

ML MANAGER LLC  
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May 31, 2012

ML MANAGER LLC LOAN PORTFOLIO NEWSLETTER #23

Dear Investors:

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

**Metropolitan Lofts (Loan 860706)**

The sale of this partially improved property in central Phoenix was consummated on April 30th for a sales price of \$2,700,000.

**CS11 (Loan 832705)**

The sale of this approximately 835 acre property in Pinal County was consummated on April 30th for a sales price of \$2,160,000.

**SOJAC I (Loan 857106)**

The sale of this property in downtown Phoenix was consummated on May 4th for the sales price of \$4,750,000.

**HH20 (Loan 858305)**

The sale of 5 of the 20 acres of this property located in Pinal County was consummated on May 11<sup>th</sup> for a price of \$300,000.

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

The sale of this unfinished retail property in Cottonwood, Arizona was consummated on May 23<sup>rd</sup> for a price of \$2,850,000.

**Pearce Farm (ABCDW I Loan 850206)**

The sale of this 1,800 acre property in Pinal County was consummated today for a price of \$5,500,000. This property is part of the 12,000 acre La Osa Ranch.

### **Exit Loan Payoff**

We are pleased to inform you that the entire balance of the Exit Loan, including the Disposition Fee, has been paid in full. Additionally, the most recent distribution to the investors included payments on the replacement loans (The amounts previously paid by Loan LLCs upon the prior sales of properties that exceeded the proportionate share of each Loan LLCs obligation to repay the exit loan). Although the exit loan has been fully repaid, please remember that we continue to have significant carrying costs. The current total of the replacement loans is approximately \$17.7M. These loans are accruing interest at an annual rate of 17.5%. Additionally, the property taxes for most of the properties have not been paid for the past 3-4 years and are accruing interest at an annual rate of 16%. The replacement loans will be repaid to the Loan LLCs as future properties are sold.

### **Central and Monroe (Loan 858606)**

This property in downtown Phoenix is subject to a Sale Agreement for the sales price of \$7,000,000. The sale agreement received the affirmative vote of the members of the C&M Loan LLC and the Bankruptcy Court. The buyer has until June 19<sup>th</sup> to determine if it is going to proceed with the purchase. The sale is scheduled to close on July 5<sup>th</sup>. Significant disputes remain with the general and subcontractors that worked on this project regarding the priority of liens. The net sales proceeds will remain in escrow until these disputes are resolved, which may take many months.

### **Rightpath II (Loan 859806)**

We entered into a Sale Agreement for approximately 60 acres of this property located north of the Dodgers/White Sox spring training stadium in west Phoenix for a sales price of approximately \$5,220,000. We continue to market the remaining 16 acres of property that is part of this loan. The buyer has until July 31<sup>st</sup>, to complete its analysis of the property and determine if it desires to proceed with the purchase. The sale agreement is subject to obtaining the affirmative vote of the members of the RLD II Loan LLC and the Bankruptcy Court. The buyer's obligation to purchase the property is subject to obtaining a final plat for a residential subdivision from the City of Phoenix. The closing would likely not occur until around January 1, 2013.

### **Remaining Properties**

The following are the properties that have not yet been sold and a brief description of each property.

#### **Town Lake Development Partners, L.L.C. (Loan No. 861305)**

This property is less than one acre of unimproved land near the Tempe Town Lake. It is presently restricted for development as a high rise luxury hotel. The unpaid taxes and assessments are extremely high relative to the potential value of the property. We filed a chapter 11 bankruptcy for TLDP Loan LLC to stop the City of Tempe from foreclosing one of several assessments on the property. HREC Investment Advisors is currently

marketing the property for sale. We have been attempting to sell this property for over one year.

All State XVI (Loan 859506)

This property consists of approximately 505 acres of raw desert. We have been attempting to sell this property for approximately 2.5 years. This property is currently being marketed for sale by Cassidy Turley.

All State IX (Loan 861506)

The remaining property consists of approximately 80 acres of raw desert. This property adjoins the All State XVI property and is also being marketed for sale by Cassidy Turley.

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

This property is approximately 1.58 acres of unimproved land near Osborn on 70th Street in Scottsdale, Arizona. This property has been marketed for sale for approximately 20 months. The property is currently being marketed by Hendricks & Partners.

4633 Van Buren, LLC (Loan 860506)

This property consists of approximately 6.48 acres of unimproved property in central Phoenix. We have been attempting to sell this property for approximately 2.5 years. This property is being marketed by Land Advisors Organization.

McKinley Lofts, LLC (Loan 860606)

This property is an approximately 5 acre unimproved property in central Phoenix. We have been attempting to sell this property for approximately 2.5 years. The property is currently being marketed by Arizona Commercial Real Estate.

Foothills Plaza (Loan 853106)

This property is approximately 311 acres of unimproved industrial land located in Mesa, Arizona. It has attracted significant interest and has been in escrow previously. The property is being marketed by BLC Realty Advisors.

Rightpath Limited Development Group, LLC (Loans 858406)

This property consists of approximately 36 acres of unimproved property west of 99th Avenue in Glendale, Arizona. This property has been marketed for approximately one year. This property is currently being marketed by Nathan & Associates.

Rightpath Limited Development Group, LLC (Loan 859806)

The remaining approximately 16 acres of property (exclusive of the 60 acres discussed above) is located in west Phoenix. The property is currently designated as park/open space and will need to be re-zoned by potential buyers. This property has been marketed by Cassidy Turley for approximately 10 months.

Maryland Way Partners, LLC (Loan 858506)

This property consists of approximately 24 acres of unimproved property at the southwest corner of Maryland and the 101 in Glendale, Arizona. This property has been marketed for approximately one year. This property is currently being marketed by Nathan & Associates.

HH20 (Loan 858305)

After the sale described above, this property consists of approximately 15 acres of unimproved property along the Hunt Highway in Pinal County. This property has been marketed for sale for approximately 22 months.

ABCDW, LLC (Loan 850206)

This property is the remaining approximately 10,000 acres (exclusive of the Pearce Farm, which is discussed above) of raw desert in southern Pinal County. We are in the process of selecting a new firm to market this property for sale. We are working on a global settlement with all of the Wolfswinkel entities and have not yet foreclosed on this property.

ABCDW, LLC (Loan 857306)

This property is approximately 320 acres of farm land in Maricopa, Arizona. This property is being marketed by Land Advisors Organization. We are working on a global settlement with all of the Wolfswinkel entities and have not yet foreclosed on this property.

ABCDW, LLC (Loan 861206)

This property is approximately 4,000 acres located on the edge of Sierra Vista, Arizona. We have not yet foreclosed on this property pending the finalization and approval of a settlement agreement with the Wolfswinkel entities. We are in the process of selecting a company to market this property for sale. We are working on a global settlement with all of the Wolfswinkel entities and have not yet foreclosed on this property.

Vistoso Partners, LLC (Loan 857406)

This unimproved property in Oro Valley, Arizona consists of two parcels. One parcel is entitled for apartment development and the other parcel is entitled for single family residential development. We have not yet foreclosed on this property pending the finalization and approval of a settlement agreement with the Wolfswinkel entities.

Vistoso Partners, LLC (Loan 858006)

This unimproved property in Oro Valley, Arizona consists of several single family residential parcels. We have not yet foreclosed on this property pending the finalization and approval of a settlement agreement with the Wolfswinkel entities.

Rodeo Ranch Estates (Loan 857906)

The remaining property consists of 17 improved lots. Cityocity Commercial is currently marketing the lots for sale.

CGSR, L.L.C. (Loan No. 861105)

This property is 789 acres of raw desert in Pinal County. This property has been marketed for sale for over 19 months. We have not previously received any acceptable offers, however we are currently negotiating terms with a potential purchaser.

44<sup>th</sup> & Camelback Property, LLC (Loan 849606 and 852406)

These loans are in second position behind a loan by Parkway Bank in the current amount of approximately \$20M. It appears that the value of the property is substantially less than the amounts owed to Parkway Bank. Parkway Bank has begun the process to foreclose its deed of trust. We are considering whether to file bankruptcy for the two 44th street Loan LLCs.

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

These two loans are current, however, the past several payments have been late. It remains to be seen if these two loans will be fully repaid. The loans mature at the end of July.

#### 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 not currently being marketed as is the subject of a dispute with the Mortgages Ltd 401k Plan as to whether or not ML Manager is the agent for the Plan and whether the Plan has to pay its share of the Allocated Costs of this property. There are several other loans involving the Mortgages Ltd 401k Plan that are also subject to the same dispute.

#### Bisontown (Loan 852806)

The remaining property consists of a small parking parcel. This property is the subject of a dispute with the Mortgages Ltd 401k Plan as to whether or not ML Manager is the agent for the Plan and whether the Plan has to pay its share of the Allocated Costs of this property.

### **Business Plans for Remaining Properties**

In our Newsletter #10 we stated that once the Exit Loan was paid off we expected that each loan would be given the opportunity to determine whether or not the investors in the loan desired to attempt to find a way to pay the allocated share of the costs of the bankruptcy and the past and future operating costs for the property. Since our Newsletter #10 in July 2010, the Allocation Model that allocates the costs to each loan has been approved by the Bankruptcy Court, we have sold about 30 of the properties and we have made 3 distributions to investors of the net proceeds. We are in the process of repaying the replacement loans owed by Loan LLCs to other Loans LLCs with about \$17.7 million in replacement loans still outstanding that will need to be paid by the remaining unsold properties.

For the remaining loans with unsold properties, the question is whether the investors in that loan are willing to make additional contributions or loans or to authorize third party loans on behalf of all the investors in the loan (both in the Loan LLC, MP Funds and the pass-through investors who are not in the Loan LLC) to pay the total estimated allocated costs (including the replacement loan owed by that Loan LLC) and all of the loan specific costs for that loan plus future operating costs and taxes so that they can continue to have ML Manager hold the property and not sell it. We are well aware and remind you that no members in the Loan LLCs or the MP Funds are obligated or can be required to make additional capital calls or contributions. Also we remind you that to obtain a third party loan the pass-through investors who are not in the Loan LLC would likely be asked to pledge their interests along with the Loan LLC to obtain a loan. So raising the funds for all the investors in the loan has its challenges.

As you can see from the property summaries above, most of the remaining unsold properties have been marketed for extended periods of time. While we expect to be able to sell most of the properties there are many properties that are not expected to

generate enough proceeds to pay their full share of the total costs estimated to them under the Allocation Model and to pay their loan specific costs (which includes their real property taxes and interest). In addition a few of the properties are in jeopardy of foreclosure by senior lienholders and tax lien holders. Without the ability to raise such additional funds for the benefit of all the investors in the loan, ML Manager will need to continue to market and sell the properties.

ML Manager is willing to consider appropriate ways for the investors in a loan to raise additional capital or obtain additional loans to satisfy the obligations of the Loan LLC, MP Funds and the pass-through investors in the loan so that the maximum amount can be obtained for all investors in the loan. Please contact Mark Winkleman, Chief Operating Officer of ML Manager at (623) 234-9562 to discuss it further.

### **Theft Losses and K-1s**

As reported earlier, upon the advice of PricewaterhouseCoopers ("PWC") we are filing amended tax returns (administrative adjustment requests) for the 9 MP Funds, claiming theft losses for the 2009 tax year. Eight of the amended returns have already been filed and the final amended return will be filed on Friday, June 1. PWC has met with the IRS to discuss the amended return that was filed several weeks ago for MP13. The IRS is considering whether it agrees that 2009 is the appropriate year of discovery for the theft loss. The Phoenix office of the IRS is requesting direction from the IRS's national office in Washington DC regarding the correct year of discovery. The direction from the national office will probably not be issued for a few months. We will let you know when it is issued.

We do not plan to amend the 2010 MP Fund returns until the IRS's national office provides direction to the Phoenix office on the year of discovery issue and on the MP Funds' 2009 amended returns.

As reported earlier, we filed for extensions of time within which to file the 2011 tax returns for the MP Funds and Loan LLCs. The theft loss issue significantly complicates the filing of the 2011 tax returns. The status of pending tax returns for the Loan LLCs is as follows:

Preparation of the 2011 tax returns is underway for 37 of the Loan LLCs that did not have foreclosures on their properties in 2011 and we expect to start issuing K-1s for these Loan LLCs in about 4 weeks.

The following 8 Loan LLCs had trustees' sales (foreclosures) in 2011: (1) Citno Loan LLC, (2) CP Loan LLC, (3) FP IV Loan LLC, (4) MWP Loan LLC, (5) Nocit Loan LLC, (6) RLD I Loan LLC, (7) RLD II Loan LLC, and (8) TLDP Loan LLC. As described in greater detail below, we need additional information from investors before the 2011 tax returns can be filed for these 8 Loan LLCs.

Centerpoint I Loan LLC, Centerpoint II Loan LLC and MK II Loan LLC had foreclosures in 2010 that were not reflected on the tax returns filed for those entities for the 2010 tax year. Amended tax returns must be prepared and filed for these three Loan LLCs for the 2010 tax year before the 2011 tax returns can be completed. We need additional

information from investors, as described below, before the amended 2010 tax returns can be filed for these 3 Loan LLCs.

To file the most accurate tax returns and amended tax returns as possible for the 11 Loan LLCs identified in the two preceding paragraphs, we need to obtain information from each of their respective pass-through investors regarding certain theft or other losses they may have claimed. This information is needed because the amount of the investors' previously-claimed losses will affect the gain or loss to be recognized by these 11 Loan LLCs on their foreclosures. We will be soliciting information from each pass through investor who is a member of these 11 Loan LLCs. The form of the solicitation is being finalized and will be sent out within the next couple of weeks.

The process for filing tax returns for the Loan LLCs and MP Funds is complex and we are hoping to get guidance from the IRS regarding these returns. In all likelihood the 2011 returns for the MP Funds and for the 11 specific Loan LLCs identified above will not be filed until September. We are sorry about this delay, but the nature and complexity of the issues do not permit us to act any sooner. We will continue to keep you advised as we receive feedback from the IRS.

### **Staffing**

Veronica Sas has accepted a position with another company, but continues to assist us on a part time basis. We now have only two full time staff members and we appreciate your understanding of our limited resources as we continue our service to the investors.

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