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U.S. BANKRUPTCY
DISTRICT OF ARIZONA

Robert G. Furst
c/o 4201 North 57th Way
Phoenix, Arizona 85018
(602) 377-3702
Pro Per

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re: MORTGAGES LTD., an Arizona corporation, Debtor.	In Proceedings Under Chapter 11 Case No. 2:08-bk-07465-RJH **REPLY IN SUPPORT OF ROBERT FURST'S MOTION TO PARTITION THE VISTOSO LOAN PROPERTIES** **Hearing Date: September 4, 2012** **Hearing Time: 2:30 P.M.**

Robert G. Furst hereby files his Reply in Support of Motion to Partition the Vistoso Loan Properties. At the last court hearing pertaining to the Vistoso loans, the Court invited Mr. Furst to file a partition motion, and he has accepted the Court's invitation.

The Motion should be granted because the partition rights of co-owners are absolute and have not been waived. Moreover, the Motion should be granted because the partition of these properties will benefit some of the investors and will not harm any of them. Common sense must prevail.

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MEMORANDUM OF POINTS AND AUTHORITIES

The partitioning of the Vistoso loan properties will serve the express purpose of the Confirmed Plan --- to maximize the investment returns of the ML investors. Contrary to the assertions of ML Manager, the Confirmed Plan was **not** a "liquidation plan" which mandated the immediate sale of all of the investors-owned properties, regardless of the consequences. ML Manager's revisionist recollections are simply not true.

The Confirmed Plan was intended to be a "reconstruction plan." The Confirmed Plan explicitly provided that the reorganized Debtor would obtain $20,000,000 in exit financing from a third-party lender and then endeavor to negotiate loan modifications/extensions for each of the defaulted ML Loans. These loan modifications/extensions were projected by the plan proponent to generate millions and millions of dollars in future revenues for the reorganized Debtor in the form of loan extension fees, interest spread, default interest and late fees, which would then be used to repay the exit financing in its entirety. The Confirmed Plan did **not** anticipate that the ML investors would pay any of the exit financing costs, and it did **not** contemplate any forced sales of investor-owned properties at distressed prices.

Unfortunately, the financial projections upon which the Confirmed Plan was based, which were set forth in Exhibit N to the Confirmed Plan, did not prove to be an accurate forecast of future events at all. Ed McDonough, CPA, who prepared the projections, forecast that ML Manager would successfully renegotiate all of the ML Loans; however, in actuality, ML Manager was unable to renegotiate even a single ML Loan. Mr. McDonough also forecast that ML Manager would earn millions of dollars in extension fees, interest spread and other charges, which would be sufficient to repay the entire $20,000,000 exit financing

debt. In actuality, ML Manager was unable to generate any extension or other fees. It was only after the financial assumptions underlying the Confirmed Plan completely unraveled that ML Manager was forced, as a last resort, to begin to liquidate the investor-owned properties in order to pay off the exit financing. This was an economic catastrophe for the ML investors, and it was clearly **not** the contemplated goal of the Confirmed Plan.[1]

Now that the exit financing has finally been paid in full, the ML investors have an opportunity to salvage some of their remaining ML investments and, to a limited extent, achieve some semblance of the original objective of the Confirmed Plan --- the maximization of investment returns for the ML investors. The Non-Transferring Investors want to hold the Vistoso properties to maximize their returns. These properties are prime properties in an existing master-planned community.[2] Conley Wolfswinkel, the developer/borrower, believes that the investors can recoup their <u>entire</u> investment from these properties if they are permitted to hold them for just another 18-24 months.

ML Manager clearly understands that these Vistoso loan properties, which were not a part of the Debtor's bankruptcy estate, do not have to be sold anymore in a distressed sale environment (because the exit financing has been paid). Yet, ML Manager is now turning its back on its past promises that, once the exit financing was repaid, the ML investors would be given the opportunity to "attempt to find a way to pay their allocated share of the costs of the

[1] See Exhibit A (Ed McDonough's cash flow projections for the Confirmed Plan, which were attached to the Confirmed Plan as Exhibit N).
[2] See Exhibit B (aerial maps of Rancho Vistoso and the subject parcels) and Exhibit C (recent articles describing last week's sale of a property adjacent to one of the subject parcels).

bankruptcy and operating costs without selling the properties/loans." Specifically, ML Manager, in Newsletter No. 10, stated:

> Once the Exit Financing is repaid we expect that each loan will be given the opportunity to determine whether or not the investors desire to attempt to find a way to pay the allocated share of the costs of the bankruptcy and operating costs for the loan. Some of the loans that were not transferred into LLCs may be able to take advantage of this in the near term, however, we believe that it will be impractical for any of the Loan LLCs to consider alternatives for paying their share of costs until the exit financing is paid off.
>
> Once the interests of the Loan LLCs in the properties/loans are held free and clear we intend to ask each of the loans whether or not they would desire to attempt to find a way to pay their allocated share of the costs of the bankruptcy and operating costs without selling the properties/loans. This decision will be up to each of the Loan LLCs and will be made in accordance with the provisions of the Operating Agreements of the Loan LLCs and the Plan of Reorganization. Be advised that the Operating Agreements specifically provide that no member of an LLC is obligated to contribute additional moneys to any of the Loan LLCs. **Once the exit financing is paid off and the interests of the Loan LLCs are owned free and clear we will provide each of the loans the opportunity to determine their desired course of action. If the investors in a particular loan desire to raise money to pay their share of the allocated costs, they will be given the opportunity to do so. If the investors do not desire to attempt to obtain funds to pay off their share of the allocated costs or are unable to do so, the ML Manager LLC Board will continue to attempt to sell the property and the allocated costs will be deducted from the sales proceeds and the remaining balance will be paid to the investors.**
>
> This decision is undoubtedly several months away and many more details will be provided before such decisions will have to be made. We felt, however, it would be helpful at this time to make you aware of the intentions of the Board.
>
> (Emphasis added)

1 As stated above, ML Manager has unfortunately changed its mind. The spirit of
2 cooperation evidenced in Newsletter No. 10 has disappeared. ML Manager is now in full
3 liquidation mode, regardless of the impact. ML Manager, in its Response, does not even
4 acknowledge its prior statements in Newsletter No. 10, apparently hoping they will be
5 forgotten. They will **not** be forgotten.
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7 This Motion is patently reasonable, and ML Manager is opposing it for no justifiable
8 reason. Common sense dictates a partition. It is a "no brainer." It benefits some and harms
9 no one. Yet ML Manager has filed a 17-page "filibuster" Response, which contains an
10 endless list of newly-minted objections. Point by point, Mr. Furst hereby responds to ML
11 Manager's arguments, as follows:
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14 1. **The Motion is not seeking an advisory opinion.**
15 Mr. Furst does not seek an advisory opinion, as ML Manager argues. He could have
16 filed a partition action in state court but chose to file this Motion in this Court, out of respect
17 for this Court and at the invitation of this Court. The issue is ripe and ready for adjudication,
18 and Mr. Furst merely seeks the Court's express or implicit approval before filing his partition
19 action in state court.
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22 2. **Mr. Furst is not required to file an adversary proceeding.**
23 Mr. Furst is not seeking a declaratory judgment requiring an adversary proceeding, as
24 ML Manager contends. This Court invited him to file a partition motion, and he has done so.
25 If Mr. Furst had filed a partition action in state court without seeking this Court's approval,
26 ML Manager would have undoubtedly chastised him for attempting to circumvent this
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Court's jurisdiction. Mr. Furst believes that this Court should address the partition motion before the filing of the state court action, and he trusts that the Court will concur.

3. **<u>A partition action for the Vistoso properties is not premature</u>.**

ML Manager argues that, because the Vistoso investors own promissory notes, not real estate, at the present time (because a foreclosure sale has not yet occurred), the Non-Transferring investors are not entitled to partition.

Arizona Revised Statutes Section 12-1211 authorizes partition actions by "owners" and "claimants" in relation to real property. In addition, A.R.S. Section 12-1222 allows for the partition of personal property, and A.R.S. Section 12-1224 makes it clear that the statutes are not intended to limit any other partition rights an individual may have. The Vistoso promissory notes are property susceptible to partition under A.R.S. Section 12-1211 and 12-1222. Notably, ML Manager cites no cases no authority for its argument that a promissory note cannot be partitioned.

In addition, the Conley Wolfswinkel has been extremely cooperative with ML Manager in arranging for "short sales" of other properties securing his other loans, even though foreclosure sales have not occurred. Mr. Wolfwinkel would certainly cooperate with ML Manager and the Non-Transferring Investors in an immediate partition of the Vistoso properties through this same "short sale" process, in which title would be conveyed directly from the borrowers to the partitioning owners. Thus, there is no merit to ML's Manager's argument that a partition is premature.

4. **<u>A sale of the Vistoso properties by ML Manager to the Non-Transferring Investors is totally unrealistic</u>.**

ML Manager argues that a sale of some of the Vistoso parcels to Mr. Furst and the other Non-Transferring Investors is a more realistic solution than partition. There are two problems with this argument. First, Mr. Furst has an absolute partition right, regardless of the possibility of an outright sale. Second, an outright sale is not realistic at all, given the current lack of cooperation exhibited by ML Manager. Mr. Furst is willing to match the best offer that ML Manager can obtain after marketing the Vistoso properties to the public, but ML Manager refuses. This argument is simply a red herring.[3]

As a reminder to the Court, Mr. Furst previously filed a motion in which he sought permission to (a) communicate with all investors in the two Vistoso Loan LLCs about collectively holding the Vistoso properties until the market improved (which ML Manager opposed because it did not want any communications between Mr. Furst and the co-owners), or, in the alternative, and (b) to purchase certain parcels of the Vistoso properties with the other Non-Transferring Investors (which ML Manager also opposed for a variety of reasons). Notwithstanding ML Manager's objections, the Court ruled that Mr. Furst did have the right to communicate with the investors in the Loan LLCs. The Court also ruled that ML Manager should endeavor to enter into listing agreements with brokers providing that the broker will not be entitled to any commission if the sale is to an investor group.

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[3] For the record, ML Manager has recently received an offer to purchase one of the parcels securing one of the Vistoso Loans (i.e., Loan No. 857406) for $61,500 per acre (which, according to ML Manager, is the same price that the offeror recently paid for the adjacent parcel). Mr. Furst is willing to match the offer. However, ML Manager will <u>not</u> accept Mr. Furst's offer.

The problem is that ML Manager refuses to sell the Vistoso properties to Mr. Furst and the Non-Transferring Investors at the same price that it is willing to sell to other buyers. As bizarre as it sounds, ML Manager insists that Mr. Furst must pay more than the fair market value in order to retain a property he already owns.

ML Manager has repeatedly stated that the only way it can determine the "fair market value" of a property is to market it. As a result, ML Manager will market a property to the public through a broker, feeling confident that the highest offer from prospective buyers will represent the true "fair market value" of the property. It then submits the highest "fair market value" offer to the investors for approval. Yet ML Manager will not allow Mr. Furst to match that "fair market value" offer. Instead, according to ML Manager, Mr. Furst must pay more than "fair market value." Otherwise, ML Manager will sell the property to the highest bidder at "fair market value." ML Manager's inflexible, unreasonable and unworkable position is the reason why Mr. Furst decided to accept the Court's invitation to file a partition motion.

In its Response, ML Manager unleashes a repetitious attack on everything, even the numerous e-mails attached to the Motion as Exhibit A, which clearly and unambiguously demonstrate that (a) the Non-Transferring Investors do **not** want to sell the Vistoso properties now, and (b) the investors are extremely unhappy with ML Manager's administration of their investments. ML Manager suggests that these e-mails do not establish anything, but their response is just plain silly. The message from the investors is loud and clear --- the Vistoso investors want maximize their return in the manner contemplated by the Confirmed Plan --- and they would embrace a partition or any other transaction that would avoid an unnecessary sale of the Vistoso properties at a distressed price.

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5. **A partition does not impede ML Manager's ability to repay the replacement loans to the Loan LLCs.**

Next, ML Manager makes the absurd argument that a partition action would somehow impede the ability of the Vistoso Loan LLCs to repay the replacement loans from the other Loan LLCs. To the contrary, a partition action would clearly facilitate the repayment of the replacement loans because ML Manager would then need to sell only one of the two Vistoso properties, rather than both of them. After a partition, the Non-Transferring Investors will own outright one parcel for near-term appreciation (and will have already paid their exit financing costs), and the Loan LLC will own the other parcel, which it will then promptly sell at a distressed price at ML Manager's recommendation to pay off its replacement loans to the other Loan LLCs.

ML Manager's argument that a partition action will impede the repayment of the replacement loan is meritless and designed simply to mislead the Court. Moreover, ML Manager's argument flies on the face of its previous statements in Newsletter No. 10 referenced above, where ML Manager embraced the idea that interested investors should be afforded the opportunity to pay their share of the exit financing costs out of their own pockets in order to avoid future unnecessary distressed sales.

6. **Partition is Mr. Furst's absolute right.**

ML Manager's next argument --- that partition is not a viable action in this case --- is factually and legally unsupportable. The law is clear that partition is an absolute right unless it is expressly waived. It is legally insufficient for ML Manager to argue that partition is not simple or that it is expensive. Neither argument defeats the partition rights of a co-owner.

ML Manager then recites a litany of arguments, many of which have already been rejected by this Court. For example, ML Manager cites various provisions of the Loan LLC operating agreements and concludes that "[t]there is no legal ability to make a distribution of property to investors in the Loan LLCs or in the MP Funds." ML Manager forgets that, at the previous hearing on the Vistoso loans, the Court already responded to that argument by Cathy Reece, Esq., stating that a partition between the Non-Transferring Investors, on the one hand, and the Loan LLC, on the other, does not require the Loan LLC to then re-partition its acquired parcel and distribute the re-partitioned pieces to its members. Rather, the Loan LLC could simply sell the property that it acquired in the partition action and distribute the cash proceeds to its members.

In addition, ML Manager is dead wrong in arguing that partition was not contemplated by any of the operative documents. To the contrary, as stated above, partition is an absolute right unless waived. None of the operative documents --- the Confirmation Order, the Confirmed Plan, the Loan LLCs Operating Agreements, the MP Fund Operating Agreements and the Agency Agreements --- waive the partition rights of any party. Thus, the right of partition remains.

ML Manager incorrectly asserts, over and over again, that the Confirmed Plan is a "liquidation plan." To the contrary, as thoroughly discussed in the introductory language of this Memorandum, it was never intended to be a liquidation plan. It was a "reconstruction plan." Until the Confirmed Plan unraveled, its clear intention was to maximize investor recoveries, not liquidate the entire ML loan portfolio at pennies on the dollar.

Mr. Furst is not attempting to modify the Confirmed Plan, as ML Manager argues. All Mr. Furst wants to do is to pay his full share of the exit financing costs and take back his own property, which was never an asset of the Debtor's estate in the first place. That is what the Confirmed Plan contemplated from the outset. This is just another spurious argument thrown out by ML Manager.

7. **Mr. Furst has standing to bring the Motion.**

Mr. Furst brought this Motion on his own behalf. When Mr. Furst and the Non-Transferring Investors subsequently bring their partition action in state court, the investors as a group will be represented by counsel.

8. **The Agency Agreement does not defeat Mr. Furst's absolute right to bring a partition action.**

As stated above, partition is a co-owner's absolute right unless waived. Neither Mr. Furst nor any other investor waived their partition rights by signing the Agency Agreements. Even though ML Manager may have "sole discretion on decisions related to the loans and the properties," the Non-Transferring Investors still have the rights, as co-owners, to sell their fractional interests, to encumber their fractional interests and to seek partition. By signing the Agency Agreements, they did not waive their inherent property rights in their investments. In fact, the Agency Agreements were intentionally drafted by Mortgages Ltd.'s counsel to preserve these partition rights for the investors. If Mortgages Ltd. had intended for its investors to waive their partition rights, it would have included an express waiver provision in the Agency Agreements.

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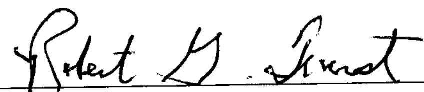
This situation is no different than a limited partnership, in which the partners delegate management control of the partnership property to the general partner. If the partnership agreement contains a provision waiving partition rights, then each partner's partition rights are waived. However, if the partnership agreement does not include a waiver provision, the partners retain their partition rights, even though the general partner was previously given full control over partnership property.

In addition, the Agency Agreements are now terminable because they are no longer coupled with an interest. The exit financing has been repaid; the Non-Transferring Investors are willing to pay their share of the allocated costs; and ML Manager has no economic interest in the properties.

Conclusion

Mr. Furst and the Non-Transferring Investors, as co-owners, have partition rights under Arizona law, and there is nothing in the Confirmed Plan, the Agency Agreements or any other supporting document that stripped them of this inherent property right. Judicial partitions are a well-recognized property right, and there is no valid reason for opposing a partition in the case at hand, where there are separate, noncontiguous parcels which are easily divisible, with harm to anyone.

DATED: August 31, 2012



Robert G. Furst

Exhibit A

Assumptions

Cash Flow Projections
Assumptions

Servicing Manager LLC		
1	Interest Spread	Source of Cash assumes use of approximately 40% of total available spread ($19,207,737 available). Assumes spread is generally 2.00%.
2	Loan Extensions	Assumes the following for loan extensions: 2009: 37 loans extended, face value $498,472,958, extension fees $3,352,194 2010: 7 loans extended, face value $113,650,104, extension fees $1,250,802 2011: 5 loans extended, face value $154,838,541, extension fees $2,315,387 2012: 4 loans extended, face value $124,488,437, extension fees $1,564,884
2a	Rightpath	Both Options to Extend are exercised on all three loans. No reduction in principal prior to final payoff.
2b	CS 11 Maricopa, CGSR, SOJAC	All deferred fees and interest spread are paid at maturity.
2c	Active Loans	Assumes loans currently active remain active through maturity, including any assumed extensions.
3	Operating Expenses	Assumes the following operating expenses:
3a	Loan Servicing (based on proposal from Churchill Commercial Capital)	Assumes loan servicing fee of 25 basis points on unpaid loan balance (proposal calls for 15-25 basis points). Loan set-up fee of $1,000 per loan due in first year, plus estimated $200,000 in transition costs.
3b	Enforcement of Loans	Legal and consulting fees related to loan modification and enforcement of loan provisions including default and foreclosure remedies.
4	Borrower Loan Payoff	Assumes the following loan payoffs: 2009: 2 loans paid off - 3% of portfolio value 2010: 31 loans paid off - 40% of portfolio value 2011: 14 loans paid off - 42% of portfolio value 2012: 1 loan paid off - 2% of portfolio value 2013 and after: 5 loans paid off - 13% of portfolio value
Liquidating Trust		
1	Sale of REO	Assumes all sales are completed at the end of 2012 at an estimated value of 50% of the current book value of the assets.
2	Financing Cost	Respective principal balances are ($2,000,000) and ($6,450,000). Assumes interest is paid at 7.25% for 36 months, after which the REO properties are sold for the aggregate amount owed.
3	Litigation Recoveries	Recoveries from various actions to be pursued by the Liquidating Trust are not shown but could exceed $300,000,000.
4	Cost	Annual cost includes direct cost of Liquidation Trustee, real estate taxes on REO and insurance.
Exit Cost		
1	Professional Fees	Assumes Professional Fees due of $7,000,000.
2	Stratera Debt	Assumes Stratera debt of $5,000,000.
3	Stratera Accrued Interest	Assumes accrued interest on Stratera debt of $400,000.
4	Administrative Rent Claim	Assumes Administrative Rent Claim of $302,000.
5	Priority Claims	Assumes a Priority Payroll Claim of $144,877.
Exit Financing		
1	Funding Commitment	$20,000,000
2	Interest Rate	20%
3	Loan Origination Fee	10%, or $2,000,000
4	Loan Term	3 years
5	Extension Fee	Extension fee of 5% applicable for 6 month extension after initial loan term.
6	Exit Payoff	70% of asset sales are applied to loan balance until paid off.
7	Participation Fee	Lender to receive 10% of net proceeds from the sale or repayment of loans and REO, capped at $8 million.
Other		
1	Beginning Cash	Beginning Cash is estimated at $450,000.

Servicing Manager LLC and Liquidating Trust
Total Cash Sources and Uses

			May - Dec. 2009	2010	2011	2012	2013	Total
Exit Costs								
Total Sources of Cash			$ -	$ -	$ -	$ -	$ -	$ -
Total Uses of Cash			(10,513,544)	(2,333,333)	-	-	-	(12,846,877)
Total Cash Flow			$ (10,513,544)	$ (2,333,333)	$ -	$ -	$ -	$ (12,846,877)
Liquidating Trust								
Total Sources of Cash			$ -	$ -	$ -	$ 21,031,500	$ -	$ 21,031,500
Total Uses of Cash			(941,750)	(1,412,625)	(1,412,625)	(9,862,625)	-	(13,629,625)
Total Cash Flow			$ (941,750)	$ (1,412,625)	$ (1,412,625)	$ 11,168,875	$ -	$ 7,401,875
Servicing Manager LLC								
Total Sources of Cash			$ 4,511,657	$ 5,038,419	$ 4,513,774	$ 2,052,758	$ 4,674	$ 16,121,281
Total Uses of Cash			(3,051,672)	(3,131,997)	(2,293,713)	(657,249)	(617,249)	(9,751,881)
Total Cash Flow			$ 1,459,984	$ 1,906,421	$ 2,220,061	$ 1,395,509	$ (612,575)	$ 6,369,400
Aggregated Net Cash Flow	[1]		$ (9,995,309)	$ (1,839,537)	$ 807,436	$ 12,564,384	$ (612,575)	$ 924,398
Assumed Financing Needs	[2]							
Beginning Cash			$ 450,000					
Beginning Loan Balance (net of beginning cash)			(14,056,966)	$ (14,756,702)	$ (10,240,354)	$ -		
Loan Fee	[3]	10%	(2,000,000)					
Repayment Incentive Fee	[4]	3%		(885,402)	(614,421)	-		
Additional Borrowing				(6,877,956)	(3,706,338)	-		
Interest Charged		20.00%	(3,211,393)	(4,504,012)	(2,912,223)	-		
Payment from Manager and LT			4,511,657	5,038,419	4,513,774	12,564,384		
Payment from Borrowers				11,745,300	12,959,562			
Ending Balance & Remaining Cash			$ (14,756,702)	$ (10,240,354)	$ -	$ 12,564,384		

[1] Footnotes and assumptions on corresponding schedules.
[2] Assumes a loan or line amount equal to the maximum negative net cash flow. Assumes interest at 20.00% per year, charged on year end balance.
[3] Assumes loan fee of 10% on $20,000,000 loan.
[4] Repayment incentive fee of 3% payable in 13th month and every six months thereafter.

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Servicing Manager LLC
Exit Cost Schedule

	May - Dec. 2009	2010	2011	2012	Total
Estimated Exit Costs	$ (4,666,667)	$ (2,333,333)	$ -	$ -	$ -
Professional Fees	(5,000,000)	-	-	-	-
Stratera Debt	(400,000)				
Stratera Accrued Interest	(302,000)				
Administrative Rent Claim					
Priority Payroll Claim	(144,877)	-	-	-	-
Subtotal	$ (10,513,544)	$ (2,333,333)	$ -	$ -	$ -

Liquidating Trust
Total Cash Sources and Uses

		May - Dec. 2009	2010	2011	2012	2013	Total
Sources of Cash							
Sale of REO	[1]	$ -	$ -	$ -	$ 21,031,500	$ -	$ 21,031,500
Total Sources of Cash		$ -	$ -	$ -	$ 21,031,500	$ -	$ 21,031,500
Uses of Cash							
Operating Expenses	[2]	$ (533,333)	$ (800,000)	$ (800,000)	$ (800,000)	$ -	$ (2,933,333)
Financing Expenses	[3]	(408,417)	(612,625)	(612,625)	(9,062,625)	-	(10,696,292)
		$ (941,750)	$ (1,412,625)	$ (1,412,625)	$ (9,862,625)	$ -	$ (13,629,625)
Net Cash Flow		$ (941,750)	$ (1,412,625)	$ (1,412,625)	$ 11,168,875	$ -	$ 7,401,875

[1] Assumes recovery of approximately half of the book value of the REO properties in 2012.
[2] Majority of Legal Fees paid on a contingent basis. Operating expenses incurred for the administration of the REO properties.
[3] Assumes rate of 7.25%. Includes assumed principal repayment of $8,045,000 in 2012.

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Servicing Manager LLC
Total Cash Sources and Uses

		May - Dec. 2009	2010	2011	2012	2013	Total
Sources of Cash							
Interest Rate Spread	[1]	$ 1,159,463	$ 3,787,617	$ 2,198,387	$ 487,874	$ 4,674	$ 7,638,013
Lender Fees	[2]	3,352,194	1,250,802	2,315,387	1,564,884	-	8,483,268
Total Sources of Cash		$ 4,511,657	$ 5,038,419	$ 4,513,774	$ 2,052,758	$ 4,674	$ 16,121,281
Uses of Cash							
Operating Expenses	[3]	$ (2,451,672)	$ (2,131,997)	$ (1,293,713)	$ (407,249)	$ (367,249)	$ (6,651,881)
Enforcement of Loans		(600,000)	(1,000,000)	(1,000,000)	(250,000)	(250,000)	(3,100,000)
Total Uses of Cash		$ (3,051,672)	$ (3,131,997)	$ (2,293,713)	$ (657,249)	$ (617,249)	$ (9,751,881)
Net Cash Flow		$ 1,459,984	$ 1,906,421	$ 2,220,061	$ 1,395,509	$ (612,575)	$ 6,369,400

[1] Assumes use of approximately 40% of total available spread. Assumes spread is generally 2.00%.
[2] Assumes a Fee of 1% of the principal balance upon loan maturity extension.
[3] Based on proposal by Churchill Commercial Capital. Includes loan servicing fee of 25 basis points on unpaid loan balance, loan set up fee of $1,000 per loan in first year, plus estimated $200,000 in transition costs

Exhibit B

DEVELOPMENT PLAN

Rancho Vistoso

Planned Area Development

Oro Valley, Arizona

DEVELOPED BY
VISTOSO PARTNERS, L.L.C.

ENGINEERING
WLB

PLANNING
GAGE DAVIS ASSOCIATES

09/04/2012

162.5 Ac

B
0.5
45.7 Ac.

Honey Bee
Park

RANCHO VISTOSO BLVD.

B
10.5
(5.7)
42.0 Ac.

A
12.0
(3.7)

K
10.0
(10.0)

C
10.0

RF

MOORE

5-R
SCHOOL
36.3 Ac.

3-BB
CPI
86.7 Ac.

T

Desc

Exhibit C

$10 million "Donut Hole" prime land sale in Oro Valley golf course

Tweet 3

Like 0

Posted on August 27, 2012

by Roger Yohem

A California-based investment/developer has purchased "The Donut Hole" for $10 million, the last remaining tract of undeveloped residential land within the Rancho Vistoso master planned community in Oro Valley. Most of the 168-acre purchase is surrounded by several fairways of the Rancho Vistoso Golf Course.

"This is irreplaceable, infill property with the golf course that wraps around it. We will handle the marketing to home builders," said Will White of Land Advisors Organization – Tucson, who brokered the deal with Ryan Semro of the Scottsdale office. "This is a premium location, the homes probably will be move-up product or better."

The land was purchased by Vistoso Holdings LLC, headquartered in San Ramon, Cal. The company is an affiliate of True Life Communities, a real estate investment and management firm with operations in California and Arizona. The seller was Arizona Vistoso Return LLC, based in Kansas City, Mo.

The "Donut Hole" features premium golf course frontage and natural open space. Tentatively, slightly less than 100 acres will be developed west of Pebble Creek and Desert Fairway drives on the west side of Rancho Vistoso Blvd. On the east side of the boulevard, about 70 acres will be left as open space.

The infill parcel is surrounded by existing infrastructure that includes roadways, utilities and the golf course. It is zoned medium to high-density residential and likely will take about a year or more to bring the land to market, White estimated.

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