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MAY 21 2010

MAY 20, 2010

Ms. CATHY REECE
ATTORNEY-AT-LAW
FENNEMORE CRAIG PC

UNITED STATES
BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

CASE NO. 2:08 - BK-07465-RJH

VIA FAX: 602-916-5543 - 3 Pgs.

DEAR Ms. REECE:

RE: SALE OF CITLO LLC LOAN PROPERTY - \$1,700,000

IF YOU CAN'T SELL US THE 87% INTEREST (ML MANAGER) THEN WHY CAN'T YOU MOVE TO SELL THIS PROPERTY UNDER BK 363? THIS OPENS THE SALE OF THIS PROPERTY TO THE PUBLIC-AT-LARGE AND TO OUR INVESTMENT GROUP.

ONE (1) OF THE FOUR PASS-THROUGH INVESTORS IN THIS LOAN (BILL HAWKINS COMPANY) HAS OVER \$1,000,000 IN THIS LOAN. HE WILL FIGHT TO THE END THE QUESTION OF THE ML BOARD "AS AGENT" FOR THE FOUR (4) "PASS THROUGH INVESTORS" IN THIS LOAN. WILL JUDGE HAINES RULE ON THE ML MANAGER AS AGENT FOR ALL PASS-THROUGH INVESTORS SOON?

WITH THE APPROVAL OF YOU TO ALLOW A 363 BK SALE OF THIS PROPERTY WILL AT LEAST SHOW JUDGE HAINES HOW THE PUBLIC-AT-LARGE VALUES THIS PROPERTY TODAY. PLEASE ALLOW THE SALE OF THIS PROPERTY SOON UNDER BK 363.

KIND REGARDS


MICHAEL J. PELOUIN

MJP/MS

ATTACHMENTS

CC: JERRY COCHRAN, ESQ.

P.O. Box 15195 • Phoenix, Arizona 85060 • 602-478-7700 • Fax: 602-667-0299

05/24/2010

Michael: Jerry will talk to you tomorrow regarding this letter.

May 19, 2010

Cathy L. Reece, Esq.
Fennemore Craig PC
3003 N. Central Avenue
Suite 2600
Phoenix, AZ 85012

Re: City Lofts Property

Dear Cathy:

I noted that you have posted a sale for the purchase of the City Lofts property. I anticipate that you will be getting objections from various of the undivided interests in this property. My client has sent a proposal to Mark Forrester, the broker. My client would be willing to purchase the approximately 87% undivided interest held by ML Manager directly so that the issue of the agency authority and your ability to sell does not come into play. The purchase price would be 87% of the total purchase price of \$1,725,000, or \$1,500,750 for the 87% undivided interest.

We can complete the closing of this transaction by June 25th if there are no new title conditions that have come up since your acquisition of the property. If a new title report been obtained on this property we can quickly review it, as the principal and investors are ultimately familiar with the property and its condition, alleviating the requirement for a significant due diligence period. My clients will deal with the other approximately 13% undivided interests in separate negotiations or work with them as co-tenants on the property for the long-term hold.

Sincerely,



Jerry L. Cochran
For the Firm

JLC:sas

Cc: Mark Winkleman

Jerry Cochran

From: REECE, CATHY [CREECE@FCLAW.com]
Sent: Friday, June 05, 2009 3:47 PM
To: jcochran@cochranlawfirm.com
Cc: McDonough, Edward; ROBINSON, ROBERT
Subject: Exit Financing Proposal

Jerry--

I received your letter concerning a possible modification of the plan to accommodate a 363 sale of the co-tenancy of a fractional interest in a note and deed of trust. I will be glad to talk with you or your New York counsel about the issues you have raised. Obviously we encountered those issues during the bankruptcy and decided not to proceed in this fashion.

I would view such a modification to be a material change and would be concerned that the court would require us to notice the modification and possibly revoke. While on the surface it appears to be merely a procedural or retention of jurisdiction issue, it is not as simple as that. This retention and procedure could have an adverse impact on the approximate \$300 million of pass through investors and could rise to the level of being material. Under the Plan, we have 60 days to meet with and get pass through investors to transfer their interests into the Loan LLCs. We have structured the Plan and Loan LLC agreements to give them an incentive to do so. In the balloting about \$127 million of the non-revolving opportunity pass through investors and about \$40 million of the revolving opportunity pass through investors already indicated that they would transfer in. We will be working to get as many as possible of the remaining number.

At this point the plan proponent does not want to do any modifications that would result in any delay, additional hearings, renoticing or revoting.

As I said I am glad to talk through this issue with you further so give me a call at (602) 916-5343.

Cathy

Cathy Reece
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MAY 17, 2010
To: Cathy Reece
FROM: Michael J. PEDONIA
FAX: 916-5543

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