November 18, 2010

TO: R.E. Loans Noteholders

Re: Status Update

I have set forth below the major developments that have occurred since my last letter to R.E. Loans' noteholders ("Noteholders"). Wells Fargo Capital Finance, LLC ("Wells Fargo") has extended the existing forbearance period through the end of November, 2010. Mackinac Partners continues its work to maximize what can be realized from the existing portfolio of assets, and has begun the process of attempting to find alternative financing, which might enable R.E. Loans, LLC ("R.E. Loans") to pay off Wells Fargo and reduce the pressure to liquidate assets in the portfolio more quickly than might maximize value. I have set forth below the most recent developments in the portfolio, the most recent discussions with Wells Fargo and with the Ad Hoc Committee of Noteholders (the "Committee"), a general description of the efforts to raise alternative financing, and servicing and administrative matters.

On October 27, 2010, representatives of Mackinac Partners and counsel for R.E. Loans met with representatives of Wells Fargo and its counsel regarding an extension of the existing Forbearance Agreement. During that meeting, it was agreed that the Forbearance Agreement would be extended for a period of 30 days, to the end of November, 2010, without additional charge and without any material modifications. That extension of the Forbearance Agreement has since been documented. We requested a longer extension but Wells Fargo declined, indicating that it would consider a further extension when it determines whether it is satisfied with our progress during November.

On November 3, 2010, I met with the Committee and updated the Committee on the information provided to Wells Fargo, current efforts to obtain alternative financing sources, and the current status of various assets in the portfolio.

I have contacted potential parties who might be interested in providing financing to pay off the existing obligations to Wells Fargo. We have obtained executed confidentiality agreements with approximately eight potential lenders and have engaged in preliminary discussions with these lenders. While Mackinac Partners does not believe that it is likely that we will be able to obtain a financing commitment to fund payment in full of Wells Fargo prior to the end of November, 2010, if we are able to make progress toward completion of such a refinancing transaction prior to the end of the month, it appears likely that Wells Fargo will extend the existing forbearance period to give us an opportunity to consummate such a refinancing transaction, because Wells Fargo's first preferred manner of moving forward would be to be paid off in full through such a recapitalization. We have spoken to the potential lenders about providing new capital sufficient to pay off Wells Fargo. We have also spoken to potential lenders about the possibility of providing additional financing to enable us to fund current efforts to maximize the value of the assets in the portfolio, so that Wells Fargo would not be required to make additional advances.

There have been a number of developments in connection with the portfolio. R.E. Loans has foreclosed upon the real property previously owned by All American Bottled Water and then by Well Be Ng and has listed that property for sale. R.E. Loans sold the brewhouse at this property for $1,425,000 during September of 2010. In addition, R.E. Loans, through its subsidiaries, has sold (1) the Lake Nacimiento property for net proceeds of approximately $2,900,000, (2) Solaris, for net proceeds of approximately $860,000, and (3) one Lakeview unit for net proceeds of approximately $160,000. R.E. Loans has received a rebate of tax increment reinvestment loan relating to Bravo Marshall of approximately $264,000. Pursuant to the Forbearance Agreement with Wells Fargo, all of these funds have been turned over to Wells Fargo to pay down the balance due to Wells Fargo. Wells Fargo has advanced the money necessary to fund R.E. Loans' current operations.

R.E. Loans has currently contracted to sell the golf course at Moses Point in Washington for approximately $2,000,000. This sale is projected to close in mid-December of 2010. R.E. Loans is also in escrow to sell two Lakeview units, which should generate net proceeds in the range of $320,000 during December, 2010.

As you may have heard, The Siena was sold at an auction sale conducted by the Bankruptcy Court on November 10, 2010. The aggregate sales price for the hotel and all of the personal property located at the hotel was just $3,900,000. Walter has sent a separate communication to all R.E. Reno, LLC ("R.E. Reno") members describing this development. R.E. Reno owns approximately 42% of the membership interests in R.E. Reno. I have, therefore, enclosed the communication to R.E. Reno investors herewith.

The $3.9 million price was paid for both the hotel and building (which are collateral for the R.E. Reno loan) and WGN's personal property. It will now be necessary to allocate the value between the collateral for R.E. Reno's loan and the other property sold. As a result, it may be several months (assuming a consensual resolution) or longer (assuming litigation over the allocation issues) before any funds are actually received by R.E. Reno (and by R.E. Loans).

The depressed price received for The Siena reinforces Mackinac Partners' conclusion that if R.E. Loans is forced to liquidate its other assets, many of which are notes secured by real property, not the underlying property itself, the amount obtained (and the aggregate recoveries by all Noteholders) will be substantially diminished. R.E. Reno did not own the Siena; it held only a note. R.E. Reno did not, therefore, control the process adopted by the owners of The Siena. The Siena was sold very quickly into a depressed real estate market after the obligors had closed the operations. The depressed purchase price for The Siena was the direct result of many factors, including the fact that R.E. Reno did not control the marketing and sale process because it held only a note. The lack of capital and liquidity also exacerbated this situation. Wells Fargo is not risk oriented and will only advance when the payback is relatively certain. Given the uncertainty as to value, Wells Fargo declined to finance a credit bid of the Siena note or the carrying costs that would follow the acquisition of The Siena through such a credit bid. This situation also highlights the need to recapitalize and stabilize our liquidity sources. This unfavorable result could be repeated if R.E. Loans were forced to liquidate other secured notes into the current market.

On the administrative side, Mackinac Partners has continued to attempt to reduce the costs incurred on an ongoing basis by R.E. Loans. Bar-K, Inc., was terminated as the servicer of the R.E. Loans portfolio effective October 1, 2010. A new servicing agreement has been negotiated with LEND, Inc., a newly created entity owned by Walter Ng and Kelly Ng. The amount paid to LEND, Inc. for servicing is limited to the actual out-of-pocket costs incurred by LEND, Inc. to provide the staffing necessary to service the loan portfolio. No management fee is currently being paid to B-4 Partners, LLC. B-4 Partners, LLC has agreed that, to the extent that it is accruing a management fee, all payments to Mackinac Partners for the management services being provided would be deducted from any such accrued fee.

To provide for the perfection of the Noteholders' security interest in the value of real estate taken back by R.E. Loans when its borrowers defaulted ("REO"), R.E. Loans has implemented the following steps: (1) it has created a wholly owned subsidiary, called R.E. Future, LLC ("R.E. Future"); (2) it is in the process of transferring all of the real property previously vested in R.E. Loans, other than Perdido Key in Florida, to R.E. Future; (3) R.E. Future will then grant R.E. Loans a note secured by a deed of trust on the property transferred to R.E. Future, and (4) each such note was automatically pledged to the Noteholders as additional security. As I indicated in my last letter, the equity in Capital Salvage, Inc. was also transferred to R.E. Loans, by Barney and Kelly, individually. Through the foregoing steps, R.E. Loans now holds title to all REO, except Perdido Key, Florida, in two wholly owned subsidiary entities. Transfer of Perdido Key to R.E. Future would have resulted in transfer taxes in excess of $250,000. This property continues to secure the Wells Fargo senior secured debt and, therefore, the Noteholders continue to benefit indirectly from its value. If it is sold the proceeds will reduce the senior secured debt, reducing the debt secured by the Noteholders' collateral.

The current forbearance period ends November 30, 2010. Mackinac Partners is cautiously optimistic that if additional progress is made, Wells Fargo is likely to extend this period. There is, however, a risk that Wells Fargo will not grant a further extension or that other litigation will force R.E. Loans to seek chapter 11 protection.

Very truly yours,

Jim Weissenborn

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