be distributed by regular mail only to the primary contact's mailing address that we have on file for each investor. Our limited staff will not be able to distribute copies of the tax documentation by either email or facsimile. Thank you for your understanding.

#### **Foothills Plaza (Loan 853106)**

The sale of this approximately 291 acre parcel in Mesa, Arizona was consummated on January 29, 2013 for a price of \$6,547,500.

#### **Vistoso I (Loan 857406)**

The sale of approximately 26 acres of property in Oro Valley, Arizona was consummated on \$3,441,100 on January 22, 2013. The remaining 26 acres of multi-family land is being marketed for sale.

**70th Street Property, L.L.C. (Loan No. 861706)**

The sale of the approximately 1.58 acres of unimproved land near Osborn on 70th Street in Scottsdale, Arizona was consummated on December 27, 2012 for a price of \$875,000.

**HH20 (Loan 858305)**

The sale of the approximately 31,616 square feet of property to widen the Hunt Highway was approved by the members of the HH Loan LLC and the Bankruptcy Court. The closing will occur shortly after the Pinal County Supervisors approve the sale.

**Rodeo Ranch (Loan 857906)**

We have entered into a sale agreement for the remaining 17 finished lots in this subdivision in Casa Grande, Arizona. The sales price is \$306,000 and the closing is scheduled for March 19, 2013. The sale is subject to the affirmative vote of the members of RRE I Loan LLC.

**Cottonwood Parking (Loan 853705)**

We obtained a \$16.7 million judgment against the borrower and guarantors of this loan. We had previously retained a debt collection firm to pursue several of our debtors and asked them to pursue the Cottonwood borrower and guarantors. As a result of their efforts we entered into an agreement to sell the judgment to an entity affiliated with one of the guarantors for the sum of \$4 million. Thereafter, our exit lender exercised its right to complete to purchase the judgment and there have been a few rounds between the parties bettering the price and sales terms. We expect to identify the buyer of the judgment soon. The sale of the judgment would be subject to the affirmative vote of the members of CP Loan LLC and the approval of the Bankruptcy Court.

**Rightpath II (Loan 859806)**

We have entered into a sale agreement for the approximately 60 acre unimproved property in far west Phoenix, just north of the Dodgers/White Sox spring training facilities. The buyer is seeking to re-zone the property and the closing would not occur for approximately 9 months. We have also selected a purchaser for the approximately 16 acre unimproved property in far west Phoenix, just west of the Dodgers/White Sox spring training facilities. We are in the process of negotiating and signing the sale agreement. The buyers' are unrelated and are not conditioned on each other. The sale agreements will be subject to the affirmative vote of the members of RLD II Loan LLC and the Bankruptcy Court.

**ABCDW, LLC (Loan 850206)**

We have selected a purchaser for the approximately 9,500 acres in southern Pinal County. The sale will be a short sale. We are in the process of finalizing the sale agreement. The sale agreement will be subject to the affirmative vote of the members of ABCDW I Loan LLC and the Bankruptcy Court.

**ABCDW, LLC (Loan 861206)**

We have selected a purchaser of this property consisting of approximately 4,000 acres located on the edge of Sierra Vista, Arizona. This sale will be a short sale. A sale agreement has been negotiated and should be signed within the next few days. The sale agreement will be subject to the affirmative vote of the members of ABCDW III Loan LLC and the Bankruptcy Court.

**Town Lake (Loan 861305)**

We have selected a purchaser for this property located in Tempe, Arizona near the Tempe Town Lake. We are in the process of finalizing the sale agreement. The sale agreement would be subject to the affirmative vote of the members of TLDP Loan LLC and the Bankruptcy Court.

**300 E. Camelback (Loans 794402 and 794402)**

We are reviewing offers and negotiating the sale of these two notes secured by property located in central Phoenix. Trustees sales have been scheduled for March 15, 2013 for both deeds of trust. Any sale would be subject to the affirmative vote of the members of 300 EC Loan LLC and the Bankruptcy Court.

**Citrus 278/Northern 120 (Loans 72005 and 72006)**

We obtained a judgment against Stephan Kohner, his wife and the borrowers in excess of \$86 million. We have commenced collection efforts.

**Updating 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](mailto:mortgagesinfo@mtgltd.com).

**Remaining Properties.**

The following are the other properties that remain unsold:

Rightpath Limited Development Group, LLC (Loan 858406)

The remaining property consists of approximately 5 acres of unimproved property on the south side of Glendale Avenue, near the Glendale airport. This property is currently being marketed by Arizona Commercial Real Estate.

Vistoso Partners, LLC (Loan 857406)

The remaining 26 acre parcel is planned for apartment development. It is located in Oro Valley, Arizona. This property is being marketed by Land Advisors Organization from their Tucson office.

Vistoso Partners, LLC (Loan 858006)

This unimproved property in Oro Valley, Arizona consists of several single family residential parcels.

Maximum Management (Loan 7465S6)

This is a loan that is currently performing. The loan matures in 2018.

Vanderbilt Farms, L.L.C (Loan No. 859606)

This property is approximately 115 acres located in Queen Creek, Arizona. This property is the subject of a General Plan Amendment scheduled for approval by the Town of Queen Creek on February 20<sup>th</sup>.

Bisontown (Loan 852806)

The remaining property consists of a small parking parcel.

**If you have any questions, you may contact our office at 623-234-9560 or via email at [mortgagesinfo@mtgltd.com](mailto: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