

1 FENNEMORE CRAIG, P.C.  
Cathy L. Reece (005932)  
2 Keith L. Hendricks (012750)  
3003 N. Central Ave., Suite 2600  
3 Phoenix, Arizona 85012  
Telephone: (602) 916-5343  
4 Facsimile: (602) 916-5543  
Email: creece@fclaw.com

5 Attorneys for ML Manager LLC

6  
7 IN THE UNITED STATES BANKRUPTCY COURT  
8 FOR THE DISTRICT OF ARIZONA

9 In re  
10 MORTGAGES LTD.,  
11 Debtor.

Chapter 11  
Case No. 2:08-bk-07465-RJH

**MOTION TO SELL REAL PROPERTY FREE  
AND CLEAR OF LIENS, CLAIMS,  
ENCUMBRANCES, AND INTERESTS**

**Real Property located in Maricopa County, AZ  
located at 902 N. Signal Butte Rd., Mesa,  
Arizona  
Hearing Date: TBD  
Hearing Time: TBD**

15 ML Manager LLC (“ML Manager”), requests that the Court enter an order  
16 authorizing ML Manager as the manager for VCB Loan LLC and the agent for certain  
17 Pass-Through Investors, to sell the approximate 37 acres of real property located in  
18 Maricopa County, Arizona, located at 902 N. Signal Butte Rd., Mesa, Arizona in the  
19 development known as Adobe Meadows, to Taylor Morrison/Arizona, Inc. for the price  
20 and on the terms set forth in the Agreement of Sale and Purchase and Escrow Instructions  
21 (“Sale Agreement”) which is attached as Exhibit A, or to the exit financier if they exercise  
22 their right to compete pursuant to the Loan Agreement. ML Manager requests a hearing  
23 during or prior to the first week of June 2010 as the Sale Agreement has a strict time  
24 period for satisfaction of the contingencies.

25 Borrower VCB Properties, LLC defaulted on its loan with Mortgages Ltd. The  
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1 unpaid principal balance alone is around \$6.4 million. Interest and fees also are due. ML  
2 Manager scheduled a deed of trust sale and foreclosed on the real property. The  
3 guarantors are Eric and Julie Capranica and suit on the guarantors has been or will be  
4 commenced. Pursuant to the Official Investors' Committee's First Amended Plan  
5 confirmed by the Court, VCB Loan, LLC ("VCB Loan LLC") was formed on the  
6 effective date and the fractional interests in the note and deed of trust which were held by  
7 the MP Funds and Mortgages Ltd. were transferred into VCB Loan LLC. Subsequently  
8 some of the pass-through investors transferred their interests into VCB Loan LLC. At the  
9 current time, 17 Pass-Through Investors had not transferred their fractional interests ("17  
10 Pass-Through Investors"). As a result, 73.851% of the interest in the real property is  
11 owned by VCB Loan LLC and 26.149% is owned by the 17 Pass-Through Investors who  
12 did not transfer into VCB Loan LLC.

13 ML Manager entered into a Sale Agreement with Taylor Morrison/Arizona, Inc.  
14 ("Purchaser") for the purchase of approximately 37 acres for \$1,600,000.00. Purchaser  
15 will deposit \$100,000 earnest money and open escrow at Thomas Title Escrow. The sale  
16 will be free and clear of all liens, claims, encumbrances and interests. This is not proposed  
17 to be an auction and no higher and better bids are being solicited. The contingencies  
18 include the waiver of the right to compete by the exit financier (which waiver or exercise  
19 is in process), approval by the investors in VCB Loan LLC and the applicable MP Funds  
20 (which is in process), and Bankruptcy Court approval. Purchaser will commence its 25-  
21 day due diligence once the Seller's contingencies are satisfied, including approval by the  
22 Bankruptcy Court, and Purchaser will close 5 days thereafter. The parties anticipate that  
23 such closing will occur in July 2010. The purchase price is to be paid in cash at closing.  
24 This is an arms-length, negotiated sale between unrelated parties.

25 Even though the debt will not be paid in full, ML Manager believes that this price  
26 is a fair price for the property and that it is unlikely in the foreseeable future to get a

1 higher amount for the property. ML Manager believes that this sale is in the best interest  
2 of the investors in the loan and is a valid exercise of its business judgment.

3 Due to the pending actions pending in the Bankruptcy Court and District Court by  
4 certain investors, ML Manager believes that it is prudent and necessary to seek  
5 Bankruptcy Court approval of the sale. An order approving the sale and authorizing the  
6 sale by ML Manager of 100% of the interest in the real property will insure a smooth  
7 closing and will aid in the implementation of the Plan.

8 Under the Operating Agreement of VCB Loan LLC, since this event is a Major  
9 Decision, ML Manager must seek approval of the sale from the investors in the VCB  
10 Loan LLC entity and the MP Funds investors. Approval must be obtained by a majority of  
11 the investors' dollars voting. The voting process is the works and by the time the parties  
12 get to a sale hearing the results will be known to ML Manager. If approved ML Manager  
13 asserts it has the authority and ability to go forward with the sale of VCB Loan LLC's  
14 interests.

15 Under Section 3(b) of the Agency Agreement, ML Manager as the agent for the 17  
16 Pass-Through Investors has the authority and ability to engage a broker, enter into a sale  
17 agreement and to sell the foreclosed real estate on behalf of the principals. ML Manager  
18 asserts that the 17 Pass-Through Investors are subject to the Agency Agreement. None of  
19 the 17 Pass-Through Investors are part of the Rev Op Group and none of them has  
20 asserted or attempted to terminate their Agency Agreement. It is not clear if they will  
21 object to this Motion and sale. They may not have any objection to this sale once they  
22 have a chance to study the Sale Agreement terms. ML Manager will notice the 17 Pass-  
23 Through Investors of this Motion and the sale hearing so they can have an opportunity to  
24 be heard. Should ML Manager have to prove the authority it has under the Subscription  
25 Agreements and Agency Agreements as to any objecting Pass-Through Investors in this  
26 loan then ML Manager will do so at the sale hearing. Normally ML Manager as the agent

1 would execute the documents on behalf of the Pass-Through Investors since it holds the  
2 irrevocable power of attorney coupled with an interest to do so. Due to certain allegations  
3 made by other Pass-Through Investors about the Agency Agreement, the title company  
4 may request that the 17 Pass-Through Investors be required to execute documents  
5 effectuating the Court's order and the sale. In that event then ML Manager will request  
6 that the sale order include such direction to the 17 Pass-Through Investors or that the sale  
7 order include other language required by the title company authorizing ML Manager to  
8 execute any and all such documents on behalf of the 17 Pass-Through Investors.

9 ML Manager asserts that the Court has retained jurisdiction in the Plan for such a  
10 matter as this, including sections 9.1(e), (g) and (h) of the Plan among others, and has the  
11 authority to approve the sale under Section 363(b) and (f) of the Bankruptcy Code and  
12 under Section 105 of the Bankruptcy Code, among other sections, as an order in aid of  
13 implementation of the Plan.

14 ML Manager does not seek an order as a part of this Motion to disburse the sale  
15 proceeds or determine what amount should be paid by investors as their fair share of the  
16 expenses, including exit financing. This requested order will authorize the sale and allow  
17 ML Manager to close, with all interests to attach to the proceeds. ML Manager anticipates  
18 that any decisions with regard to the distribution of proceeds will be made at a later date if  
19 and when the sale closes and the money becomes available for distribution. As is  
20 customary ML Manager does propose to pay the closing costs and any commission as set  
21 forth in the Sale Agreement at the closing out of the gross sale proceeds.

22 WHEREFORE, ML Manager LLC requests that the Court enter an order  
23 authorizing and approving the sale as set forth above, and for such other and further relief  
24 as is just and proper under the circumstances.

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1 DATED: May 7, 2010

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FENNEMORE CRAIG, P.C.

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By           /s/ Cathy L. Reece            
Cathy L. Reece  
Keith L. Hendricks  
Attorneys for ML Manager LLC

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