

**COPY**

JUN 06 2005



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6 Attorneys for James C. Sell, Conservator

7  
8 **SUPERIOR COURT OF ARIZONA**  
9 **MARICOPA COUNTY**

10 ARIZONA CORPORATION  
11 COMMISSION

12 Plaintiff,

13 v.

14 MATHON MANAGEMENT COMPANY,  
15 L.L.C., fka an Arizona limited liability  
16 company now dba a Delaware limited  
17 liability company, SLADE WILLIAMS AND  
18 ASSOCIATES, L.L.C., an Arizona limited  
19 liability company, MATHON FUND I,  
20 L.L.C., an Arizona limited liability company,  
21 MATHON FUND, L.L.C., fka an Arizona  
22 limited liability company now dba a  
23 Delaware limited liability company,  
24 INTEGRITY 101, L.L.C., an Arizona limited  
25 liability company, INTEGRITY 201, L.L.C.,  
26 an Arizona limited liability company,  
27 INTEGRITY 301, L.L.C., and Arizona  
28 limited liability company, INTEGRITY 401,  
L.L.C., an Arizona limited liability company,  
INTEGRITY 501, L.L.C., an Arizona limited  
liability company, INTEGRITY 601, L.L.C.,  
an Arizona limited liability company,  
INTEGRITY 701, L.L.C., an Arizona limited  
liability company, INTEGRITY 801, L.L.C.,  
an Arizona limited liability company,  
INTEGRITY 901, L.L.C., an Arizona limited  
liability company, ROUND VALLEY  
CAPITAL, L.L.C., an Arizona limited  
liability company, W.S.F. – WORLD  
SPORTS FANS, L.L.C., an Arizona limited  
liability company, MILL CREEK, L.L.C., an  
Arizona limited liability company,  
BELLEVUE HOLDINGS, L.L.C., an

Case No. CV 2005-005484

**MOTION TO ABANDON  
PROPERTIES:**

**(1) LOT 1, RED MOUNTAIN  
PROFESSIONAL PARK; AND**

**(2) LOT 3, RED MOUNTAIN  
PROFESSIONAL PARK**

**ORAL ARGUMENT  
REQUESTED**

(Assigned to the Honorable  
Barry C. Schneider)

JABURG & WILK  
ATTORNEYS AT LAW  
3200 NORTH CENTRAL AVENUE  
SUITE 2000  
PHOENIX, ARIZONA 85012

1 Arizona limited liability company, OAK  
2 HARBOR FINANCIAL, L.L.C., an Arizona  
3 limited liability company, SW STRATEGIC,  
4 WEALTH ADVISORS, L.L.C., an Arizona  
5 limited liability company, EVERETT  
6 CAPTIAL, L.L.C., an Arizona limited  
7 liability company, CRE CAPITAL, L.L.C.,  
8 an Arizona limited liability company,  
9 MEZZANINE MANAGEMENT, L.L.C., an  
10 Arizona limited liability company,  
11 MEZZANINE FUND I, L.L.C., an Arizona  
12 limited liability company, JONAS FUND I,  
13 L.L.C., an Arizona limited liability company,  
14 TEMPLAR FUND L.L.C., fka an Arizona  
15 limited liability company now dba a  
16 Delaware limited liability company,  
17 MERCER ISLAND, L.L.C., an Arizona  
18 limited liability company, CONNECTICUT  
19 PROPERTIES, L.L.C., an Arizona limited  
20 liability company, FIRST ATLANTA  
21 INVESTMENTS, L.L.C., a Georgia limited  
22 liability company, MM COLONIAL FUND,  
23 L.L.C., a Delaware limited liability company,  
24 SLADE CONSTRUCTION, L.L.C., an  
25 Arizona limited liability company,

26 DUANE SLADE and JENNIFER SLADE,  
27 husband and wife, GUY ANDREW  
28 WILLIAMS and LISA WILLIAMS, husband  
and wife,

Defendants.

James C. Sell, the court appointed Conservator in the above-referenced matter, through counsel of record undersigned, hereby requests that this Court enter an order authorizing the Conservator to abandon the following properties:

1. Lot 1 of Red Mountain Professional Park, Book 506, page 25, records of the Maricopa County Recorder's Office.
2. Lot 3 of Red Mountain Professional Park, Book 506, page 25, records of the Maricopa County Recorder's Office.

(Collectively referred to as the "Properties").

1 The Conservator's Motion is based upon the following Memorandum of Points and  
2 Authorities.

3 DATED this 6 day of June, 2005.

JABURG & WILK, P.C.



Lawrence E. Wilk  
Attorneys for James C. Sell

7 **MEMORANDUM OF POINTS AND AUTHORITIES**

8 I. **Procedural Background**

9  
10 1. On or about April 1, 2005, the Arizona Corporation Commission caused to  
11 be filed, in the Superior Court in and for the State of Arizona, a Verified Complaint in the  
12 above-captioned matter against numerous individual defendants and entities, seeking the  
13 appointment of a Receiver over the named Defendants.

14 2. On April 1, 2005, this Court issued its Order appointing James C. Sell  
15 Receiver for the approximately 30 entities named in the Receivership complaint.

16 3. Subsequently, after notice and hearing, the Court on April 14, 2005 issued  
17 its Order approving the Stipulation Regarding Order Appointing Conservator, in which  
18 the title of James C. Sell was changed from Receiver to Conservator (hereinafter, the  
19 "Conservatorship Order"). The rights and obligations of the Conservator remained  
20 identical to those of the Receiver.

21 4. Paragraph 11 of the Conservatorship Order provides as follows:

22 11. The Conservator shall have the authority to contact and  
23 negotiate with any creditors of the Conservatorship  
24 Defendants, for the purpose of compromising or settling any  
25 claim. To this purpose, in those instances in which  
26 Conservatorship Assets serve as collateral to secured creditors,  
27 the Conservator may surrender such assets to secured  
28 creditors, and shall have the authority to make such surrender  
conditional upon the waiver of any deficiency of collateral.

5. Paragraph 18 of the Conservatorship Order provides as follows:

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18. The Conservator shall be authorized to compromise or adjust obligations which may be owed to the Conservatorship estate. The Conservator shall seek and obtain the approval of the Court for the proposed compromise or settlement. Court approval may be sought on an expedited basis.

6. The Conservator has entered into an agreement, subject to court approval, to settle certain claims with a secured creditor, Forward Design, LLC., as more fully set forth hereinafter.

II. Factual Background

1. On or about October 5, 2004, Chalice Holdings LLC entered into contracts for the purchase of the Properties.

2. In furtherance of the contracts, Chalice paid \$18,945.49 as a cash payment for Lot 1, and executed a Promissory Note in the amount of \$400,000.00 payable to the seller, representing the additional consideration for the purchase of the Property. The Note was secured by a deed of trust on Lot 1.

3. In furtherance of the contracts, Chalice paid \$51,646.63 as a cash payment for Lot 3, and executed a Promissory Note in the amount of \$350,000.00 payable to the seller, representing the additional consideration for the purchase of the Property. The Note was secured by a deed of trust on Lot 3. In addition, Chalice assumed an existing mortgage in an amount of \$359,566.93.

4. The proceeds used to purchase the Properties and to pay subsequent debt service are believed to be assets taken from the Conservatorship assets. In addition, the Conservator believes that Chalice Holdings, LLC will be named as a defendant in the Conservatorship action, and become a Conservatorship asset.

5. The seller under each of the purchase contracts, and holder of these secured Notes is Forward Designs, LLC.

6. Each of these Properties is adjacent to Mathon's business address, 6816 East Brown (the "Mathon Property"). The Mathon Property was purchased from Forward Designs, LLC, which holds a secured interest in Mathon Property. The secured indebtedness is currently in default.

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7. The Notes secured by the Properties are currently in default.

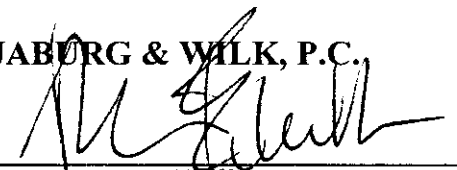
8. In consideration for abandoning Lots 1 and 3, Forward Designs, LLC has agreed to credit \$50,000 of the payments received from Chalice for Lots 1 and 3 against the outstanding balance owed on the Mathon Property and to extend out the delinquent payments on that balance for an additional period of time. In addition, Forward Design LLC has agreed to release the Conservatorship Estate from all liability on the Notes for Lots 1 and 3.

9. The Properties are believed to be of inconsequential value and are burdensome to the Conservatorship Estate.

10. The Mathon Property is a valuable asset of the Conservatorship Estate. The Conservatorship Estate will obtain a release, receive the credits referenced above and an extension of the indebtedness, which will be beneficial for the Conservatorship Estate.

WHEREFORE, the Conservator respectfully requests authority to: (1) abandon Lots 1 and 3, pursuant to the terms as more fully discussed hereinabove, and (2) execute such documents as may be required to facilitate the transfer.

DATED this 6 day of June, 2005.

JABURG & WILK, P.C.  
  
Lawrence E. Wilk  
Attorneys for James C. Sell, Conservator

ORIGINAL filed and COPY  
of the foregoing faxed this  
6th day of June, 2005 to:

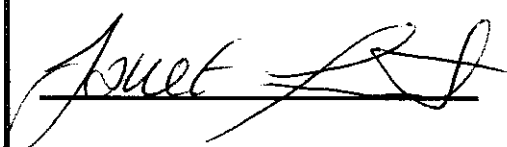
The Honorable Barry C. Schneider  
MARICOPA COUNTY SUPERIOR COURT  
101 West Jefferson, CCB 13A  
Phoenix, Arizona 85003-2243

///

///

1 **COPIES** of the foregoing mailed  
2 this 6<sup>th</sup> day of June, 2005 to:

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15 John E. DeWulf, Esq. 16 ROSHKA HEYMAN & DEWULF PLC 17 400 E. Van Buren, Suite 800 18 Phoenix, Arizona 85004-2262	Daryl J. Bethea, Esq. SHELLEY BETHEA GILLETTE & CLARK, PLC 3850 E. Baseline Road, Suite 125 Mesa, Arizona 85206-4404
19 Steven C. Mahaffy, Esq. 20 BEUS GILBERT PLLC 21 4800 N. Scottsdale Road, Suite 6000 22 Scottsdale, Arizona 85251-7630	James C. Sell 2222 E. Camelback Road, Suite 110 Phoenix, Arizona 85016 <i>Court Appointed Conservator</i>

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