

ML MANAGER LLC  
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December 19, 2011

ML MANAGER LLC LOAN PORTFOLIO NEWSLETTER #21

Dear Investors:

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

**IRS Ruling**

As reported in previous newsletters, ML Manager retained PricewaterhouseCoopers ("PWC") to represent us in seeking assistance from the IRS relating to potential theft loss deductions in connection with investments in Mortgages Ltd. We are pleased to inform you that the IRS just issued Revenue Procedure 2011-58 that we believe will significantly benefit many investors. As with most tax matters numerous, complex issues arise in connection with this new revenue procedure. We have retained PWC to provide us with a formal professional opinion and advice on several issues. Some of the issues that PWC will address are which investors' returns can and should be amended to claim a theft loss (i.e., should it be the pass-through investors' individual returns, the returns filed by the Loan LLCs and/or the returns filed by the MP Funds) and, if amendments are appropriate, for which tax years should they be filed. The work of PWC has already begun and we will update you as this work progresses.

As always, we urge you to discuss this and all tax matters with your own professional tax advisors. **We do, however, ask that you refrain from filing amended returns until PWC completes its work.** We are placing more detailed information concerning the tax matters on our web page:

<http://www.mtg ltd.com/webs/MLMNews/IRS%20Theft%20Loss%20Tax%20Information/>

You can review a memorandum from our tax attorney, Gregg Hanks, both of the relevant IRS revenue procedures and documents from the Arizona Department of Financial Institutions and the Securities and Exchange Commission. We realize that you and your tax advisors may have many questions. We will attempt to answer the questions as best we can, but ask that you hold your questions until PWC is able to analyze the numerous issues and provide guidance. Again, we believe the action by the IRS to be a very positive result and we are anxious to complete the necessary analysis and work so that the investors can benefit from this new revenue procedure.

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

The sale of this property was consummated on November 30<sup>th</sup> for the sales price of \$6,400,000.

**VCB (Loan 856805)**

The sale of this property was consummated on December 8<sup>th</sup> for a sales price of \$1,200,000.

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

The sale of the fourth house within this subdivision in Casa Grande was consummated on December 8<sup>th</sup> for a price of \$250,000.

### **Exit Loan Balance**

The principal balance of the exit loan has now been paid down to zero. Under the terms of the loan agreement we remain obligated to pay a disposition fee to the exit lender that is capped at \$7.5M. The current remaining balance of this fee is approximately \$3.5M. No additional interest is payable on this remaining balance to the exit lender. Recall that most of the funds otherwise payable to the Loan LLCs upon the sales of each property were used to pay down the exit loan. The amounts that exceed the proportionate share of each Loan LLCs share of the exit loan will be repaid to the investors in the Loan LLCs. We generally refer to these obligations as replacement loans. These amounts will be repaid to the Loan LLCs as future properties are sold and interest is accruing on these loans at a rate of 17.5%.

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

We have adopted a process to resolve the dispute regarding the validity of the lien of the first loan. Once the dispute is resolved, the sale proceeds can be distributed to the appropriate investors.

### **Portales Place (Loan 852606)**

The buyer elected to terminate the sale agreement for this property in central Scottsdale due to issues with the adjoining property owner. We are asserting our legal rights against the adjoining property owner and hope to resolve this issue in our favor. Additionally, the buyer is still making efforts to resolve the issues and continues to desire to purchase the property. The sale of the property may not occur until the legal dispute is resolved, which may take several months.

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

After entering into a sale agreement for the purchase of this property in southeast Mesa, the exit lender elected to terminate the agreement and not proceed with the purchase. We are currently working with another buyer and hope to have the property back under contract shortly.

### **Northern 120 (Loan 849206) and Citrus 278 (Loan 849306)**

We have entered into a sale agreement for these adjoining properties consisting of 392 acres northwest of Phoenix. The sales price is approximately \$5.79M (\$14,750/acre). The sale agreement is subject to the affirmative vote of the members of Citno Loan LLC, the Nocit Loan LLC and the Bankruptcy Court. The Bankruptcy Court hearing to approve the sale is December 19<sup>th</sup>. The buyer's feasibility period expires on January 4<sup>th</sup> and closing would occur on January 19<sup>th</sup>.

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

We have entered into a sale agreement for this property near Dysart and Camelback. The sales price is \$2,300,000. The sale agreement is subject to the affirmative vote of the members of NRDP Loan LLC and the Bankruptcy Court. The Bankruptcy Court hearing to approve the sale is December 19<sup>th</sup>. The closing is scheduled to occur in mid January.

### **Zacher Maryland (Loan 857802)**

The sale of this property in central Phoenix received the affirmative vote of the members of ZDCIII Loan LLC and the approval of the Bankruptcy Court. We are working with the buyer to attempt to close the sale within the next few weeks.

#### **HH20 (Loan 858305)**

We have entered into a sale agreement to sell 5 of the 20 acres of this property located in Pinal County. The sales price is \$300,000. The sale agreement will be subject to the affirmative vote of the members of the HH Loan LLC and the Bankruptcy Court. If the buyer elects to proceed with the purchase, the sale is scheduled to close in early April.

#### **SOJAC I (Loan 857106)**

This property in downtown Phoenix was been marketed for sale for the past many weeks. We have just received several offers and are engaged in the process of identifying the highest and best offer.

#### **Metropolitan Lofts (Loan 860706)**

We have reached a settlement with the bankruptcy trustee that will allow us to foreclose upon the property. The Bankruptcy Court hearing to approve the settlement is scheduled for December 19<sup>th</sup>. The settlement is subject to the affirmative vote of the members of Metro Loan LLC. The foreclosure will occur shortly after the approval of the Bankruptcy Court and investors. We have resumed our efforts to market the property for sale.

#### **Town Lake Development Partners (Loan 861305)**

This property is subject to a significant amount of assessments, which have gone unpaid for the past few years. The City of Tempe attempted to foreclose the lien of one of the assessments. In order to stop the City from foreclosing on the property, TLDP Loan LLC filed for bankruptcy protection under Chapter 11. Notwithstanding the bankruptcy filing, we continue our efforts to identify a purchaser for the property.

#### **Riverfront Commons/Cottonwood (Loan 853705)**

The trustee's sale for this property occurred on November 10<sup>th</sup>. We are currently in discussions with a potential purchaser of the property.

#### **Next Distribution to Investors**

Funds are being held in separate accounts for the Arizona Commercial, PDG Los Arcos, Rodeo Ranch, Bisontown, and VCB properties and are available for distribution. We are waiting to see if the Zacher Maryland and Portales sales are consummated in the near term. We are reviewing the allocation model against actual expenses to verify that the assumptions remain valid. The appropriate share of costs attributable to each loan will be deducted from the proceeds prior to distribution. ML Manager LLC intends to make the distributions through our servicing agent, Canyon State Servicing Co., LLC, as soon as practical during the first quarter of 2012.

#### **Number of Properties Sold**

So far we have sold approximately fifteen properties, seven are currently in escrow and approximately twenty remain to be sold

#### **Valuation of Interests**

Several of you have contacted us about the need to value your investments. As you should recall, ML Manager retained Henry & Horne, LLP, Certified Public Accountants,

to prepare valuations of the investments approximately one year ago. The Henry & Horne, LLP valuations continue to be available on a secure website and by regular mail for your use. There are security procedures in place to protect the information. If you would like to obtain a valuation of an investment by mail for your use or the use of a tax advisor, you may complete the required written request form and mail it to ML Manager LLC. Upon receipt of the completed and signed form, you will receive log in information to access the valuations online on a secure website or you may request the information be sent to you by mail. Please keep in mind the valuations are dated October, 2010 and are the only valuations available.

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). Please also feel free to contact Karen Epstein at 480-948-6777 or [kme818@cox.net](mailto:kme818@cox.net). It is much more efficient for us to respond to written questions and we ask whenever possible, please communicate with us via email.

Thank you for your support of our efforts.

Best Regards,

Elliott Pollack  
Chairman