

1 Robert J. Miller (#013334)  
Bryce A. Suzuki (#022721)  
2 Justin A. Sabin (#026354)  
BRYAN CAVE LLP  
3 Two N. Central Avenue, 22nd Floor  
4 Phoenix, Arizona 85004-4406  
Telephone: (602) 364-7000  
5 Facsimile: (602) 364-7070  
Internet: [rjmiller@bryancave.com](mailto:rjmiller@bryancave.com)  
6 [bryce.suzuki@bryancave.com](mailto:bryce.suzuki@bryancave.com)  
7 [justin.sabin@bryancave.com](mailto:justin.sabin@bryancave.com)

8 Attorneys for the Rev Op Investors

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

11 In re:  
12 MORTGAGES LTD.,  
13  
14 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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19 Appellants AJ Chandler 25 Acres, L.L.C., Bear Tooth Mountain Holdings, L.L.P., Brett  
20 M. McFadden, Cornerstone Realty and Development, Inc., Cornerstone Realty and  
21 Development, Inc. Defined Benefit Plan and Trust, Evertson Oil Company, Inc., James C.  
22 Schneck Rev. Trust, LLJ Investments, LLC, Louis B. Murphey, Michael Johnson Investments II,  
23 L.L.C., Morley Rosenfield, M.D. P.C. Restated Profit Sharing Plan, Pueblo Sereno Mobile Home  
24 Park, L.L.C., Queen Creek XVIII, L.L.C., The Lonnie Joel Krueger Family Trust, William L.  
25 Hawkins Family L.L.P., and any successors or assigns of the foregoing (collectively, the "Rev  
26 Op Investors" or "Appellants"), pursuant to Federal Rule of Bankruptcy Procedure 8006, hereby  
27 submit their designation of items to be included in the record on appeal and their statement of the  
28 issues to be presented on appeal.

732133.1 [0226858]

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 Approving Distribution*  
7 *of Proceeds to Investors* [Docket #3640] (the “Order”) with respect to *ML Manager’s Motion to*  
8 *Authorize a Second Distribution of Proceeds in Accordance with Allocation Model and to*  
9 *Approve Treatment of Distribution of Disputed Proceeds* [Docket #3257] and *Motion to*  
10 *Authorize Distributions of Proceeds to Investors in Accordance with Allocation Model* [Docket  
11 #3553] over the objections of the Rev Op Investors. Docket ##3257 and 3553 are referred to  
12 collectively as the “Motions.”

13 2. Whether the Bankruptcy Court erred in entering the Order and granting the  
14 Motions despite its lack of authority and jurisdiction to approve any distributions under the  
15 confirmed plan of reorganization (the “Plan”).

16 3. Whether the Bankruptcy Court erred in approving distributions in accordance  
17 with ML Manager LLC’s (“ML Manager”) so-called “Allocation Model.”

18 4. Whether the Bankruptcy Court erred in allowing ML Manager to modify the Plan  
19 by surcharging funds owned by Rev Op Investors to cover expenses that are (i) the undisputed  
20 obligations of the liquidating trust under the interborrower agreement incorporated into the Plan,  
21 and/or (ii) specific to certain loans rather than “General Costs” to be allocated across all loans to  
22 all investors.

23 5. Whether the Bankruptcy Court erred in concluding that ML Manager’s decision  
24 to make, and the implementation of, the distributions “are supported by the best business  
25 judgment of ML Manager which is consistent with ML Manager’s fiduciary duties and  
26 responsibilities.”



**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

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<b>DOCKET NO.</b>	<b>DATE ENTERED</b>	<b>DOCUMENT DESCRIPTION</b>
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

	<b>DOCKET NO.</b>	<b>DATE ENTERED</b>	<b>DOCUMENT DESCRIPTION</b>
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2	2976	10/01/2010	Order Approving Motion to Sell Real Property Free and Clear of Liens, Claims, Encumbrances, and Interests
3	2990	10/26/2010	Stipulation to Continue Evidentiary Hearing on Setoff Issues
4	2991	10/27/2010	Order Continuing Evidentiary Hearing on Setoff Issues
5	2992	11/01/2010	Minutes of Hearing held on 11/01/2010
6	3008	12/02/2010	Minutes of Hearing held on 12/02/2010
7	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
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9	3027	01/05/2011	Joint Pre-Trial Statement Relating to ML Manager's Asserted Setoff Against Proceeds of Loan #7987S2
10	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
11			
12	3034	01/10/2011	Stipulated Order Regarding Rosenfield's Motion for Entry of Order Compelling Turnover of Funds
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14	3040	01/11/2011	Minutes of Hearing held on 1/11/2011
15	3051	01/20/2011	Order Regarding Distribution of Proceeds
16	3054	01/24/2011	Notice of Appeal
17	3057	01/25/2011	Election by Appellant to Have Appeal Heard by District Court
18	3061	01/26/2011	Notice of Referral of Appeal and Transmittal to District Court
19	3063	01/26/2011	BNC Certificate of Notice re Notice of Referral of Appeal and Transmittal to District Court
20	3257	06/27/2011	ML Manager's Motion to Authorize a Second Distribution of Proceeds in Accordance with Allocation Model and to Approve Treatment of Distribution of Disputed Proceeds
21	3258	06/27/2011	Notice of Hearing on ML Manager's Motion to Authorize a Second Distribution of Proceeds in Accordance with Allocation Model and to Approve Treatment of Distribution of Disputed Proceeds
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23	3260	06/28/2011	Certificate of Service
24	3261	07/12/2011	Rev Op Investors' (I) Objection to ML Manager's Motion to Authorize a Second Distribution of Proceeds, and (II) Request to Continue Hearing and for Evidentiary Hearing
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26	3263	07/12/2011	Brian J. Mullen's Response to ML Manager's Motion to Authorize a Second Distribution of Proceeds in Accordance with
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DOCKET NO.	DATE ENTERED	DOCUMENT DESCRIPTION
		Allocation Model and to Approve Treatment of Distribution of Disputed Proceeds
3268	07/18/2011	ML Manager's Reply in Support of its ML Manager's Motion to Authorize a Second Distribution of Proceeds in Accordance with Allocation Model and to Approve Treatment of Distribution of Disputed Proceeds and Response to Rev-Op Group's Request to Continue Hearing and for Evidentiary Hearing
3269	07/19/2011	Minute Entry Order
3272	07/19/2011	Transcript of Hearing or Trial on July 19, 2011
3280	07/28/2011	Notice of Appeal
3285	07/29/2011	Notice of Filing of Appeal and Notice of Referral of Appeal to the Bankruptcy Appellate Panel
3289	07/29/2011	Notice of Filing of Appeal and Notice of Referral of Appeal to the Bankruptcy Appellate Panel
3295	08/09/2011	Notice of Receipt of Appeal
3296	08/11/2011	Appellants' Designation of Record and Statement of Issues to Be Presented on Appeal
3320	09/26/2011	Certificate of Readiness to Transmit Record on Appeal to Clerk of U.S. Bankruptcy Appellate Panel
3523	07/06/2012	Judgment in a Civil Case and Order
3526	07/16/2012	Judgment in a Civil Case and Order
3527	07/17/2012	Minute Entry
3553	08/20/2012	ML Manager's Motion to Authorize Distributions of Proceeds to Investors in Accordance with Allocation Model
3554	08/20/2012	Notice of Hearing
3556	08/28/2012	Notice of Lodging Draft Joint Pretrial Statement re Approval of Distributions
3563	08/30/2012	Rev Op Investors' Objection to ML Manager's Motion to Authorize Distributions of Proceeds to Investors in Accordance with Allocation Model
3574	09/05/2012	Jan Sterling's Objection to ML Manager's Motion to Authorize Distributions of Proceeds to Investors in Accordance with Allocation Model
3578	09/12/2012	Minute Entry Order for Hearing Held September 4, 2012
3584	09/20/2012	Stipulation for Supplemental Order Governing the Exchange and Use of "Highly Confidential" Information

DOCKET NO.	DATE ENTERED	DOCUMENT DESCRIPTION
3585	09/20/2012	Supplemental Order Governing the Exchange and Use of "Highly Confidential" Information
3630	10/31/2012	Stipulation to Vacate Evidentiary Hearing on Second and Fourth Distribution Motions
3631	10/31/2012	Notice of Lodging Order Approving Stipulation to Vacate Evidentiary Hearing on Second and Fourth Distribution Motions
3633	11/01/2012	Order Approving Stipulation to Vacate Evidentiary Hearing on Second and Fourth Distribution Motions
3634	11/05/2012	Minute Entry
3637	11/09/2012	Notice of Lodging Order Approving Distribution of Proceeds to Investors
3638	11/09/2012	Notice of Lodging <u>New</u> Form of Order Approving Distribution of Proceeds to Investors
3640	11/20/2012	Order Approving Distribution of Proceeds to Investors
3660	12/04/2012	Notice of Appeal
3661	12/05/2012	Notice of Filing of Appeal and Notice of Referral of Appeal to the Bankruptcy Appellate Panel
3672	12/07/2012	Notice of Filing of Appeal and Notice of Referral of Appeal to the Bankruptcy Appellate Panel
3678	12/10/2012	Notice of Transfer of Appeal to District Court
3684	12/11/2012	Notice of Receipt of Appeal
		Transcript of Hearing on July 16, 2012
		Transcript of Hearing on September 4, 2012
--	--	Any other filings necessary to provide a complete record for review on appeal.

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

CLAIM NO.	DATE ENTERED	DOCUMENT DESCRIPTION
876	11/19/2008	AJ Chandler 25 Acres, LLC's Proof of Claim
878	11/19/2008	Bear Tooth Mountain Holdings, L.L.P.'s Proof of Claim
882	11/19/2008	Cornerstone Realty & Development, Inc.'s Proof of Claim
883	11/19/2008	Cornerstone Realty & Development, Inc. Defined Benefit Plan and Trust's Proof of Claim
887	11/19/2008	Evertson Oil Company, Inc.'s Proof of Claim

CLAIM NO.	DATE ENTERED	DOCUMENT DESCRIPTION
891	11/19/2008	Louis B. Murphey's Proof of Claim
892	11/19/2008	William L. Hawkins Family L.L.P.'s Proof of Claim
893	11/19/2008	Pueblo Sereno Mobile Home Park, L.L.C.'s Proof of Claim
894	11/19/2008	Queen Creek XVIII, L.L.C.'s Proof of Claim
895	11/19/2008	Morley Rosenfield, M.D. P.C. Restated Profit Sharing Plan's Proof of Claim
896	11/19/2008	Morley Rosenfield, M.D. P.C. Restated Profit Sharing Plan's Proof of Claim
898	11/19/2008	The James C. Schneck Revocable Trust's Proof of Claim
899	11/19/2008	The James C. Schneck Revocable Trust's Proof of Claim
925	11/20/2008	The Lonnie Joel Krueger Family Trust's Proof of Claim
926	11/20/2008	Brett M. McFadden's Proof of Claim
927	11/20/2008	Michael Johnson Investments II, L.L.C.'s Proof of Claim

The entire record in Case No. 2:11-cv-00200-RCJ, United States District Court for the District of Arizona

The entire record in Case No. 2:11-cv-01557-RCJ, United States District Court for the District of Arizona

The entire record in Case No. 12-15459, United States Court of Appeals for the Ninth Circuit

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