

1 Robert J. Miller (#013334)  
Bryce A. Suzuki (#022721)  
2 BRYAN CAVE LLP  
3 Two N. Central Avenue, 22nd Floor  
Phoenix, Arizona 85004-4406  
4 Telephone: (602) 364-7000  
Facsimile: (602) 364-7070  
5 Internet: [rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)  
[bryce.suzuki@bryancave.com](mailto:bryce.suzuki@bryancave.com)

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7 Attorneys for the Rev Op Group

8 **IN THE UNITED STATES BANKRUPTCY COURT**  
9 **FOR THE DISTRICT OF ARIZONA**

10 In re:

11 MORTGAGES LTD.,

12 Debtor.

In Proceedings Under Chapter 11

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

**APPELLANTS' DESIGNATION OF  
RECORD AND STATEMENT OF  
ISSUES TO BE PRESENTED ON  
APPEAL**

Date of Hearing: N/A

Time of Hearing: N/A

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18 Appellants AJ Chandler 25 Acres, L.L.C., Bear Tooth Mountain Holdings, L.L.P.,  
19 Cornerstone Realty and Development, Inc., Cornerstone Realty and Development, Inc. Defined  
20 Benefit Plan and Trust, Evertson Oil Company, Inc., Brett M. McFadden, Michael Johnson  
21 Investments II, L.L.C., Morley Rosenfield, M.D. P.C. Restated Profit Sharing Plan, Pueblo  
22 Sereno Mobile Home Park, L.L.C., Queen Creek XVIII, L.L.C., William L. Hawkins Family  
23 L.L.P. and L.L.J. Investments, LLC, as successor in interest to James C. Schneck Rev. Trust,  
24 Louis B. Murphey, and The Lonnie Joel Krueger Family Trust (collectively, the "Rev Op  
25 Investors" or "Appellants"), pursuant to Federal Rule of Bankruptcy Procedure 8006, hereby  
26 submit their designation of items to be included in the record on appeal and their statement of the  
27 issues to be presented on appeal.

1 **I. DESIGNATION OF ITEMS TO BE INCLUDED IN THE RECORD.**

2 Appellants designate the items set forth in Exhibit A, attached hereto, for inclusion in the  
3 record on appeal.

4 **II. STATEMENT OF ISSUES TO BE PRESENTED ON APPEAL.**

5 Appellants present the following issues on appeal:

6 1. Whether the Bankruptcy Court erred in entering the *Order Regarding Distribution*  
7 *of Proceeds* [Docket #3051].

8 2. Whether the Bankruptcy Court erred in approving the so-called “Allocation  
9 Model” of ML Manager LLC (“ML Manager”).

10 3. Whether the Bankruptcy Court erred in concluding that the “appropriate standard  
11 of review to consider ML Manager’s allocation decisions is the business judgment standard.”

12 4. Whether the Bankruptcy Court erred in concluding that the treatment set forth in  
13 the Allocation Model is consistent with and fulfills “any fiduciary duty and ML Manager’s role  
14 as contemplated and established by the confirmed Plan.”

15 5. Whether the Bankruptcy Court erred in approving ML Manager’s treatment of all  
16 obligations incurred by the debtor, Mortgages Ltd., prior to plan confirmation as “General Costs”  
17 to be allocated to all investors, rather than to investors in the specific loans for which such  
18 obligations were incurred.

19 6. Whether the Bankruptcy Court erred in approving ML Manager’s surcharge of  
20 moneys owned by Appellants to cover costs that are the undisputed obligations of the  
21 Liquidating Trust created under the confirmed plan of reorganization.

22 7. Whether the Bankruptcy Court erred in finding, without taking any evidence, that  
23 various allocations and expenditures were “properly treated, accounted for and disbursed.”

24 8. Whether the Bankruptcy Court erred in ruling that ML Manager is entitled to  
25 satisfy a judgment against the Rev Op Investors that is currently on appeal without making any  
26 reserves in the event the Rev Op Investors prevail.

27 9. Whether the Bankruptcy Court erred in failing to take any evidence in approving  
28 the Allocation Model in this case.

1 RESPECTFULLY SUBMITTED this 3rd day of February, 2011.

2 **BRYAN CAVE LLP**

3  
4 By: /s/ BAS, #022721  
5 Robert J. Miller  
6 Bryce A. Suzuki  
7 Two North Central Avenue, Suite 2200  
8 Phoenix, Arizona 85004  
9 Counsel for the Rev Op Group

10 COPY of the foregoing served via email  
11 this 3rd day of February, 2011, upon:

12 Cathy Reece, Esq.  
13 Keith Hendricks, Esq.  
14 Fennemore Craig, P.C.  
15 3003 North Central Avenue, Suite 2600  
16 Phoenix, Arizona 85012-2913  
17 [creece@fclaw.com](mailto:creece@fclaw.com)  
18 [khendricks@fclaw.com](mailto:khendricks@fclaw.com)  
19 Counsel for ML Manager, LLC

20 /s/ Sally Erwin

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**EXHIBIT "A"**

**DESIGNATIONS OF RECORD ON APPEAL**

**From Bankruptcy Case No. 2:08-bk-07465-RJH**

<b>DOCKET NO.</b>	<b>DATE ENTERED</b>	<b>DOCUMENT DESCRIPTION</b>
--	--	Copy of Bankruptcy Court Docket
1297	01/21/2009	Chapter 11 Plan The Official Committee of Investors' Plan of Reorganization Dated January 21, 2009 filed by Official Committee of Investors
1298	01/21/2009	Disclosure Statement in Support of The Official Committee of Investors' Plan of Reorganization Dated January 21, 2009
1427	03/03/2009	Statement of Position Concerning the Status and Request for Short Continuance to Allow Radical Bunny's Trustee to Join as Plan Proponent in the Investors Committee's Disclosure Statement in Support of the Investors Committee's Plan of Reorganization Dated January 21, 2009
1439	03/06/2009	Order, Minute Entry signed on 3/6/2009 (re: Docket # 1298, Disclosure Statement)
1466	03/12/2009	Notice of Filing of New or Changed Exhibits to the Investors Committee's Amended Disclosure Statement
1467	03/13/2009	Notice of Filing Redline Version of Investors Committee's First Amended Plan of Reorganization
1468	03/13/2009	First Amended Chapter 11 Plan The Official Committee of Investors' First Amended Plan of Reorganization dated March 12, 2009
1469	03/13/2009	Notice of Filing Redline Version of Investors Committee's Amended Disclosure Statement
1471	03/13/2009	Amended Disclosure Statement in Support of the Official Committee of Investors' First Amended Plan of Reorganization Dated March 12, 2009 Without Exhibits
1474	03/13/2009	Notice of Filing Exhibit 1 to Investors Committee's First Amended Plan of Reorganization and Exhibit E to Investors Committee's Amended Disclosure Statement
1479	03/16/2009	Minutes of Hearing held on: 03/16/2009, Subject: Hearing On Disclosure Statement Filed By The Investors Committee
1484	03/18/2009	Notice of Lodging Proposed Order Notice of Lodging Forms of Ballots to Investors Committee's First Amended Plan of Reorganization and to Investors Committee's Amended Disclosure Statement
1489	03/24/2009	Notice of Lodging Redlined Versions of Investors Committee's

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<b>DOCKET NO.</b>	<b>DATE ENTERED</b>	<b>DOCUMENT DESCRIPTION</b>
		First Amended Plan of Reorganization and Investors Committee's Amended Disclosure Statement and the Ballot for Classes 11A through 11G for General Unsecured Creditors
1493	03/24/2009	Order signed on 3/24/2009 (re: Docket # 1471, Amended Disclosure Statement)
1510	03/31/2009	Notice of Lodging Redlined Versions of Investors Committee's First Amended Plan of Reorganization and Investors Committee's Amended Disclosure Statement and Certain Ballots
1522	04/02/2009	Notice of Lodging Proposed Order Approving Investors Committee's Amended Disclosure Statement and Fixing Time for Returning Ballots for Acceptances or Rejections and Notice of Confirmation Hearing for Investors Committee's First Amended Plan of Reorganization Dated March 12, 2009
1523	04/03/2009	Motion to Set Hearing on Amended Disclosure Statement Filed By Investor's Committee and (2) Set Deadlines For Filing Objections Thereto
1527	04/03/2009	Order Approving Disclosure Statement and Setting Confirmation Hearing signed on 4/3/2009
1531	04/06/2009	Amended Disclosure Statement In Support of The Official Committee of Investors' First Amended Plan of Reorganization Dated March 12, 2009
1532	04/06/2009	The Official Committee of Investors' First Amended Plan of Reorganization Dated March 12, 2009
1601	04/27/2009	Certificate of Service filed by Cathy L. Reece of Fennemore Craig on behalf of Official Committee of Investors
1649	05/05/2009	Joint Objection to OIC Chapter 11 Plan of Liquidation filed by Rev Op Group and Lewis Trust
1677	05/08/2009	Report of Ballots on Official Committee of Investors' First Amended Plan of Reorganization Dated March 12, 2009
1684	05/11/2009	Motion to Determine that the Ballots of MP Fund Investors in Class 8 and Class 11C Should Be Counted and Not the Ballots of the Debtor as Manager
1691	05/11/2009	Rev Op Group's Supplemental Plan Objection
1696	05/11/2009	Brief in Support of Official Committee of Investors' First Amended Plan of Reorganization and Reply to Objections
1713	05/12/2009	Debtor's Objection to Ballot Report of Voting on Official Committee of Investors' First Amended Plan of Reorganization Dated March 12, 2009

DOCKET NO.	DATE ENTERED	DOCUMENT DESCRIPTION
1719	05/12/2009	Minutes of Hearing held on 05/12/2009, Subject: Pretrial Conference On Confirmation Of Investors Committee's Plan
1721	05/13/2009	Minutes of Hearing held on 05/13/2009, Subject: Evidentiary Hearing On Confirmation Of Investors Committee's Plan
1744	05/18/2009	Minutes of Hearing held on 05/18/2009, Subject: Continued Hearing On Plan Confirmation
1750	05/19/2009	Minutes of Hearing held on 05/19/2009, Subject: Continued Hearing On Plan Confirmation
1755	05/21/2009	Order Confirming Investors Committee's First Amended Plan of Reorganization Dated March 12, 2009
1807	06/16/2009	Notice of Filing Notice of Effective Date of Investors Committee's First Amended Plan of Reorganization Dated March 12, 2009 and Notice of Administrative Claims Bar Date
2050	08/06/2009	Emergency Motion to Extend Deadline for Pass-Through Investors to Transfer Their Fractional Interests in ML Notes and Deeds of Trust into Loan LLCs
2055	08/07/2009	Order Approving an Extension of the Deadline for Pass-Through Investors to Transfer Their Fractional Interests in Notes and Deeds of Trust Into the Loan LLCs
2136	08/27/2009	Transcript of Hearing or Trial on 5/18/2009
2158	09/08/2009	Transcript of Hearing or Trial on 5/19/2009
2168	09/14/2009	Rev Op Group's Emergency Motion for Entry of Order: (I) Clarifying Chapter 11 Plan, Confirmation Order, and Other Matters Relevant to Transfer Decision of Pass-Through Investors; and (II) Extending the Transfer Decision Deadline
2197	09/21/09	Order Approving an Extension of the Deadline for Pass-Through Investors to Transfer Their Fractional Interests in Notes and Deeds of Trust Into the Loan LLCs and Setting Hearing
2219	09/25/2009	Notice of Filing Notice of Filing Rev Op Group's Appendix of Mortgages Ltd. Investment Documents
2229	09/28/2009	Transcript of Hearing or Trial on 5/13/2009
2265	10/02/2009	Response and Objection to Rev-Op Group's Emergency Motion for Entry of Order: (I) Clarifying Chapter 11 Plan, Confirmation Order, and Other Matters Relevant to Transfer Decisions of Pass-Through Investors; and (II) Extending the Transfer Decision
2275	10/09/2009	Sternberg Enterprises Profit Sharing Plan's Joinder in Rev Op Groups Emergency Motion for Order Clarifying Chapter 11 Plan

	<b>DOCKET NO.</b>	<b>DATE ENTERED</b>	<b>DOCUMENT DESCRIPTION</b>
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2	2279	10/08/2009	Minutes of Hearing held on 10/08/2009, Subject: Hearing On The Rev Op Group's Motion For Entry Of Order Clarifying Chapter 11 Plan, Confirmation Order
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4	2323	10/22/2009	Memorandum Decision
5	2327	10/22/2009	ML Manager LLC's Emergency Motion to Amend the Court's October 21, 2009 Memorandum Decision
6	2338	10/28/2009	Order Granting ML Manager LLC's Emergency Motion and Amending the Court's October 21, 2009 Memorandum Decision
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8	2345	10/29/2009	Order Regarding Motion to Clarify
9	2352	10/30/2009	The Rev Op Group's Motion to Reconsider Amended Memorandum Decision and Order
10	2353	10/30/2009	Notice of Filing Declaration of Louis B. Murphey in Support of Motion to Reconsider Amended Decision and Order
11	2511	12/17/2009	Transcript of Hearing or Trial on 5/12/2009 (9:00 a.m.)
12	2546	01/04/2010	Transcript of Hearing or Trial on 5/12/2009 (3:30 p.m.)
13	2676	02/25/2010	Order Approving Joint Motion to Sell Real Property Free and Clear of Liens, Claims, Encumbrances, and Interests
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15	2771	06/02/2010	Motion for Entry of an Order Compelling Turnover of Funds Being Improperly Withheld
16	2772	06/02/2010	Notice of Hearing on Motion for Entry of an Order Compelling Turnover of Funds Being Improperly Withheld
17	2793	06/23/2010	ML Manager's Response to Motion for Entry of an Order Compelling Turnover of Funds Being Improperly Withheld
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19	2802	06/30/2010	Minutes of Hearing held on 6/30/2010
20	2887	08/25/2010	Order Granting Motion to Approve Sale
21	2892	08/26/2010	Order Granting Motion to Approve Sale
22	2913	09/01/2010	ML Manager's (1) Notice of Lodging Allocation Model to be Used With Regard to the Disbursement of Proceeds to the Newman Loan Investors; (2) Notice That Allocation Model Has General Applicability to All Investors, and (3) Motion to Approve Allocation Model
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24	2914	09/01/2010	Notice of Hearing and Objection Date on Allocation Model
25	2935	09/10/2010	The Rev Op Group's Objection to ML Manager's Allocation Motion
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27	2942	09/16/2010	Certificate of Service re DE #2913
28	2959	09/21/2010	Minutes of Hearing held on 9/21/2010

DOCKET NO.	DATE ENTERED	DOCUMENT DESCRIPTION
2976	10/01/2010	Order Approving Motion to Sell Real Property Free and Clear of Liens, Claims, Encumbrances, and Interests
2990	10/26/2010	Stipulation to Continue Evidentiary Hearing on Setoff Issues
2991	10/27/2010	Order Continuing Evidentiary Hearing on Setoff Issues
2992	11/01/2010	Minutes of Hearing held on 11/01/2010
3008	12/02/2010	Minutes of Hearing held on 12/02/2010
3017	12/17/2010	ML Manager's: 1) Notice of Intent to Distribute Proceeds in Accordance with Allocation Model, and 2) Motion to Approve Treatment of Distribution of Disputed Proceeds
3027	01/05/2011	Joint Pre-Trial Statement Relating to ML Manager's Asserted Setoff Against Proceeds of Loan #7987S2
3028	01/05/2011	Objection to ML Manager's: (1) Notice of Intent to Distribute Proceeds in Accordance with Allocation Model, and (2) Motion to Approve Treatment of Distribution of Disputed Proceeds
3034	01/10/2011	Stipulated Order Regarding Rosenfield's Motion for Entry of Order Compelling Turnover of Funds
3040	01/11/2011	Minutes of Hearing held on 1/11/2011
3051	01/20/2011	Order Regarding Distribution of Proceeds
3054	01/24/2011	Notice of Appeal
3057	01/25/2011	Election by Appellant to Have Appeal Heard by District Court
3061	01/26/2011	Notice of Referral of Appeal and Transmittal to District Court
3063	01/26/2011	BNC Certificate of Notice re Notice of Referral of Appeal and Transmittal to District Court
--	--	Transcript of Hearing or Trial on 1/11/2011
--	--	Any other filings necessary to provide a complete record for review on appeal.

**From Adversary Proceeding No. 2:10-ap-00430-RJH (Consolidated)**

109	08/10/2010	Application for Attorney Fees
136	09/29/2010	Amended Judgment for Fees
137	10/12/2010	Notice of Appeal of Amended Judgment
143	10/29/2010	Application for Writ of Garnishment – Non-Earnings
144	10/29/2010	Writ Issued



1	145	11/22/2010	Answer of Garnishee
2	148	01/12/2011	Motion to Quash Garnishment (Non-Earnings)
3	149	01/12/2011	Notice of Lodging Proposed Order Quashing Garnishment (Non-Earnings)
4	150	01/20/2011	Order (copy of Order Regarding Distribution of Proceeds, Admin. DE #3051)
5	151	01/24/2011	Notice of Filing Notice of Appeal (copy of Notice of Appeal, Admin. DE #3054)
6	--	--	Any other filings necessary to provide a complete record for review on appeal.
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9 **From Claims Register for Bankruptcy Case No. 2:08-bk-07465-RJH**

10	CLAIM NO.	DATE ENTERED	DOCUMENT DESCRIPTION
11	876	11/19/2008	AJ Chandler 25 Acres, LLC's Proof of Claim
12	878	11/19/2008	Bear Tooth Mountain Holdings, L.L.P.'s Proof of Claim
13	882	11/19/2008	Cornerstone Realty & Development, Inc.'s Proof of Claim
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15	883	11/19/2008	Cornerstone Realty & Development, Inc. Defined Benefit Plan and Trust's Proof of Claim
16	887	11/19/2008	Evertson Oil Company, Inc.'s Proof of Claim
17	891	11/19/2008	Louis B. Murphey's Proof of Claim
18	892	11/19/2008	William L. Hawkins Family L.L.P.'s Proof of Claim
19	893	11/19/2008	Pueblo Sereno Mobile Home Park, L.L.C.'s Proof of Claim
20	894	11/19/2008	Queen Creek XVIII, L.L.C.'s Proof of Claim
21	895	11/19/2008	Morley Rosenfield, M.D. P.C. Restated Profit Sharing Plan's Proof of Claim
22	896	11/19/2008	Morley Rosenfield, M.D. P.C. Restated Profit Sharing Plan's Proof of Claim
23			
24	898	11/19/2008	The James C. Schneck Revocable Trust's Proof of Claim
25	899	11/19/2008	The James C. Schneck Revocable Trust's Proof of Claim
26	925	11/20/2008	The Lonnie Joel Krueger Family Trust's Proof of Claim
27	926	11/20/2008	Brett M. McFadden's Proof of Claim
28	927	11/20/2008	Michael Johnson Investments II, L.L.C.'s Proof of Claim