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7

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

10 In re
11 MORTGAGES, LTD.,
12 Debtor.

Chapter 11
2:08-BK-07465-RJH

**NOTICE OF LODGING CONTEMPT
ORDER**

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14
15 Notice is hereby given that ML Manager LLC (“ML Manager”) has lodged an Order
16 In Contempt of Court Re: Order Enforcing the Court’s March 29, 2011 Order Approving the
17 Distribution of Funds. A copy of the Proposed Order is attached as Exhibit A. Pursuant to
18 the discussion with the Court, ML Manager has sent Mr. Barness a copy of a proposed Order.
19 Mr. Barness responded with two concerns. A copy of Mr. Barness’ response is attached as
20 Exhibit B. ML Manager has modified the original proposal to address Mr. Barness’ stated
21 issues. The Proposed Order attached as Exhibit A incorporates the modifications made to
22 address Mr. Barness’ stated issues.

23 DATED: June 20, 2011
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FENNEMORE CRAIG, P.C.

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

EFILED:
Copies emailed to
RonBarness@aol.com
Barnessron@gmail.com

 /s/ L. Carol Smith

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re
MORTGAGES, LTD.,
Debtor.

Chapter 11
2:08-BK-07465-RJH

**ORDER HOLDING RON BARNES IN
CONTEMPT OF COURT FOR
WILLFUL VIOLATION OF THIS
COURT’S MARCH 29, 2011 ORDER
AND THAT THE MONEY SHALL BE
REPAID TO ML MANAGER**

Upon review of the Application for Order to Show Cause, filed on April 14, 2011 and the positions of the Parties set forth in the June 15, 2011 evidentiary hearing the Court makes the following findings of fact and conclusions of law:

ML Manager liquidated six loans, collateral, or other properties included in the loans defined as the ML Loans in the Plan of Reorganization (the “Loans”).

On January 20, 2011, this Court entered an order approving ML Manager’s distribution of funds to investors (the “Distribution Order”) [Docket 3051].

Ron Barnes and/or Barnes Investment Limited Partnership was an investor in the Loans.

1 A portion of the proceeds from the resolution or liquidation of the Loans was
2 earmarked for Barness.

3 The Town of Gilbert holds a recorded judgment lien against Barness.

4 The Distribution Order required the funds earmarked for Barness to be distributed
5 to the Town of Gilbert -- not to Barness.

6 On or about February 22, 2011, Canyon State Servicing Co., LLC ("Canyon
7 State") upon the instructions of ML Manager, issued checks to 1600 investors, including
8 a check to Barness in the amount of \$112,075.31 (the "Funds").

9 The Funds should have been disbursed to the Town of Gilbert.

10 The Funds were deposited by Barness into an account at Bank of America ending
11 in 3678 (the "Account").

12 Barness removed the Funds from the Account after deposit.

13 ML Manager requested that Barness return the Funds.

14 On March 29, 2011, the Court entered its ex-parte order requiring Mr. Barness and
15 the Barness Investment Limited Partnership (collectively "Barness") to return the
16 \$112,075.31 [Docket No. 3126].

17 Barness has failed to return the Funds.

18 Barness is capable of returning the Funds to ML Manager.

19 IT IS HEREBY ORDERED over ruling Barness's defense that he is unable to
20 return the Funds.

21 IT IS FURTHER ORDERED that Barness shall return the Funds no later than
22 June 30, 2011. Should Barness fail to timely return the Funds, Barness will be found in
23 contempt of this Court's March 29, 2011 Order [Docket No. 3126] and a civil arrest
24 warrant may be issued by the Court.

25 SIGNED AND DATED ABOVE
26

SMITH, CAROL

From: ronbarness@aol.com
Sent: Monday, June 20, 2011 4:47 PM
To: SMITH, CAROL; Barnessron@gmail.com
Cc: HENDRICKS, KEITH; GREER, JOSHUA
Subject: Re: ML / Barness Contempt Order

Ms. Smith:

Below are my comments to the draft you provided:

1. I object to the assertion that the Court has found me in violation of the January 20, 2011 order. I believe the Court found otherwise.
2. I object to the last paragraph. The Court did not order that I return the Funds by a specific date. Further, the Court did not state that my failure to return the Funds would result in an arrest warrant. In fact, my recollection is that he found just the opposite.

Please modify the proposed Contempt Order to reflect these comments. Thank you.
Ron

-----Original Message-----

From: SMITH, CAROL <CSMITH@FCLAW.com>
To: 'ronbarness@aol.com' <ronbarness@aol.com>; 'Barnessron@gmail.com' <Barnessron@gmail.com>
Cc: HENDRICKS, KEITH <KHENDRIC@FCLAW.com>; GREER, JOSHUA <JGREER@FCLAW.com>
Sent: Fri, Jun 17, 2011 3:16 pm
Subject: ML / Barness Contempt Order

Mr. Barness,

Attached is a draft of the Contempt Order for your review and comment. The Judge has instructed that this draft be provided to you for your review and comment and that it be uploaded on Monday. Please review this draft and give us your comments today.

Thank you.

L. Carol Smith
Certified Legal Assistant
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