

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ARIZONA

In re  MORTGAGES LTD.,  Debtor.	Chapter 11  Case No. 2:08-bk-07465-RJH  <b>NOTICE OF HEARING AND OBJECTION DATE</b>  <b>Hearing Date: Sept. 21, 2010</b> <b>Hearing Time: 1:30 p.m.</b>
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NOTICE IS GIVEN THAT ML Manager LLC ("ML Manager") upon direction of the Court has filed a "(1) Notice of Lodging Allocation Model to be Used with regard to the Newman Loan Investors, (2) Notice that Allocation Model has General Applicability to All Investors, and (3) Motion to Approve Allocation Model" ("Notice") on September 1, 2010. A copy of the complete pleading can be found on the website maintained by ML Manager located at [www.mtg ltd.com](http://www.mtg ltd.com). To the extent that there are objections, they must be filed on or before September 10, 2010. A hearing will be held on the Notice and on any objections on September 21, 2010 at 1:30 p.m. before the Honorable Randolph J. Haines, 230 N. First Ave., Courtroom 603, 6th floor, Phoenix, Arizona 85003. Any objections must be timely filed with the Clerk of the Court, and a copy timely served by mail or email on attorneys for ML Manager at the address indicated below.

The Newman Loan No.7987S2 which has three investors has been paid in full by the Borrower. The total principal amount received was \$222,235.60. The Court instructed ML Manager to send out the initial net distribution check to the investors in this loan indicating the amount that ML Manager thought it needed to withhold and an explanation for the methodology. Attached to this notice is Exhibit A which states the amount of the checks for the initial net distribution to be made to the investors in the loan. Exhibit B states the Allocation Methodology which has been approved by the ML Manager to be used for such calculations for all investor loans. It is a Step by Step Summary Narrative of the Distribution Allocation Methodology. A more detailed description along with definitions is included in the pleading which can be obtained on the website. Exhibit C states the Step by Step application of the methodology to the Newman Loan. Because this is the initial distribution and application of the Distribution Allocation Model and because future decisions of the Court will impact who pays what, ML Manager, to be conservative, has decided in its business judgment to withhold approximately 20% of the total amount due to these investors. Checks in the amount of approximately 80% have been sent to two of them. However, Morley Rosenfield MD PC Restated Profit Sharing Plan's check for the approximately 80% is being held in a special escrow account because there are pending claims for offset and recoupment from litigation involving Mr. Rosenfield such as a pending application for fees which ML Manager asserts it can offset or recoup against the funds owed to the entity.

As has been discussed in many different contexts in this matter, the question of the “Allocation Model” for the payment of costs and expenses is an important predicate issue prior to making distributions to Investors. Although this issue is generally applicable to all ML Loans and all Investors, it has initial application in the distribution of proceeds to the Investors in the Newman Loan. The borrower under the Newman Loan has paid off all amounts due. The Plan and the Confirmation Order entered on May 20, 2009 requires that before disbursing money to the Newman Loan Investors, or any other Investor, ML Manager must first assess them their proportionate share of all costs and expenses, including the Exit Financing, in a fair, equitable and non-discriminatory manner.

In determining a proportionate share of all Costs in a fair equitable and non-discriminatory manner, there are many issues that arise. For example, the total amount of Costs is not yet known and it is also not known for sure how many of the loans will produce a recovery sufficient to cover their share of the Costs. There are many issues to consider on what constitutes a “General Cost” that the Plan contemplates will be spread across all Investors, and a loan “Specific Cost” that is to be allocated to particular loans. ML Manager Board has invested literally hundreds of hours, sought the assistance of accounting and legal professionals, and considered everything from small details or implications to large macro philosophies. ML Manager, by unanimous vote of the ML Manager Board, has now adopted a model to estimate and allocate all the Costs associated with each of the ML Loans (the “Allocation Model”) that it believes, in the exercise of its business judgment, meets its obligations and is fair, equitable and non-discriminatory. Once the Allocation Model has been approved, ML Manager can apply the Model to the Newman Loan Investors. Until then, in order to provide for any contingencies that may arise during the process of approving the Allocation Model, and pursuant to the Court Order to disburse the undisputed amount, ML Manager has disbursed to most of the Newman Loan Investors, approximately 80% of the amount received from the pay-off of the Newman Loan. This should leave sufficient cushion for any adjustments that should be made in the Allocation Model.

DATED: September 1, 2010

FENNEMORE CRAIG, P.C.

By /s/ Keith L. Hendricks (012750)

Cathy L. Reece

Keith L. Hendricks

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*Attached to this email notice are the following Exhibits:*

*Exhibit A: Gross Loan Recovery for Distribution*

*Exhibit B: Summary Narrative Description of Distribution Allocation Model*

*Exhibit C: Allocation Model Applied to Newman Loan*

Fennemore Craig, P.C  
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