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10 Counsel for QC MK Custom Residential, L.L.C.

11 **IN THE UNITED STATES BANKRUPTCY COURT**
12 **FOR THE DISTRICT OF ARIZONA**

13 In re:

14 MORTGAGES LTD.,

15 Debtor.

In Proceedings Under Chapter 11

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

**RESERVATION OF RIGHTS WITH
RESPECT TO ML MANAGER'S
MOTION TO SELL REAL PROPERTY
AND IMPROVEMENTS LOCATED AT
6500 AND 6516 N. 64TH PLACE,
PARADISE VALLEY, ARIZONA**

Hearing Date: September 20, 2011

Hearing Time: 1:30 p.m.

16 QC MK Custom Residential, L.L.C. ("QCMK"), successor in interest to Queen Creek
17 XVIII, L.L.C., by and through undersigned counsel, hereby files this Reservation of Rights in
18 response to the *Motion to Sell Real Property and Improvements Located at 6500 and 6516 N.*
19 *64th Place, Paradise Valley, Arizona* [DE #3301] filed by ML Manager LLC ("ML Manager")
20 on August 31, 2011 (the "Motion"). In support hereof, QCMK respectfully submits as follows:

- 21
- 22 1. QCMK currently owns a 20% tenant-in-common interest in the Property.¹
 - 23 2. According to the Motion, ML Manager seeks approval to sell the Property to CJ
24 Family Revocable Trust for the purchase price of \$2.9 million, or to Daniel Ahdoot for the
25 purchase price of \$2.85 million as a back up purchaser.
26

27 _____
28 ¹ Capitalized terms not otherwise defined herein shall have the meanings set forth in the Motion.

1 3. QCMK is not opposed to the sale of the Property. QCMK does have concerns,
2 however, that ML Manager’s intentions with respect to the closing of the sale transaction have
3 not been fully disclosed, and QCMK desires to avoid any misunderstandings that could lead to
4 litigation in the future. In particular, the Motion does not disclose how or where the sale
5 proceeds will be escrowed, on what conditions such funds will be released from escrow, or what
6 commissions and other fees and expenses will be paid with respect to the sale.

7 4. As noted in the Motion, the validity of the first lien is subject to a significant
8 dispute. QCMK is informed that ML Manager will retain separate legal counsel for each set of
9 investors (the first lien investors and the second lien investors) to resolve the dispute. Such
10 resolution will require additional time for new counsel to “get up to speed.”

11 5. ML Manager suggests that the “most conservative approach” would be to assume
12 that the second lien investors prevail, and to escrow 80% of the sale proceeds, pending a
13 resolution of the dispute.

14 6. QCMK believes that this is the only reasonable approach, and requests that any
15 order approving the sale so provide. QCMK also requests that the sale order require ML
16 Manager to disclose and provide an accounting to QCMK of the transaction, including the actual
17 amounts to be paid as commissions and closing costs, the amounts to be escrowed, and the
18 amounts to be paid to the exit lender.

19 7. In sum, all parties need more detailed information before the Motion may be
20 approved. QCMK submits that past approval of proposed actions without full documentation has
21 led to undesirable results throughout this case. While the ultimate sale of the Property might be
22 acceptable under the circumstances, ML Manager should be required to provide all of the details
23 regarding this transaction and the conditions upon which the funds will be subsequently held in
24 escrow prior to approval of the Motion.

25 WHEREFORE, QCMK (i) objects to the Motion absent full disclosure regarding the
26 escrow of the sale proceeds and the commissions and other costs and expenses incident to the
27 sale, as set forth above, (ii) reserves all applicable rights, and (iii) respectfully request that the
28 Court enter an order on the Motion consistent with this Reservation of Rights.

1 DATED this 14th day of September, 2011.

2 BRYAN CAVE LLP

3
4 By: /s/ BAS, #022721

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11 COPY of the foregoing served via email
12 this 14th day of September, 2011 upon:

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