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7 Counsel for the Rev Op Investors

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

13 **CONDITIONAL OBJECTION AND**  
14 **RESERVATION OF RIGHTS**  
15 **REGARDING ML MANAGER LLC'S**  
16 **MOTION TO APPROVE NEW**  
17 **FINANCING**

Hearing Date: May 31, 2011

Hearing Time: 11:00 a.m.

18 AJ Chandler 25 Acres, L.L.C., Bear Tooth Mountain Holdings, L.L.P., Brett M.  
19 McFadden, Cornerstone Realty and Development, Inc., Cornerstone Realty and Development,  
20 Inc. Defined Benefit Plan and Trust, Evertson Oil Company, Inc., James C. Schneck Rev. Trust,  
21 LLJ Investments, LLC, Louis B. Murphey, Michael Johnson Investments II, L.L.C., Morley  
22 Rosenfield, M.D. P.C. Restated Profit Sharing Plan, Pueblo Sereno Mobile Home Park, L.L.C.,  
23 Queen Creek XVIII, L.L.C., The Lonnie Joel Krueger Family Trust, William L. Hawkins Family  
24 L.L.P., and/or the successors or assigns of the foregoing (collectively, the "Rev Op Investors")  
25 hereby file this Conditional Objection and Reservation of Rights in response to *ML Manager*  
26 *LLC's Motion to Approve New Financing for the Payoff of the Unpaid Balance, Including*  
27 *Principal and Interest, Owed on the Exit Financing [DE #3214] dated May 13, 2011 (the*  
28 "Refinance Motion").

1 In further support hereof, the Rev Op Investors respectfully submit as follows:

2 1. The Rev Op Investors are not opposed to an early payoff of the Exit Financing to  
3 avoid the payment of a penalty in the amount of \$450,000. The Rev Op Investors have concerns,  
4 however, that the terms of the refinancing have not been disclosed to investors, and desire to  
5 avoid any misunderstandings that could lead to litigation in the future.

6 2. Although ML Manager states in the Refinance Motion that a term sheet will be  
7 provided “as soon as it is available,” none has been disclosed to date. All investors should be  
8 given the details of the proposed refinancing well in advance of approval by this Court. In this  
9 regard, ML Manager should continue the hearing on the Refinance Motion to a date after ML  
10 Manger has disclosed the details of the proposed financing but prior to the June 15, 2011 penalty  
11 date.

12 3. The Rev Op Investors also are concerned by the rhetoric in the Refinancing  
13 Motion regarding the effect of “Paragraph U of the Confirmation Order,” which ML Manager  
14 contends “requires non-transferring pass-through investors to pay their fair share of the costs and  
15 expenses.”

16 4. This issue is currently on appeal to the United States District Court for the District  
17 of Arizona. Any approval of the proposed refinancing should not disturb any issues on appeal.  
18 To the extent ML Manager contends the refinancing moots or otherwise affects any issues  
19 currently on appeal, the Rev Op Investors object to, and will be forced to appeal from, any order  
20 approving the refinancing, resulting in yet another appeal in this case, with all of the associated  
21 time and expense.

22 5. ML Manager also should make clear exactly how “the terms of the Interborrower  
23 Agreement will remain the same.” If amendment to the Interborrower Agreement is necessary  
24 (as it would seem) to account for a new lender and new loan documents, such amendments  
25 should be drafted and disclosed. The Rev Op Investors may have no objection to the proposed  
26 changes, provided such changes do not prejudice their rights or their arguments on appeal. To  
27 the extent such amendments negatively impact the Rev Op Investors, however, the Rev Op  
28 Investors object to the Refinancing Motion.



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COPY of the foregoing served via email  
this 27<sup>th</sup> day of May, 2011 upon:

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Counsel for ML Manager LLC

/s/ Sally Erwin \_\_\_\_\_