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6 **UNITED STATES BANKRUPTCY COURT**
7 **DISTRICT OF ARIZONA**

9 In re:

10 MORTGAGES LTD.,

11 Debtor.

No. 2-08-bk-07465-RJH

CHAPTER 11

**RESPONSE TO OBJECTIONS TO THE
FIRST AND FINAL FEE APPLICATION OF FTI
CONSULTING, INC. AS FINANCIAL
ADVISORS TO THE DEBTOR AND DEBTOR IN
POSSESSION FOR ALLOWANCE AND
PAYMENT OF FEES AND EXPENSES**

15 DATE: September 17, 2009

16 TIME: 11:00 a.m.

17 LOCATION: 230 North First Avenue

Phoenix, Arizona

Courtroom 603, 6th Floor

18
19 FTI Consulting, Inc. ("**FTI**"), as Financial Advisors to the Debtor and Debtor in
20 Possession for the above captioned Debtor, submits this statement in response to the comments and
21 objections filed by Kevin T. O'Halloran, Trustee of the Liquidating Trust of Mortgages, Ltd. (the
22 "**Liquidating Trust**") and ML Manager, LLC ("**ML Manager**") (collectively, the "**Objecting Parties**"
23 or "**Objectors**"), in connection with the *First and Final Fee Application of FTI Consulting, Inc. as*
24 *Financial Advisors to the Debtor and Debtor in Possession of Compensation and Reimbursement of*
25 *Expenses* (the "**Final Fee Application**") [DE 1896] and in support thereof, respectfully represents as
26 follows:

1 **INTRODUCTION**

2 These proceedings were instituted by an involuntary bankruptcy petition filed against the
3 Debtor on June 20, 2008. FTI did not enter these proceedings until October 7, 2008, at which time the
4 case was already a "perform storm" that is aptly described in detail in the Omnibus Reply to Objections
5 to Final Application for Allowance and Payment of Compensation and Reimbursement of Expenses of
6 Jennings, Strouss & Salmon, P.L.C. for Services Rendered and Expenses Incurred on Behalf of the
7 Debtor [DE 1948] at 2-3. That history will not be repeated herein, but is instead incorporated herein by
8 this reference.

9 After entrance late, FTI worked diligently and efficiently at all hours of the day including
10 weekends and holidays to get up to speed with the case and assist as financial advisors for the next nine
11 months. FTI's fees were \$2.4 million, or about 0.25% of the \$950 million in assets involved and the
12 protection of the interests of investors and creditors in multiple cases originally pending before multiple
13 different judges.¹ It is incredible that the Liquidating Trust's lawyers (who are located in Philadelphia,
14 were hired on July 2 and have had no prior involvement in this case) would challenge 70% of FTI's fees
15 given its significant effort and the ML Manager would challenge 83% of FTI fees. Unfortunately, the
16 Objectors have embarked on a strategy to finance their plan of reorganization on the backs of the
17 professionals who were employed to work on the case. It would appear that they have objected to or
18 demanded concessions from every professional employed in these proceedings.

19 Furthermore, the Objectors have erroneously asserted that because the former Debtor was
20 not "successful" in all matters, fees and costs should not be awarded to the Debtor's professionals. This

21 _____
22 ¹ In a recent American Bankruptcy Institute article studying professional fees charged in Chapter 11
23 reorganization cases the authors compiled a number of previously conducted studies regarding fees in
24 reorganization case. The authors noted that professional fees in Chapter 11 cases averaged 1.8% of asset
25 base existing at the beginning of the case for all types of Chapter 11 cases and 2.5% when "prepack's
26 were excluded." *Chapter 11 Professional Fee Study*, Stephen J. Lubben, Reporter, American
Bankruptcy Institute (2007). The total fees requested in this case for all professionals appear to
approximately be 1.4% of the almost one billion in face value of the notes and deeds of trust existing at
the beginning of this case.

1 is a vacuous view of the case. FTI's work assisted in keeping the case alive, maintained the integrity of
2 the plan process for all constituents and provided Debtor management and board, the committees and
3 other parties in interest with timely accurate information upon which to make case decisions.

4 Significantly, Arizona Bankruptcy Courts have rejected the short-sighted notion
5 propounded by the Objectors regarding payment of fees on "unsuccessful" aspects of bankruptcy
6 litigation. In the case of *In re First Magnus Financial Corp.*, 2008 WL 2233503, 2 (Bankr. D. Ariz.
7 2008) Judge Marlar noted that denial of fees for matters as to which the debtor "may not have prevailed
8 in whole or in part . . . was too simplistic." Judge Marlar continued:

9 In litigation, and especially in bankruptcy cases, there is a fluidity about each case and
10 each issue; when one door closes, another path must be traveled. No party in an evolving
11 proceeding such as a chapter 11 bankruptcy case can expect to win on every issue, every
12 time. There are checks and balances built into the bankruptcy structure. Because the
13 Debtor may have taken a position on which it lost is not a demerit, having a residual
14 consequence on its fee request. Nor does it prove to have necessarily been wrong in
15 hindsight. "When reasonable professionals could differ over the right course, the
16 professional is not to be penalized." *Matter of Taxman Clothing Co.*, 49 F.3d 310, 315
17 (7th Cir. 1995), *overruled on other grounds by Lamie v. United States Tr.*, 540 U.S. 526,
18 124 S.Ct. 1023, 157 L.Ed.2d 1024 (2004); *see also In re Mednet, MPC Corp.*, 251 B.R.
19 103, 108 (9th Cir. BAP 2000) (fee applicant must demonstrate that the services were
20 "reasonably likely" to benefit the estate).

21 *Id.*

22 Incredibly, the Liquidating Trustee asserts the "Fee Application fails to meet the standard
23 set forth in 11 U.S.C. § 330, because the fees and compensation charged represent work performed that
24 was either (1) unauthorized; (2) duplicative of the work performed by other professionals; (3)
25 unnecessary to the administration of the bankruptcy case; (4) not reasonably likely to benefit the
26 Debtor's estate; or (5) unreasonable" (the Liquidating Trust's Objection p. 1, lines 23-27). Furthermore,
without specificity the ML Manger asserts that the fees are "unreasonable, excessive, unnecessary and
unauthorized." (the ML Manager Objection p. 7, line 24-25). The record of this bankruptcy case and
declarations of the Debtor's former management demonstrate that FTI has provided authorized services
to the Debtor which was, at all times, reasonable, necessary and beneficial to the Estate.

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1 **LEGAL ANALYSIS**

2 **A. LEGAL STANDARD FOR FEE APPLICATIONS**

3 Professionals employed under § 327 of the Bankruptcy Code are entitled to receive
4 "reasonable compensation for actual, necessary services rendered." 11 U.S.C. § 330(a)(1). Services are
5 actual and necessary if a reasonable attorney could believe they "were 'reasonably likely' to benefit the
6 estate at the time the services were rendered." *In re Mednet*, 251 B.R. 103, 108 (B.A.P. 9th Cir. 2000).
7 Fee requests cannot be judged in a vacuum or with the benefit of hindsight. *See Id.* This is especially
8 true in large, complex cases such as this one. Consequently, the Objectors' arguments that because the
9 Debtor did not ultimately prevail on some issues means that the efforts of the Debtor's professionals
10 were not "reasonably likely" to benefit the estate is incorrect as a matter of law and fact.

11 Judge Marlar's recent Memorandum Decision in *In re First Magnus Financial Corp.* is
12 likewise instructive. *See* 2008 WL 2233503 (Bankr. D. Ariz. 2008). *First Magnus*, like this case, was
13 complex and required the participation of numerous professionals. *Id.* In judging the appropriateness of
14 fees in a complex case, "the court cannot, superficially, pronounce that 'too many attorneys' worked on
15 the case." *Id.* This is because, in complex cases, a "myriad of issues" face the Debtor's professionals
16 and "multi-front battles" must be waged "both internally and externally" which require "legal
17 knowledge, practical considerations, strategies and skilled delegation." *Id.* Here, like in *Magnus*, the
18 Court should reject the knee jerk reactions of parties objecting to fees, and conduct a reasoned analysis
19 into just how complex this case was.

20 Furthermore, numerous objections are based on the presumption that no fees should be
21 awarded to the competing plan because the competing plan was not ultimately confirmed. In rejecting
22 arguments that fees should be denied because a debtor's professionals took positions which were
23 allegedly "untenable" and "unlikely to prevail," Judge Marlar aptly stated: "In litigation, and especially
24 in bankruptcy cases, there is a fluidity about each case and each issue; when one door closes, another
25 path must be traveled. No party in an evolving proceeding such as a chapter 11 bankruptcy case can
26 expect to win on every issue, every time. There are checks and balances built into the bankruptcy

1 structure." Relying on *Mednet*, Judge Marlar continued, "Because a Debtor may have taken a position
2 on which it lost is not a demerit, having a residual consequence on its fee request. Nor does it prove to
3 have necessarily have been wrong in hindsight. When reasonable professionals could differ over the
4 right course, the professional is not to be penalized." *Id.* (quoting *Matter of Taxman Clothing Co.*, 49
5 F.3d 310, 315 (7th Cir. 1995) and (citing *In re Mednet*, 251 B.R. at 108) (emphasis added).

6 In fact, under the circumstances, FTI was obligated to fully participate in the plan process
7 and was not required to "simply lay down and accede to (the OIC's) every wish." *See generally, In re*
8 *Spillman Development Group, Ltd.*, 376 B.R. 543, 553 (Bankr. W.D. Tex. 2007).

9 Finally, an objector cannot simply stand up and baldly accuse a professional firm of
10 improperly overstaffing a matter. Rather, "[t]he nature, type, scope, and complexity of the legal matters
11 must be carefully scrutinized and taken into account. The participation of more than one attorney does
12 not necessarily constitute an unnecessary duplication of effort." *First Magnus Financial Corp.*, 2008
13 WL 2233503 *1 (citing *McGrath v. County of Nev.*, 67 F.3d 248, 255 (9th Cir. 1995)). The objector
14 must specifically explain *why* it thinks the staffing level was excessive "in view of the factors
15 enumerated in § 330 of the Code, and the cases which discuss the fee issue." *Id.* (citing *In re Worldwide*
16 *Direct Inc.*, 334 B.R. 112, 132 (Bankr. D. Del. 2005)).

17 **B. OBJECTING PARTY TO FEE APPLICATIONS BEAR THE BURDEN TO REBUT THE**
18 **PRESUMPTION OF REASONABLENESS**

19 The applicant has the initial burden of coming forward with *prima facie* evidence of the
20 fees to which it is owed by properly documenting the hours spent on the case and the hourly rates
21 involved. *In re Blackwood Assoc.*, 165 B.R. 108, 111 (E.D.N.Y. 1994); *In re Hunt's Health Care, Inc.*,
22 161 B.R. 971, 980 (Bankr. N.D. Ind. 1993). Once this "lodestar figure" is established, there is a "strong
23 presumption" that this represents the reasonable fee to which the applicant is entitled. *Pennsylvania v.*
24 *Delaware Valley Citizen's Council for Clean Air*, 478 U.S. 546, 565 (1986). *See also Blum v. Stenson*,
25 465 U.S. 886,897 (1984); *In re D.A. Elia Constr. Corp. v. Damon & Morey, LLP*, 2006 U.S. Dist.
26 LEXIS 40577, *24-25 (W.D.N.Y. 2006). The burden then falls upon the objecting party to rebut that

1 presumption. *Hunt's Health Care*, 161 B.R. at 981-82. The party may not object based on "the general
2 proposition that the fee sought is simply too much." *Hunt's Health Care*, 161 B.R. at 982. Rather, the
3 objecting party must "identify any allegedly improper, insufficient, or excessive entries and direct the
4 court's attention to them." *Id.*, *Blackwood Assoc.*, 165 B.R. at 112 ("[a] party opposing a fee application
5 must carry the burden of explaining what therein is unreasonable, or, at least, what would be reasonable
6 under the circumstances"). Absent such *specific* evidence, the Objecting Parties cannot rebut the
7 presumption of reasonableness of FTI's Final Fee Application and the opposition fails. *Blackwood*
8 *Assoc.*, 165 B.R. at 112.

9 **SPECIFIC RESPONSES TO THE OBJECTIONS FILED**

10 **A. RESPONSE TO THE OBJECTIONS OF THE ML MANAGER**

11 1. Time Spent on Fee Applications.

12 The Objecting Parties complain that FTI spent excessive time on fee applications and object
13 to 100% of the time FTI spent on its employment and fee application. Surely the objector cannot dispute
14 that the Bankruptcy Rules mandate extremely detailed, comprehensive fee applications in order to provide
15 interested parties with adequate information to evaluate the fees of professionals. Approximately 3.6% of
16 FTI's fees were incurred in preparing the Final Fee Application and other fee related tasks. This is
17 consistent with the comparable time spent on fee applications of Fennemore Craig, DLA Piper, and
18 Jennings Strouss & Salmon, who on average spent approximately 3.0% of their time on fee applications.
19 FTI provided 41 different task codes to ensure the Debtor, interested parties, and this Court had a detailed
20 breakdown of the many services FTI performed for the Debtor. Interestingly, the ML Manager in its
21 objection suggests that FTI spend even more time providing more detail and additional explanations.

22 The Northern District of California "has established Guidelines for Compensation and
23 Expense Reimbursement of Professionals and Trustees that provide: 'Fees for preparation of a fee
24 application may not exceed *five percent of the total amount of fees and costs requested* in the
25 application.' This five percent guideline is a ceiling rather than a floor; preparation expenses equaling

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1 five percent are not presumptively reasonable." *In re Schneider*, 2008 WL 4447092, at *10 (Bankr.
2 N.D. Cal. Sept. 26, 2008) (emphasis added).

3 Case law from other circuits also illustrate that anywhere from three to ten percent of the
4 total hours spent in the main case may be an acceptable amount of time spent on preparing and litigating
5 the fee application. *See, e.g., In re Channel Master Holdings, Inc.*, 309 B.R. 855 (Bankr. D. Del. 2004)
6 (counsel for unsecured creditors committee did not spend inordinate amount of time in preparing
7 retention and fee applications when time spent was less than **nine percent** of time associated with total
8 fees requested, and therefore fees for such time were recoverable); *In re Spanjer Bros., Inc.*, 203 B.R.
9 855 (Bankr. N.D. Ill. 1996) (attorney for Chapter 11 debtors would be compensated for **five percent** of
10 the total fees allowed for preparation of his interim and final fee applications); *In re Rusty Jones, Inc.*,
11 134 B.R. 321 (Bankr. N.D. Ill. 1991) (Chapter 11 debtor's counsel not compensated for time spent
12 preparing fee application to extent that fees requested for preparation time exceed **3 percent** of total fees
13 requested); *In re Churchfield Mgt. & Inv. Corp.*, 98 B.R. 838 (Bankr. N.D. Ill. 1989) (local co-counsel
14 to Chapter 11 debtor's special counsel not entitled to be paid for time spent preparing fee application in
15 amount totaling 42 percent of its substantive work, but allowed **ten percent**). FTI request the Objector's
16 Employment and Fee Application objections be overruled.

17 2. FTI Rates and Promotions.

18 The ML Manager complains that FTI's hourly rates were adjusted in 2009. Annual hourly
19 rate adjustments are common practice and were fully disclosed in FTI's employment application. FTI's
20 hourly rates were disclosed in its employment application and approved. FTI's hourly rates are its
21 customary hourly rates which also are comparable to the other financial advisors hourly rates in the case.

22 The ML Manager also complains about an hourly rate adjustment resulting from a
23 promotion during the employment. Again, the hourly rates were disclosed and approved and because an
24 employee earned a promotion to senior consultant after FTI was retained in this case, assumed the
25 responsibilities of a senior consultant, performed at the level of senior consultant and was paid by FTI at

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1 that level provides a reasonable basis for billing that FTI employee at the senior consultant hourly rate. FTI
2 requests that the Objector's Rate and Promotions objections be overruled.

3 3. Administrative/Paraprofessional Time.

4 The Objecting Parties objects to what it inappropriately categorizes as secretarial time.
5 The \$33,171 of objected time by the ML Manager is the total paraprofessional time spent by Sandie
6 Smith. The following is a breakdown of the time of Sandie Smith.

| <u>#</u> | <u>Task CATEGORY</u> | <u>HOURS</u> | <u>FEES</u> |
|----------|-------------------------------|--------------|--------------------|
| 1 | Case Administration | 78.3 | 9,256.50 |
| 8 | 2 Claims Administration | 18.4 | 1,808.00 |
| 9 | 3 Disclosure Statement | 2.2 | 275.00 |
| 10 | 4 Employment/Fee Applications | 172.5 | 20,950.50 |
| 10 | 5 Financing and Cash Flow | 4.8 | 456.00 |
| 11 | 6 Litigation | <u>3.4</u> | <u>425.00</u> |
| | TOTAL | 279.6 | \$33,171.00 |

12 Initially, \$20,950.50 is duplicative of the objection to fee applications. As is
13 demonstrated, Ms. Smith provided essential services and in many instances, services that could have
14 been assigned to a consultant at a higher rate. In addition, the case administration time was primarily for
15 downloading case filings and e-mailing them to the Debtor management and numerous parties in the
16 case to keep everyone informed and up to date.

17 The Liquidating Trust also objects to \$15,000 - \$20,000 of time billed for downloading of
18 claims, updating a claims database, and updating a workplan and \$4,631.70 of expenses for hiring
19 temporary help to download/print claims filed, PACER research, purchase of data disk, and postage.
20 Consistent with a specific service provided in FTI's employment application (p. 4 line 10 – analysis of
21 creditor claims by type, entity and individual claim, including assistance with development of databases,
22 as necessary, to track such claims), FTI downloaded proofs of claim from PACER and developed a
23 database to track claims. In the process, to minimize cost to the estate, FTI hired temporary help to
24 download and print proofs of claim. The costs for PACER research was not only for claims purposes,
25 but was for the downloading of the Debtor and related case filings that were circulated to the Debtor's
26 employees, management, and professionals at the request of the Debtor's management. The purchase of

1 data disks and postage that totaled \$52.23 was for due diligence packages sent to potential exit lenders
2 (as clearly provided in FTI's Final Fee Application). The services provided and the expenses in question
3 are without a doubt, compensable. FTI request that the Objector's Administrative/Paraprofessional Time
4 objections are overruled.

5 4. Internal Meetings.

6 The ML Manager objects to internal meetings and calls amounting to \$110,031. There
7 are no specific allegations of how and when this unjustifiably occurred. Noticeably absent from the
8 objection is any indication as to which particular time entries provide support for the ML Manager's
9 accusations.

10 FTI has met its burden by properly documenting the hours spent on the case and the
11 hourly rates. To suggest that team members working toward a common goal on complex tasks cannot
12 communicate, collaborate, strategize or develop solutions together is absurd and unreasonable. FTI has
13 only applied to be paid for time that was reasonable and necessary to competently perform what was
14 required of it. The ML Manager has failed to meet the presumption of reasonableness and its objection
15 fails as a matter of law. FTI requests that the Objector's Internal Meeting objections be overruled.

16 5. Transition Work.

17 The Objecting Parties object to 100% of FTI's \$38,881 of fees requested in the Transition
18 Work category. This transition work was incurred between May 20, 2009 and July 6, 2009 for the
19 benefit of the Debtor, The Liquidating Trustee and the ML Manager. Specific tasks included in the
20 transition task code include, but are not limited to, meeting with Debtor employees and counsel to
21 discuss transition process, meet with OIC financial advisor Ed McDonough and his staff and prepare and
22 provide requested information, continue to work with potential exit financing prospects, reviewed and
23 added to the transition memo prepared by Debtor's counsel, and prepared various memo's regarding
24 work performed by FTI.

25 In addition, the ML Manager objects to all other FTI time charged from May 20, 2009 to
26 July 6, 2009 to various time codes excluding the Transition and Fee Application category. This time

1 was necessary and for the benefit of the Debtor, the Liquidating Trust, and the ML Manager. FTI was
2 finishing up projects and work. Only those assignments that required additional work to complete that
3 had a definite benefit to those parties involved after the confirmation of the Official Committee of
4 Investors' ("OIC") plan were performed. Tasks include, but are not limited to, finalizing redemption
5 analysis, liquidation analysis, cash flow analysis, loan guarantor analyses and assisting with exit
6 financing and accounting for and documenting for the SM Coles, LLC settlement.² FTI requests that the
7 Objector's Transition Work objections be overruled.

8 6. Duplication of Efforts/Multiple Consultants Performing Same Task.

9 The Objectors complain that there was duplication of work by virtue of multiple personal
10 in meetings and in court. Again there are no specific allegations of how and when this unjustifiably
11 occurred (other than three examples cited by the Liquidating Trust where two FTI people attended large
12 loan collection/strategy meetings). The complexity and enormity of the case required and justified more
13 than one FTI representative sometimes attending court and meetings. FTI had a narrow team of
14 professionals providing services to the Debtor. Sometimes it was necessary to have more than one FTI
15 professional in attendance as each person may have performed different functions on the case or had
16 knowledge of different facts and issues.

17 Almost completely absent from the objections are an identification as to which particular
18 time entries are being objected to. In fact, not even one time entry was identified as duplicative,
19 wasteful, or unnecessary – the Liquidating Trust simply pointed out three FTI time entries where two
20 FTI people attended a loan collection/strategy meeting. FTI has met its burden of proof by documenting
21 the hours spent and the hourly rates in its Final Fee Application. Absent **specific** evidence, the

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25 ² As discussed below in connection with FTI's request for interim payments, the ML Manager appears to
26 be objecting to \$3,587.50 of Plan fees and \$27,862 of Loan Collection fees performed from May 20,
2009 to July 6, 2009 which is duplicative of the ML Managers objections to 100% of the time in the
Plan and Loan Collection categories.

1 Objectors cannot rebut the presumption of reasonableness and their objections fail.³ FTI request that the
2 Objector's Duplication of Efforts objections be overruled.

3 7. Loan Collections Duplicative of Services of Other Professionals.

4 The Objectors object to what they contend are duplication of services as to loan
5 collection matters that are already handled by other professionals. In making their objections, they fail
6 to identify even one time entry in which they contend that this objection applies. Instead, the Objectors
7 object to 100% of FTI's fees related to any loan collection activity as presumptively duplicative. The
8 Objectors are fully aware that loan collection services encompassed numerous activities that were
9 performed by the Debtor's personnel, the Debtor's counsel, FTI, and other professionals as required. The
10 Debtor's management and employees closely monitored collection activities and delegation of collection
11 related tasks to professionals. The services provided by each party were not duplicative and were
12 discussed and clarified in internal meetings and loan status meetings open to third parties (which often
13 included member of the OIC).

14 When FTI started in October 2008, only seven loans were performing. In early January
15 the Board of Directors of Debtor asked FTI to take a more active role in assisting the Debtor in various
16 loan workouts and potential litigation given FTI's professional experience in bankruptcy, restructuring
17 and litigation. Apparently the Objectors do not understand the specifics of what the Debtor or various
18 parties were working on regarding loan collections and didn't review FTI's detailed time descriptions
19 and summary of fees for loan collection provided in FTI's Final Fee Application. This is evident by the
20 Objector's statement in the objections that the work of the Debtor's employees, DLA Piper, Gust
21 Rosenfeld, Foster Pepper, and Jennings Strouss was "all duplicative excessive and unnecessary." The
22

23 ³ It is ironic that the ML Manager complains about spending too much time and effort on preparing the
24 Final Fee Application and then complains that FTI needs to spend more time to "go through its bills and
25 identify where it had more than 2 people in a hearing or meeting and then to explain why it was needed."
26 The ML Manager Objection at p. 6. Certainly the ML Manager had adequate time to review the Final
Fee Application, identify any time entries that it found objectionable, and bring those to the attention of
FTI and the Court.

1 loan collection work performed by FTI was complimentary and additive to other professionals and the
2 Debtors' staff. This broad sweeping unsupported allegation is preposterous and again the Objectors have
3 failed to rebut the presumption of reasonableness. FTI requests the Objectors Loan Collection
4 objections be overruled.

5 8. Litigation Duplicative of Services of Other Professionals.

6 The Litigation Trust objects to what they contend are duplication of services as to
7 litigation related matters that are already handled by other professionals. In making their objections,
8 they fail to identify even one time entry in which they contend that this objection applies. Instead the
9 Liquidating Trust objects to 100% of FTI's time related to litigation categorized tasks as presumptively
10 duplicative.

11 The Liquidating Trust's objection states that "no detail is given regarding the specific
12 matters on which these services were rendered." Not only does FTI's Final Fee Application summarize
13 the type of work performed in this category, but 17 of the 289 pages of Exhibit C to FTI's Final Fee
14 Application specifically list the detailed time entry for FTI time billed to the litigation task code.

15 The detail clearly demonstrates that FTI's time was spent identifying investor
16 redemptions, reviewing cash outflows to identify potential fraudulent transfers, identifying potential
17 litigation targets, and reviewing the IT systems and processes to document data retention. All of these
18 tasks directly benefit the Debtor and the Liquidating Trust.

19 The Liquidating Trust's objection assumes that because FTI categorized these tasks as
20 "litigation," that these tasks were being performed by other professionals retained by the estate. If the
21 Liquidating Trust reviewed the time entries, it would also realize that no other professional was
22 performing the type of work that FTI provided in the litigation category.

23 Another large complaint of the Liquidating Trust is that the Debtor's staff could have
24 performed such services. It is unclear how the Liquidating Trust came to the conclusion that the
25 Debtor's staff had the availability to assist FTI in the above matters, as the Trustee was not involved in
26 the case until the Effective Date. In either event, if one were to review FTI's time detail, they would

1 note that FTI worked with the Debtor's staff while performing tasks. In fact, without the help of the
2 Debtor's staff and its access and knowledge of the systems, the analyses prepared by FTI would have
3 been nearly impossible to complete. FTI requests the Liquidating Trusts Litigation task code objection
4 be overruled.

5 9. Plan Work.

6 The ML Manager is objecting to 100% of the Plan category inferring that none should be
7 paid because all of the work was excessive and unreasonable. The focus of the objection seems to be on
8 the fact that the Debtor's plan was not confirmed. That fact is simply irrelevant. FTI's participation in
9 the plan process resulted in maintaining the integrity of the process and the enhancement of the terms of
10 the plan ultimately confirmed. In essence, this competition bred a better result for all parties. The
11 Objectors (and particularly, the Liquidating Trustee who was not a party to these events and apparently
12 has done little by way of investigation) ignore the following undisputed facts.

13 a. FTI utilized the Debtor's employees when available.

14 b. The Debtor, its counsel, and FTI met with representatives of all the constituencies
15 (the Committees, Radical Bunny, a vocal group of Investors known as the Mahakian Group, and
16 multiple RevOp members), in multiple and extensive meetings beginning in October 2008 and lasting
17 until the time the OIC filed its plan. The OIC plan did not have exit financing in place, a factor which
18 was critical to confirmation of any plan. The OIC plan, as filed, did not have the support of other
19 constituencies at that time.

20 c. The Debtor explored exit financing and also obtained the support of the Mahakian
21 Group as a co-proponent of a plan.

22 d. Significantly, the Debtor obtained the support of Radical Bunny as a co-
23 proponent. On the eve of the Debtor filing its plan in March, Radical Bunny reneged. The RevOps
24 were also discussing terms with the Debtor but could not reach a final resolution.

25 e. During these negotiations all constituents, and particularly Radical Bunny, were
26 negotiating with both plan proponents to see which camp would give it the better deal. It cannot be

1 denied that as a result of this back and forth, the OIC's plan ultimately was revised and improved.

2 f. On March 24, 2009, this Court denied approval of the OIC's initial disclosure
3 statement [DE 1493] and so it was not a fait accompli that the OIC plan would be confirmed. The
4 Debtor's plan was certainly a viable alternative.

5 g. The negotiations continued between the Debtor and Radical Bunny and once
6 again Radical Bunny agreed to become a co-proponent of the Debtor's plan. The Debtor solidified its
7 exit financing which was to be attached to an amended plan. Again, on the eve of filing, Radical Bunny
8 reneged. The Debtor nonetheless filed its amended plan with the Mahakian Group as a co-proponent.

9 h. Numerous objections to the OIC plan were filed, including objections by Radical
10 Bunny, RevOps, the VTL Committee and the Unsecured Creditors Committee as well as borrowers and
11 investors. Again, there was no assurance the OIC plan would be confirmed. Likewise, there was no
12 reason to believe the Debtor's plan would not be approved.

13 i. On May 13, 2009, the first day of the confirmation hearing, there was nothing to
14 suggest that confirmation of the OIC plan was a foregone conclusion. In fact, numerous objecting
15 parties, including Radical Bunny and an investor (Mr. Sternberg) cross-examined the OIC's witnesses.

16 j. During the course of the confirmation proceedings, Radical Bunny had filed its
17 § 510(c) motions to subordinate the interests of certain claimants based on securities damage claims. It
18 was not until May 18th, when the Court ruled against Radical Bunny on its § 510(c) subordination
19 motions, that Radical Bunny finally and decisively came to its decision to back the OIC plan. Had the
20 Court granted Radical Bunny's two subordination motions, the case would likely have taken an entirely
21 different track.

22 k. Ultimately the Debtor withdrew its objection to the OIC plan because of the
23 negotiated settlements. There can be no doubt that the Debtor's presence in the process intensified the
24 negotiations for the benefit of all the constituents.

25 l. Even after confirmation, the Debtor, its counsel, and FTI continued to work for
26 the benefit of the constituencies. The OIC's exit financing, by its own counsel's admission, was onerous.

1 FTI and the Debtor's counsel coordinated contact by lenders offering significantly better terms
2 (including the lender who had agreed to finance the Debtor's proposed plan). This competition among
3 potential lenders resulted in the OIC's lender ultimately improving its terms, especially in the areas of a
4 reduced interest rate (from 20% to 17.5%) and lowered origination fee and charges. These changes
5 resulting in an estimated saving of \$2.5 million to the investors. ("According to the OIC's financial
6 advisor, Ed McDonough at Alvarez and Marsal, the changes will result in a savings of about \$2.5
7 million for the investors." Newsletter of the Official Committee of Investors of Mortgages Ltd.,
8 Number 29, June 17, 2009). See **Exhibit 1** attached hereto.

9 m. Finally, even after confirmation of the OIC plan, there was some question as to
10 whether the Debtor would need some short-term additional financing until the exit financing closed. In
11 order to preserve the assets of the estate, FTI had found a lender willing to make a short term loan to the
12 estate. The Debtor's counsel noticed this financing proposal for a hearing and kept the matter on
13 calendar in order to have this "back-up" financing in place.

14 n. The ML Manager suggests that Ed McDonough "managed the tasks, the staffing
15 and the process efficiently and effectively to deliver value for the work performed" (the ML Manager
16 Objection, p. 2, Lines 23-24). Ed McDonough and his team spent a total of 815 hours, totaling \$403,881
17 (blended rate of \$495) working on the OIC's plan and disclosure Statement. Ed McDonough's work was
18 limited and focused on satisfying the needs of only the OIC. The Debtor, its counsel, and FTI on the
19 other hand were focused on meeting the needs of the Debtor and all of its creditors. In comparison to Ed
20 McDonough's fees (including members of his team), FTI spent a total of 1,519 hours totaling \$693,970
21 (blended rate of \$456) while evaluating alternative scenarios (preparing numerous financial models and
22 projections) to meet the needs of the Debtor, all of its creditors, and the OIC. Thus, a direct comparison
23 is not appropriate. Furthermore, FTI did manage the tasks, the staffing and process efficiently and
24 effectively to deliver value for the work performed.

25 o. The ML Manager wrongfully criticizes FTI for performing the services they were
26 approved to perform by this Court. Specifically, the ML Manager with their own twist on reasoning,

1 states that "FTI spent time looking for capital to continue the loan business and create value for
2 management. It also spent time asserting the 'funny money' asset that it put on the Debtor's post petition
3 books and records in order to create an asset and value for an exit lender under the Debtor's Plan." The
4 fact is FTI spent time to identify assets of the Debtor that were not at the time listed on the financial
5 statements for the benefit of creditors (not management as erroneously stated by ML Manager). FTI
6 identified receivables for servicing income, default interest, late fee income, extension fees, and other
7 fees totaling approximately \$136 million in January 2009 as an asset of the Debtor that was not listed on
8 the financial statements and were subsequently reported by the Debtor. Although the OIC and others
9 questioned the validity of the assets asserting it was "funny money," the assets were real and were
10 considered viable assets for purposes of providing capital by potential exit lenders. To deny fees of FTI
11 for performing approved services just because the OIC was not content with the findings of FTI is not
12 appropriate.

13 p. The Liquidating Trust states that over \$95,000 was billed on plan work after May
14 8, 2009 when the OIC filed its ballot report and it would be expected that the work performed by FTI
15 would have significantly curtailed. The majority of FTI's time charged to the plan task code after May
16 8, 2009 was for work performed analyzing the OIC's plan and disclosure statement and preparing for
17 related depositions and hearings.

18 q. Specifically, in preparation for the OIC's plan confirmation hearing, FTI
19 performed the following services: (1) review of OIC ballots and voting results and discuss same with
20 the Debtor's counsel; (2) review and analyze post-exit budget; (3) update liquidation analysis; (4) attend
21 OIC plan confirmation pretrial conferences; (5) analyze OIC's plan, budget, and inter borrower
22 agreement; (6) financing source and other related issues; (7) prepare for deposition of OIC witness; (8)
23 prepare for deposition of OIC lender; (9) prepare for Michael Tucker testimony; and (10) attend
24 hearings. As stated previously, the work performed by FTI on plan items resulted in maintaining
25 integrity of the plan process and the enhancement of the terms of the plan ultimately confirmed. This
26 was evident by the plan settlements that Radical Bunny and the Unsecured Creditor Committee reached

1 with the OIC. The services provided by FTI and billed to the plan task code before and after May 8,
2 2009 were authorized, reasonable and benefited the estate.

3 Given the above, none of which can be disputed by either of the Objectors, the request to
4 deny fees for FTI work concerning plan negotiations is disingenuous and must be denied.

5 10. Scope of Employment.

6 The Liquidating Trust claims that FTI's services exceeded the scope of engagement. FTI
7 was engaged as the financial advisor to the Debtor. In this capacity, FTI was assigned to execute
8 analyses of the Debtor's operations, assets, liabilities, financial position, plans, and financial information
9 to provide financial advice thereon to the Debtor so it can meet its responsibilities in this case including
10 providing information to the numerous committees so they can meet their responsibilities. *See*
11 *Application Pursuant to Fed. R. Bankr. P. 2014(a) for Order Under Section 327(a) of the Bankruptcy*
12 *Code Authorizing the Employment and Retention of FTI Consulting, Inc. as Financial Advisor to the*
13 *Debtor and Debtor in Possession [DE 750] at Section "Scope of Services."* FTI provided services that
14 were consistent with the scope of service contained in FTI's court approved employment application and
15 as the Debtor deemed necessary to enable the Debtor to maximize the value of its estate and reorganize
16 successfully.

17 The Liquidating Trust's allegations that as the case progressed, it appeared FTI began to
18 manage the Debtor and direct much of the bankruptcy process is baseless and contrary to the facts. FTI
19 did not accept a managerial position or perform as a manager of the Debtor. The Liquidating Trust is
20 new to the case and apparently lacks knowledge of what actually occurred.

21 The Liquidating Trust further asserts, without any facts or evidence, that FTI's increased
22 manager role resulted in "extraordinarily" high fee and charges for work that could have been done by
23 the Debtor's staff. No specific entries were identified to support this claim and again FTI did not have
24 any managerial role.

25 The Liquidating Trust goes on to say that some of the work performed by FTI and billed
26 to the Debtor could have been performed by the Debtor's own staff. The Debtor's staff, although

1 competent in their own right, did not possess the technical expertise, nor have the time to effectively and
2 efficiently handle the additional tasks as a result of the Chapter 11 reorganization. The Court recognized
3 this fact and approved the employment of FTI as the financial advisor to the Debtor. FTI worked
4 closely with the Debtor keeping the lines of communication open and working as a team to coordinate
5 efforts to prevent duplication of work and ensure tasks were completed to keep the reorganization
6 process moving and the Debtor operating.

7 Work performed by FTI was not only authorized, but was also reviewed and discussed
8 formally and informally with the Debtor's management and Board of Directors on a consistent basis.
9 FTI's team of professionals worked onsite at the Debtor interacting with management and employees
10 daily keeping them informed of tasks and findings of FTI. Furthermore, as part of the cash flow budget,
11 FTI prepared a professional fee schedule that included estimated and actual professional fees by month
12 for each professional, including FTI. FTI coordinated monthly with the Debtor's CFO (Chris Olson)
13 and/or Controller (Veronica Sas) to ensure the cash flow budget and professional fees schedule were
14 current and estimates were reasonable.

15 The Liquidating Trust erroneously states that in April or May 2009, FTI offered the
16 Debtor's Controller, Veronica Sas, an estimate of total fees of \$1 million. This statement is inaccurate.
17 The estimate for FTI fees in early April was \$2,295,000 and in late April was \$2,520,000. Veronica Sas
18 kept the cash flow budget and professional fee schedule for the Debtor and sent FTI an updated cash
19 flow budget and professional fee schedule on April 13, 2009. *See Exhibit 2* attached hereto. The
20 professional fee schedule provided by Veronica Sas estimated FTI's professional fees through June 2009
21 to be \$2,295,000.

22 The services provided by FTI were within the scope provided in FTI's employment
23 application and were authorized and approved by the Debtor. *See* Declaration of Christine Zahedi in
24 Support of FTI Consulting's First and Final Fee Application (October 7, 2008 - July 6, 2009) attached
25 hereto as **Exhibit 3** and Affidavit of Chris Olson in Support of FTI Consulting's First and Final Fee
26 Application (October 7, 2008 - July 6, 2009) attached hereto as **Exhibit 4**. FTI request that the

1 Litigation Trust's objection that FTI exceeded its scope of employment or performed unauthorized
2 services be overruled.

3 11. Scott Coles and Related Entities.

4 The Liquidating Trust objects to 100% of FTI fees in this category contending that fees
5 incurred in connection with the negotiation with the estate for Scott Coles were not reasonable and
6 necessary for the administration of the estate. Since the Liquidating Trust was not involved in the case,
7 it may not have been aware the extent that the death of Scott Coles, the affairs of the Debtor, SM Coles,
8 LLC, and SMC Revocable Trust were entangled and intertwined. Through the actions of Scott Coles,
9 SM Coles, LLC utilized assets, financial and human resources of the Debtor for its own pecuniary
10 benefit and without adequate consideration to the Debtor. As a result of these actions, the Debtor and
11 numerous other constituencies, the OIC, and Radical Bunny pressed for FTI to investigate the past
12 transactions between the Debtor, SM Coles, LLC, and SMC Revocable Trust to untangle and understand
13 what transpired. As detailed in FTI's Final Fee Application, this was a significant task that was
14 completed by FTI with the assistance of the Debtor's CFO, Chris Olson, and his accounting staff.

15 The results of FTI's analyses facilitated the Debtor's ability to file a \$31,958,767 claim in
16 the SM Coles, LLC estate which had a claim bar date in early January 2009. This work performed by
17 FTI ultimately lead to the Debtor's settlement with SM Coles, LLC that was in the best interest of
18 creditors and parties-in-interest of the Debtor's estate. In addition to untangling the past related party
19 transactions, it was important for the Debtor to understand the assets and liabilities, claims and the likely
20 recovery to creditors of SM Coles, LLC prior to reaching a settlement on the Debtors \$32M claim
21 against SM Coles. For the Liquidating Trust to question the benefit to the Debtor for "gathering
22 financial information for SM Coles, LLC, monitoring the bankruptcy and reviewing its claims" is a
23 disregard of the very factors that needed to be considered prior to the Debtor reaching a settlement with
24 SM Coles, LLC.

25 The Liquidating Trust's allegation that FTI and the Debtor were doing similar work that
26 was duplicative related to Scott Coles and related entities is baseless. FTI relied on and built from the

1 analysis and data provided by the Debtor and worked with the Debtor in performing services related to
2 Scott Coles and related entities. These coordinated efforts were not a duplication of efforts.

3 The time spent by FTI on Scott Coles and related entities was reasonable, necessary, and
4 benefited the Debtor. FTI request the Liquidating Trustee Scott Coles and Related Entity objections be
5 overruled.

6 **REQUEST FOR INTERIM PAYMENT AND SUPPLEMENTAL ORDERS**

7 **PURSUANT TO BANKRUPTCY RULE 3020**

8 Counsel for the OIC apparently undertook their representation on a discounted basis and
9 subsequently agreed to cap their hourly rates at 2008 levels. *See First and Final Application for*
10 *Approval, Allowance and Authorization of Payment of Fees and Expenses Incurred by Fennemore*
11 *Craig, P.C. as Counsel for the Official Committee of Investors* at [DE 1879]. That may have been the
12 concession that counsel for the OIC apparently believed was necessary for them to be hired in the case,
13 but it appears to have convinced the Objectors to believe that similar caps on hourly rates and discounts
14 should be retroactively imposed on all professionals employed in the case. Thus, without basis or
15 authority, the Objectors maintain that it was inappropriate for FTI to adjust its hourly rates at year-end as
16 is customary for most firms, and as was disclosed in FTI's retention application.

17 Furthermore, the Objectors have suggested that it is appropriate to delay payments to
18 professionals simply to avoid the accrual of interest (at 17.5%) on the advances they would have to take
19 under their exit financing if professionals are paid sooner rather than later.

20 Finally, the Objectors appear to have embarked on a strategy of inducing professionals to
21 accept significant reductions on their fees based upon a veiled threat that those who resolve their claims
22 early can be paid, but that the funds available to pay professionals may be exhausted before all
23 professionals receive payment. This has necessitated FTI having to file a *Motion to Alter or Amend*
24 *Judgment* [DE2159] asking that the order approving the Final Fee Application be modified to remain
25 subject to disgorgement in the event that insufficient funds exist to pay all claims having an equal or
26 higher priority. It has also resulted in the submission of a proposed order that reflects a substantial

1 discount based upon the assurance that the funds will not be subject to disgorgement in the event that
2 insufficient funds are available to pay all claimants of an equal or higher priority [DE 2162].

3 It is respectfully requested that if the Court does not overrule all objections to FTI's Final
4 Fee Application that the Court authorize a partial interim payment to FTI and further issue supplemental
5 orders in aid of confirmation to assure that the Final Fee Application is litigated on the merits as
6 opposed to simply to delay payment of interest to the exit financier, and to assure that funds are available
7 to pay whatever amount this Court ultimately awards.

8 As reflected on **Exhibit 5** hereto, collectively, the Objectors have objected to
9 approximately 99% of the Final Fee Application. Because the Objectors do not identify the specific
10 entries to which they object, it is difficult to identify with precision what it is they are objecting to, but it
11 is undoubtedly true that many of the objections are duplicative of each other and result in the ML
12 Manager asking that the Final Fee Application be reduced two or more times by reason of multiple
13 objections to a single entry. For example, the Objectors object to 100% of the time associated with
14 FTI's work in the project billing categories "Disclosure Statement and Plan of Reorganization,"
15 "Litigation," "Fee and Employment Applications," and "Transition." Nevertheless, the ML Manager
16 also has four categories of general objections, which, together with an unspecified objection in the
17 amount of \$46,011.00 (to reach the total sought for denial by the ML Manager), seek to reduce the Final
18 Fee Application by another \$715,723.00. Undoubtedly, some portion of the general objections is
19 attributable to the four categories for which the Objectors objected to 100% of the time, which is why
20 FTI believes that the general objections are at least in part duplicative of the ML Manager's objections to
21 the specific categories.

22 The Liquidating Trust's objection tracks much of that of the ML Manager; however,
23 without explanation, nor the background for what transpired in the case, the Liquidating Trust objects to
24 the entirety of three project billing categories to which the ML Manager did not object. The Liquidating
25 Trust objects to all work that FTI did in the categories of "Litigation," "Scott Coles and Related
26 Entities," ("**Coles Entities**") and "Loan Collection and Workouts." See **Exhibit 5** hereto. It is

1 respectfully requested that the Court order a partial interim payment in the amount of \$2,000,044 as
2 reflected in **Exhibit 5**. That amount represents 100% of the amounts requested in those categories to
3 which neither of the Objectors has entered a specific objection and 75% of the amounts where either the
4 ML Manager or the Liquidating Trust has objected to all or nearly all of the fees requested in a
5 particular category.

6 If the Objectors have specific objections to particular time entries, they should make
7 them, but it is insufficient as a matter of law for the Objectors to assert, as they do, that FTI is not
8 entitled to any time spent in connection with its fee and employment applications, the preparation of
9 plans and disclosure statements, or participation in the plan confirmation process, or dealing with issues
10 such as the claims between the Debtor and the Coles Entities. Those involved with the process know the
11 significance of both the plan process and the relationship of claims by and against Mortgages Ltd. and
12 the Coles Entities. More is required of the Objectors than a gestalt objection indicating that this work
13 was improper. *In re Blackwood Assoc.*, 165 B.R. 108 (E.D.N.Y. 1994). Therefore, FTI requests that it
14 be awarded 75% of the amounts requested with respect to the categories to which the Objectors have
15 objected to all or nearly all of the category. The requested interim order authorizing partial payment
16 would still leave over \$400,000 owed to FTI until such time as the Court can address and adjudicate any
17 entries specifically objected to. As an interim order all amounts paid would be subject to disgorgement
18 in the unlikely event that the ultimate amount awarded is less than the interim payment requested.

19 Additionally, pursuant to Bankruptcy Rule 3020(d), FTI respectfully requests that the
20 Court require the balance requested by FTI to be identified and placed in a segregated interest-bearing
21 account with the interest to accrue to FTI's benefit to the extent that the amounts are ultimately awarded
22 to FTI or to the benefit of the reorganized debtor to the extent any amounts are not awarded and returned
23 to the reorganized debtor. The Bankruptcy Court has the authority to issue orders in aid of execution of
24 the plan, *In re Northwestern Corp.*, 372 B.R. 684 (D. Del. 2007), including orders necessary to assure
25 that the reorganized debtor complies with the *Order Confirming Investors Committee's First Amended*
26 *Plan of Reorganization Dated March 12, 2009* [DE 1755], which at paragraph 14 requires full payment

1 of the allowed amounts of administrative claimants. Given that nearly four months have passed since
2 confirmation, and that substantial questions have been raised as to the ability of the reorganized debtor
3 to perform its obligations under the plan of reorganization, which it has recently admitted it is not fully
4 complying with, *see Chapter 11 Post-Confirmation Interim Report* [DE 2156] indicating that the
5 Liquidating Trust "is not presently in compliance with the terms of the confirmed plan of reorganization
6 as a result of the Liquidating Trust's board of directors decision not to pay the monthly mortgage
7 payments due to Arizona Bank & Trust in August and September 2009," it is appropriate for this Court
8 to enter an order in aid of confirmation requiring that the amounts sought by FTI be segregated pending
9 adjudication by this Court. To do so will have the additional benefit of removing from the Objectors
10 incentive to avoid accruing interest on their exit financing for so long as it takes to adjudicate the
11 amount of the remaining administrative claims. It is hoped that this will permit the parties to present
12 this matter on the merits without regard to any incentive to delay payment as long as possible and fund
13 the reorganization at the expense of the professionals who worked on it.

14 **CONCLUSION**

15 The objections of ML Manager and the Liquidating Trust must be overruled because they
16 have failed to rebut the "strong presumption" that FTI's "lodestar figure" represents the reasonable fee to
17 which FTI is entitled. And, the Objectors' general objections based on the plan work, billing rates,
18 employment applications, and transition are factually and legally unsupported.

19 WHEREFORE, FTI respectfully requests that the Court enter an interim partial award of
20 \$2,000,044, and for an order requiring the balance requested by FTI to be placed in a segregated
21 interest-bearing account with interest to accrue to FTI's benefit pending resolution of the objections.

22 DATED this 16th day of September, 2009.

23 SCHIAN WALKER, P.L.C.

24 By /s/ DALE C. SCHIAN, #010445
25 Dale C. Schian
26 Michael R. Walker
Attorneys for FTI Consulting, Inc.

1 COPY of the foregoing
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of September, 2009, to:

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_____/s/ DEBBI STEPHENS

128601.11

EXHIBIT "1"

Newsletter of the Official Committee of Investors of Mortgages Ltd.

June 17, 2009—Newsletter #29

GOOD NEWS!!!

The Committee is pleased to report that the Exit Financing approved by the Court closed on June 15, 2009. The Committee's confirmed Plan of Reorganization is now effective.

Since the confirmation of its Plan was approved, the Committee continued to review the lending alternatives. The Committee negotiated additional deal point reductions with the approved exit financier Universal-SCP 1, LP and obtained about \$2.5 million of savings from the financing originally submitted to the Court with the Plan of Reorganization. For example, the interest rate was reduced from 20% to 17.5% per annum, the origination points were reduced from 10 to 8 points. Also the participation fee at the back end was reduced from a cap of \$8 million to a \$7.5 million cap. According to the Committee's financial advisor, Ed McDonough at Alvarez and Marsal, the changes will result in a savings of about \$2.5 million for the investors. In the end, the Committee decided that the modified proposal from Universal-SCP 1, LP was the most favorable terms that could close within the time required and close based on the available collateral.

As for the ML Liquidating Trust, the Liquidating Trustee Kevin O'Halloran is now in place and the five-person Trust Board of Joe Baldino, Richard Shaw, Jim Merriman, David Goldman and Jan Sterling is now up and running as well. Joe Baldino has been selected as the chair. They will be sending you a communication probably within a week to ten days and will let you know what they will be doing. They will also let you know how you can contact them with questions about the Liquidating Trust.

As for the ML Manager LLC, the five-person Board of Managers consisting of Elliott Pollack, Scott Summers, Bruce Buckley, William Hawkins, and Grant Lyon is also up and running. Elliott Pollack has been selected as the chair. They have asked Karen Epstein, who many of you know, to be a communications consultant to the Board. She will be working on a new web page for you and will letting you know what they are doing. Please be patient as they will be changing to a new servicing company and will be working through many issues with both the investors and with the borrowers over the next 30 days. She will also be helping to set a series of meetings with the Pass-Through investors so you can meet with the professionals about your decision to transfer your fractional interests into the appropriate Loan LLC. Each Pass-Through investor will be contacted about the paper work and about the decision in the next two weeks.

If you have received a summons on a borrower complaint or a mechanics lien complaint in the last month, please contact Keith Hendricks at Fennemore Craig and he will coordinate with Dax Watson, the attorney previously hired to represent investors, to determine the response and representation. Keith can be reached at khendricks@fclaw.com. It is likely that if you are a Pass-Through investor you will be

receiving one or more summons and complaints on the mechanics holder suits. Do not ignore them.

No distributions will be made during the next 30 days while the licensing issues are resolved and transferred to the new servicing company. The Court entered an order last week about the interim borrower payments and stated that no distributions would be made to investors until the new servicing company is in place. There are only 4 borrowers which are making payments at this point and the checks will be cleared and deposited but not distributed until the new servicing company is prepared to make the distributions.

This bankruptcy process has taken the Committee 11 months to resolve but finally the Committee's Plan has been confirmed, the Exit Financing has closed and the Plan is beginning to be implemented. The investors who are now on the Boards have started to work and will be communicating with you directly. The Committee will continue to assist in the transition but at some point will formally be exonerated of its responsibilities and end its role.

Thank you again for your continued patience during this difficult process.

EXHIBIT "2"

MORTGAGES LTD.
CASH FLOW BUDGET/ACTUAL
PERIOD FROM AUGUST 14, 2008 TO AUGUST 31, 2009

Assumes Sorensen Loans Stop Paying

| | ACTUAL | | | | | | | | | April to Date | Budget | | | | | Total |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------------|-----------|-----------|-----------|-----------|-------------|-------|
| | Aug | Sep | Oct | Nov | Dec | Jan | Feb | March | Apr | | May | Jun | Jul | Aug | | |
| Reserve for payoff of Artemis note | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | 2,070,000 | |
| Available for Operations | 2,687,500 | 2,618,938 | 1,516,088 | 1,200,962 | 463,986 | 445,277 | 424,985 | 402,336 | 379,686 | 380,219 | 357,908 | 335,402 | 312,699 | 289,798 | 289,798 | |
| PROFESSIONAL FEES | | | | | | | | | | | | | | | | |
| Outstanding Balance (Beginning of Month) | 244,142 | 963,092 | 1,738,821 | 2,782,451 | 3,570,036 | 4,586,233 | 5,692,832 | 6,978,963 | 8,265,093 | 8,265,093 | 9,026,724 | 9,734,224 | 9,734,224 | 9,734,224 | 244,142 | |
| Debtor Professional Fees | 417,741 | 503,284 | 891,967 | 959,656 | 917,922 | 896,452 | 986,868 | 986,868 | 986,868 | 605,000 | 515,000 | TBD | TBD | TBD | 8,667,626 | |
| Investor Committee Professional Fees | 173,719 | 191,556 | 268,969 | 323,415 | 424,125 | 185,168 | 251,979 | 251,979 | 251,979 | 200,000 | 150,000 | TBD | TBD | TBD | 2,672,887 | |
| UCC Professional Fees | 59,641 | 29,414 | 42,840 | 50,059 | 49,072 | 30,000 | 34,784 | 34,784 | 34,784 | 40,000 | 30,000 | TBD | TBD | TBD | 435,377 | |
| SEC Related Professional Fees | 70,222 | 61,722 | 24,435 | 5,127 | 8,613 | 14,931 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | TBD | TBD | TBD | 247,549 | |
| Monthly Accrual | 721,323 | 785,975 | 1,228,210 | 1,338,256 | 1,399,732 | 1,126,551 | 1,286,130 | 1,286,130 | 1,286,130 | 857,500 | 707,500 | - | - | - | 12,023,439 | |
| Paid from DIP | - | - | (198,698) | (123,145) | (383,535) | (19,952) | - | - | - | - | - | - | - | - | (725,330) | |
| Paid from Other Sources | (2,373) | (10,246) | 14,117 | (427,525) | - | - | - | - | - | (95,869) | - | - | - | - | (521,896) | |
| Total Professional Fees Paid | (2,373) | (10,246) | (184,581) | (550,671) | (383,535) | (19,952) | - | - | - | (95,869) | - | - | - | - | (1,247,226) | |
| Outstanding Balance (End of Month) | 963,092 | 1,738,821 | 2,782,451 | 3,570,036 | 4,586,233 | 5,692,832 | 6,978,963 | 8,265,093 | 9,551,223 | 9,026,724 | 9,734,224 | 9,734,224 | 9,734,224 | 9,734,224 | 11,020,354 | |
| Cumulative Professional Fees Paid | 2,373 | 12,619 | 197,200 | 747,871 | 1,131,406 | 1,151,358 | 1,151,358 | 1,151,358 | 1,151,358 | 1,247,226 | 1,247,226 | 1,247,226 | 1,247,226 | 1,247,226 | 1,247,226 | |
| Cumulative Professional Fees Paid from DIP | - | - | 198,698 | 321,843 | 705,378 | 725,330 | 725,330 | 725,330 | 725,330 | 725,330 | 725,330 | 725,330 | 725,330 | 725,330 | 725,330 | |
| Available DIP funds for future months | 750,000 | 750,000 | 551,302 | 428,157 | 44,622 | 24,670 | 24,670 | 24,670 | 24,670 | 24,670 | 24,670 | 24,670 | 24,670 | 24,670 | 24,670 | |

(1) The budget assumes Mortgages Ltd. will continue paying rent of \$18k per month to SM Coles LLC, and does not account for any payment on SM Coles LLC's admin claim of \$302,160.05 through 10/31/08. This claim will likely increase to approximately \$517k through January 2009.

(2) Budget assumes same amount of coverage will be needed in quarter 2 that is used in quarter 1. Also, legal costs to foreclose are not included in the budget, as the legal firm generally carries the costs until the sale of the property, at which point they are repaid.

(3) REO expenses consist of \$2k per month for electricity and fence rental for Chateaux on Central, as well as \$6k in maintenance costs at River Run for the period April through May.

(4) Remaining Cash represents the actual cash balance at 2/28/09. However, the other individual line items are estimates and subject to change.

(5) In March, the Company incurred additional costs of \$100k related to a Bond for the Banking Department and \$63k to cover tail D&O insurance.

Mortgages Ltd.
Professional Fees
Through May 31, 2009 (estimated as of January 13, 2009)

| Professional | Period | Invoice # | Date of Application/ | | Date of No Objection | Date of Order Approving Application | | Estimated Fees | Amount Applied For | | | Amount Under Objection | | Uncontested Amount | | Amount Approved/ Due Upon No Objection | | Amount Paid | | | Balance Due on Filed Fee Applications | | |
|---------------|-----------------------------------|-----------------|----------------------|----------|----------------------|-------------------------------------|--|----------------|--------------------|------------|--------------|------------------------|----------|--------------------|--------------|--|------------|-------------|------------|--------------|---------------------------------------|--------------|-------|
| | | | Invoice | | | | | | Fees | Expenses | Total | Fees | Expenses | Fees | Expenses | Fees (80%) | Expenses | Fees | Expenses | Total | Fees | Expenses | Total |
| | | | | | | | | | | | | | | | | | | | | | | | |
| Debtor | | | | | | | | | | | | | | | | | | | | | | | |
| Court App. | Jennings Strouss & Salmon | August | 417404 | 09/16/08 | 09/30/08 | | | 334,069.50 | 3,125.89 | 337,195.39 | | | | | 267,255.60 | 3,125.89 | 315,343.76 | 3,125.89 | 318,469.65 | 18,725.74 | - | 18,725.74 | |
| | | September | 418921 | 10/22/08 | 11/05/08 | | | 258,303.00 | 29,876.18 | 288,179.18 | | | | | 206,642.40 | 29,876.18 | 128,109.80 | 29,876.18 | 157,985.98 | 130,193.20 | - | 130,193.20 | |
| | | October | 420558 | 12/04/08 | 12/19/08 | | | 317,288.00 | 10,113.98 | 327,401.98 | | | | | 253,830.40 | 10,113.98 | - | - | - | 317,288.00 | 10,113.98 | 327,401.98 | |
| | | November | 422057 | 01/12/09 | 01/27/09 | | | 288,779.50 | 8,392.79 | 297,172.29 | | | | | 231,023.60 | 8,392.79 | - | - | - | 288,779.50 | 8,392.79 | 297,172.29 | |
| | | December | 424383 | 02/27/09 | 03/16/09 | | | 341,207.50 | 8,642.18 | 349,849.68 | | | | | 272,966.00 | 8,642.18 | - | - | - | 341,207.50 | 8,642.18 | 349,849.68 | |
| | | January | 424384 | 02/27/09 | 03/16/09 | | | 363,598.00 | 10,648.68 | 374,246.68 | | | | | 290,878.40 | 10,648.68 | - | - | - | 363,598.00 | 10,648.68 | 374,246.68 | |
| | | February | 425669 | | | | | 366,527.00 | 7,618.66 | 374,145.66 | | | | | 293,221.60 | 7,618.66 | - | - | - | 366,527.00 | 7,618.66 | 374,145.66 | |
| | | March | | | | | | 350,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | April | | | | | | 250,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | May | | | | | | 250,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | June | | | | | | 150,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | Totals | | | | | | 1,000,000.00 | 2,269,772.50 | 78,418.36 | 2,348,190.86 | - | - | - | 1,815,818.00 | 78,418.36 | 443,453.56 | 33,002.07 | 476,455.63 | 1,826,318.94 | 45,416.29 | 1,871,735.23 | |
| Court App. | Greenberg Traurig | July | 222414 | 09/02/08 | 09/16/08 | | | 231,182.00 | 4,216.47 | 235,398.47 | | | | | 184,945.60 | 4,216.47 | 231,182.00 | 4,216.47 | 235,398.47 | - | - | - | |
| | June and July filed together | August | 2239047 | 09/18/08 | 10/03/08 | | | 77,077.50 | 3,468.35 | 80,545.85 | | | | | 61,662.00 | 3,468.35 | 77,077.50 | 3,468.35 | 80,545.85 | - | - | - | |
| | | September | 2254995 | 10/15/08 | 10/29/08 | | | 88,294.50 | 4,678.96 | 92,973.46 | | | | | 70,635.60 | 4,678.96 | 35,185.95 | 4,678.96 | 39,864.91 | 53,108.55 | - | 53,108.55 | |
| | | October | 2288636 | 11/19/08 | | | | 26,650.00 | 878.04 | 27,528.04 | | | | | 21,320.00 | 878.04 | - | - | - | 26,650.00 | 878.04 | 27,528.04 | |
| | | November | 2296031 | 12/08/08 | | | | 27,037.00 | 2,254.61 | 29,291.61 | | | | | 21,629.60 | 2,254.61 | - | - | - | 27,037.00 | 2,254.61 | 29,291.61 | |
| | | December | 2316917 | 01/08/09 | | | | 15,354.50 | 134.23 | 15,488.73 | | | | | 12,283.60 | 134.23 | - | - | - | 15,354.50 | 134.23 | 15,488.73 | |
| | | January | | | | | | - | - | - | | | | | - | - | - | - | - | - | - | - | |
| | January & February Filed together | February | 2361513 | | | | | 58,920.00 | 1,297.11 | 60,217.11 | | | | | 47,136.00 | 1,297.11 | - | - | - | 58,920.00 | 1,297.11 | 60,217.11 | |
| | | March | | | | | | 15,520.00 | 238.21 | 15,758.21 | | | | | 12,416.00 | 238.21 | - | - | - | 15,520.00 | 238.21 | 15,758.21 | |
| | | April | | | | | | 15,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | May | | | | | | 15,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | June | | | | | | - | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | Totals | | | | | | 30,000.00 | 540,035.50 | 17,165.98 | 557,201.48 | - | - | - | 432,028.40 | 17,165.98 | 343,445.45 | 12,363.78 | 355,809.23 | 196,590.05 | 4,802.20 | 201,392.25 | |
| | FTI | October | | | | | | 225,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | November | | | | | | 315,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | December | | | | | | 265,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | January | | | | | | 280,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | February | | | | | | 355,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | March | | | | | | 315,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | April | | | | | | 240,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | May | | | | | | 150,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | June | | | | | | 150,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | Totals | | | | | | 2,295,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| | MCA Capital Advisors | (1) 1st & Final | | 09/11/08 | | | | - | 122,131.25 | - | 122,131.25 | 95,868.81 | - | 26,262.64 | 26,262.64 | - | 95,868.81 | - | 95,868.81 | 26,262.44 | - | 26,262.44 | |
| | | Totals | | | | | | - | 122,131.25 | - | 122,131.25 | 95,868.81 | - | 26,262.64 | 26,262.64 | - | 95,868.81 | - | 95,868.81 | 26,262.44 | - | 26,262.44 | |
| | Paul Johnson | October | | | | | | 53,375.00 | - | 53,375.00 | | | | | 42,700.00 | - | - | - | - | 53,375.00 | - | 53,375.00 | |
| | | November | | | | | | 49,825.00 | - | 49,825.00 | | | | | 39,860.00 | - | - | - | - | 49,825.00 | - | 49,825.00 | |
| | | December | | | | | | 25,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | January | | | | | | 10,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | February | | | | | | - | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | March | | | | | | - | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | April | | | | | | - | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | May | | | | | | - | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | June | | | | | | - | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | Totals | | | | | | 35,000.00 | 103,200.00 | - | 103,200.00 | - | - | - | 82,560.00 | - | - | - | - | 103,200.00 | - | 103,200.00 | |
| | DLA Piper | October | 2242707 | 11/20/08 | 12/05/08 | | | 254,076.50 | 4,585.42 | 258,661.92 | 76,949.00 | | | | 203,261.20 | 4,585.42 | - | - | - | 254,076.50 | 4,585.42 | 258,661.92 | |
| | | November | 2256714 | 12/26/08 | | | | 260,074.50 | 8,292.80 | 268,367.30 | | | | | 208,059.60 | 8,292.80 | - | - | - | 260,074.50 | 8,292.80 | 268,367.30 | |
| | | December | | 03/11/09 | | | | 246,321.92 | 16,261.68 | 262,583.60 | | | | | 197,057.54 | 16,261.68 | - | - | - | 246,321.92 | 16,261.68 | 262,583.60 | |
| | | January | | 03/11/09 | | | | 211,018.87 | 21,186.65 | 232,205.52 | | | | | 168,815.10 | 21,186.65 | - | - | - | 211,018.87 | 21,186.65 | 232,205.52 | |
| | | February | | 03/11/09 | | | | 189,339.62 | 8,165.55 | 197,505.17 | | | | | 151,471.70 | 8,165.55 | - | - | - | 189,339.62 | 8,165.55 | 197,505.17 | |
| | | March | | | | | | 150,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | April | | | | | | 100,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | May | | | | | | 100,000.00 | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | June | | | | | | - | - | - | | | | | - | - | - | - | - | - | - | - | |
| | | Totals | | | | | | 350,000.00 | 1,160,831.41 | 58,492.10 | 1,219,323.51 | 76,949.00 | - | - | 928,665.13 | 58,492.10 | - | - | - | 1,160,831.41 | 58,492.10 | 1,219,323.51 | |
| | Subtotal Debtor | July | | | | | | - | 231,182.00 | 4,216.47 | 235,398.47 | - | - | - | 184,945.60 | 4,216.47 | 231,182.00 | 4,216.47 | 235,398.47 | - | - | - | |
| | | August | | | | | | - | 411,147.00 | 6,594.24 | 417,741.24 | - | - | - | 328,917.60 | 6,594.24 | 392,421.26 | 6,594.24 | 399,015.50 | 18,725.74 | - | 18,725.74 | |
| | | September | | | | | | - | 468,728.75 | 34,555.14 | 503,283.89 | 95,868.81 | - | 26,262.64 | 303,540.64 | 34,555.14 | 259,164.56 | 34,555.14 | 293,719.70 | 209,564.19 | - | 209,564.19 | |
| | | October | | | | | | 225,000.00 | 651,389.50 | 15,577.44 | 666,966.94 | 76,949.00 | - | - | 521,111.60 | 15,577.44 | - | - | - | 651,389.50 | 15,577.44 | 666,966.94 | |
| | | November | | | | | | 315,000.00 | 625,716.00 | 18,940.20 | 644,656.20 | - | - | - | 500,572.80 | 18,940.20 | - | - | - | 625,716.00 | 18,940.20 | 644,656.20 | |
| | | December | | | | | | 290,000.00 | 602,883.92 | 25,038.09 | 627,922.01 | - | - | | | | | | | | | | |

Mortgages Ltd.
Professional Fees
Through May 31, 2009 (estimated as of January 13, 2009)

| Professional | Period | Invoice # | Date of Application/ Invoice | Date of No Objection | Date of Order Approving Application | Estimated Fees | Amount Applied For | | | Amount Under Objection | | Uncontested Amount | | Amount Approved/ Due Upon No Objection | | Amount Paid | | | Balance Due on Filed Fee Applications | | |
|--------------|----------|-----------|---------------------------------|-------------------------|---|----------------|--------------------|------------|--------------|------------------------|----------|--------------------|----------|---|------------|-------------|-----------|------------|---------------------------------------|------------|--------------|
| | | | | | | | Fees | Expenses | Total | Fees | Expenses | Fees | Expenses | Fees (80%) | Expenses | Fees | Expenses | Total | Fees | Expenses | Total |
| | January | | | | | 290,000.00 | 574,616.87 | 31,835.33 | 606,452.20 | - | - | - | - | 459,693.50 | 31,835.33 | - | - | - | 574,616.87 | 31,835.33 | 606,452.20 |
| | February | | | | | 355,000.00 | 614,786.62 | 17,081.32 | 631,867.94 | - | - | - | - | 491,829.30 | 17,081.32 | - | - | - | 614,786.62 | 17,081.32 | 631,867.94 |
| | March | | | | | 815,000.00 | 15,520.00 | 238.21 | 15,758.21 | - | - | - | - | 12,416.00 | 238.21 | - | - | - | 15,520.00 | 238.21 | 15,758.21 |
| | April | | | | | 605,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | May | | | | | 515,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | June | | | | | 300,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Totals | | | | | 3,710,000.00 | 4,195,970.66 | 154,076.44 | 4,350,047.10 | 172,817.81 | - | 26,262.64 | - | 3,285,334.17 | 154,076.44 | 882,767.82 | 45,365.85 | 928,133.67 | 3,313,202.84 | 108,710.59 | 3,421,913.43 |

Investor Committee

| | | | | | | | | | | | | | | | | | | | | | |
|------------|-----------------|-----------|--------|----------|----------|------------|--------------|-----------|--------------|---|---|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Court App. | Fennemore Craig | August | 629073 | 09/15/08 | 09/29/08 | | | | | | | | | 101,513.16 | 499.40 | 126,891.45 | 499.40 | 127,390.85 | - | - | - |
| | | September | 633958 | 10/22/08 | 11/05/08 | | | | | | | | | 104,613.12 | 502.95 | 79,234.83 | 502.95 | 79,737.78 | 51,531.57 | - | 51,531.57 |
| | | October | 639530 | 12/05/08 | | | | | | | | | | 167,347.44 | 9,185.88 | 113.33 | 9,185.88 | 9,299.21 | 209,070.97 | - | 209,070.97 |
| | | November | 642706 | 12/29/08 | | | | | | | | | | 168,162.48 | 4,124.00 | - | - | - | 210,203.10 | 4,124.00 | 214,327.10 |
| | | December | 645770 | 01/27/09 | | | | | | | | | | 138,232.44 | 12,011.16 | - | - | - | 172,790.55 | 12,011.16 | 184,801.71 |
| | | January | | 03/05/09 | | | | | | | | | | 90,042.12 | 3,684.74 | - | - | - | 112,552.65 | 3,684.74 | 116,237.39 |
| | | February | 650213 | | | | | | | | | | | 140,292.36 | 4,545.60 | - | - | - | 175,365.45 | 4,545.60 | 179,911.05 |
| | | March | | | | 175,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | April | | | | 150,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | May | | | | 100,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | June | | | | 100,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Totals | | | | 525,000.00 | 1,137,753.90 | 34,553.73 | 1,172,307.63 | - | - | - | 910,203.12 | 34,553.73 | 206,239.61 | 10,188.23 | 216,427.84 | 931,514.29 | 24,365.50 | 955,879.79 | |

| | | | | | | | | | | | | | | | | | | | | | |
|--|------------------|-----------|---------|----------|----------|------------|------------|--------|------------|---|---|---|------------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|
| | Alvarez & Marsal | August | 83271-1 | 09/15/08 | 09/29/08 | | | | | | | | | 37,044.00 | 23.40 | 46,305.00 | 23.40 | 46,328.40 | - | - | - |
| | | September | 83271-2 | 10/20/08 | 11/03/08 | | | | | | | | | 48,178.00 | 63.77 | 30,656.15 | 63.77 | 30,719.92 | 29,566.35 | - | 29,566.35 |
| | | October | 83271-3 | 11/17/08 | | | | | | | | | | 40,436.00 | 53.69 | - | - | - | 50,545.00 | 53.69 | 50,598.69 |
| | | November | 83271-4 | 12/11/08 | | | | | | | | | | 87,188.00 | 102.49 | - | - | - | 108,985.00 | 102.49 | 109,087.49 |
| | | December | 83271-5 | 01/07/09 | | | | | | | | | | 61,848.00 | 73.26 | - | - | - | 77,310.00 | 73.26 | 77,383.26 |
| | | January | 83271-6 | 02/13/09 | | | | | | | | | | 29,946.00 | 74.26 | - | - | - | 37,432.50 | 74.26 | 37,506.76 |
| | | February | | | | | | | | | | | | 36,524.00 | 21.06 | - | - | - | 45,655.00 | 21.06 | 45,676.06 |
| | | March | | | | 75,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | April | | | | 35,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | May | | | | 35,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | June | | | | 15,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Totals | | | | 160,000.00 | 426,455.00 | 411.93 | 426,866.93 | - | - | - | 341,164.00 | 411.93 | 76,961.15 | 87.17 | 77,048.32 | 349,493.85 | 324.76 | 349,818.61 | |

| | | | | | | | | | | | | | | | | | | | | | |
|--|-----------------------|----------|---------|----------|--|------------|-----------|--------|-----------|---|---|---|-----------|-----------|--------|---|---|-----------|-----------|-----------|-----------|
| | Schian Walker, P.L.C. | December | | | | 161,939.56 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | January | Various | 02/17/09 | | | | | | | | | | 24,808.00 | 413.84 | - | - | - | 31,010.00 | 413.84 | 31,423.84 |
| | | February | Various | 03/10/09 | | | | | | | | | | 21,012.00 | 126.66 | - | - | - | 26,265.00 | 126.66 | 26,391.66 |
| | | March | | | | 15,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | April | | | | 15,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | May | | | | 15,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | June | | | | 15,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Totals | | | | 221,939.56 | 57,275.00 | 540.50 | 57,815.50 | - | - | - | 45,820.00 | 540.50 | - | - | - | 57,275.00 | 540.50 | 57,815.50 | |

| | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|--|-----------|--|--|--|------------|--------------|-----------|--------------|---|---|---|--------------|------------|------------|------------|------------|--------------|------------|--------------|------------|
| Subtotal Investor Committee | | August | | | | - | 173,196.45 | 522.80 | 173,719.25 | - | - | - | - | 138,557.16 | 522.80 | 173,196.45 | 522.80 | 173,719.25 | - | - | - |
| | | September | | | | - | 190,988.90 | 566.72 | 191,555.62 | - | - | - | - | 152,791.12 | 566.72 | 109,890.98 | 566.72 | 110,457.70 | 81,097.92 | - | 81,097.92 |
| | | October | | | | - | 259,729.30 | 9,239.57 | 268,968.87 | - | - | - | - | 207,783.44 | 9,239.57 | 113.33 | 9,185.88 | 9,299.21 | 259,615.97 | 53.69 | 259,669.66 |
| | | November | | | | - | 319,188.10 | 4,226.49 | 323,414.59 | - | - | - | - | 255,350.48 | 4,226.49 | - | - | - | 319,188.10 | 4,226.49 | 323,414.59 |
| | | December | | | | 161,939.56 | 250,100.55 | 12,084.42 | 262,184.97 | - | - | - | - | 200,080.44 | 12,084.42 | - | - | - | 250,100.55 | 12,084.42 | 262,184.97 |
| | | January | | | | - | 180,995.15 | 4,172.84 | 185,167.99 | - | - | - | - | 144,796.12 | 4,172.84 | - | - | - | 180,995.15 | 4,172.84 | 185,167.99 |
| | | February | | | | - | 247,285.45 | 4,693.32 | 251,978.77 | - | - | - | - | 197,828.36 | 4,693.32 | - | - | - | 247,285.45 | 4,693.32 | 251,978.77 |
| | | March | | | | 265,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | April | | | | 200,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | May | | | | 150,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | June | | | | 130,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Totals | | | | 906,939.56 | 1,621,483.90 | 35,506.16 | 1,656,990.06 | - | - | - | 1,297,187.12 | 35,506.16 | 283,200.76 | 10,275.40 | 293,476.16 | 1,338,283.14 | 25,230.76 | 1,363,513.90 | |

Unsecured Creditors Committee

| | | | | | | | | | | | | | | | | | | | | | |
|------------|------------------------------|-----------|------|----------|----------|------------|------------|----------|------------|---|---|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Court App. | Nussbaum Gillis | August | 491 | 09/19/08 | 10/03/08 | | | | | | | | | 47,682.80 | 37.25 | 48,345.84 | 37.25 | 48,383.09 | 11,257.66 | - | 11,257.66 |
| | July & August filed together | September | 483 | 10/14/08 | 10/28/08 | | | | | | | | | 23,486.00 | 56.70 | 22,766.26 | 56.70 | 22,822.96 | 6,591.24 | - | 6,591.24 |
| | | October | 1446 | 12/11/08 | | | | | | | | | | 33,784.80 | 609.04 | 5,556.34 | 609.04 | 6,165.38 | 36,674.66 | - | 36,674.66 |
| | | November | 1447 | 12/16/08 | | | | | | | | | | 25,459.20 | 1,051.04 | - | - | - | 31,824.00 | 1,051.04 | 32,875.04 |
| | | December | | | | 30,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | January | | | | 30,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | February | | | | 30,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | March | | | | 30,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | April | | | | 25,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | May | | | | 15,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | June | | | | 15,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | Totals | | | | 175,000.00 | 163,016.00 | 1,754.03 | 164,770.03 | - | - | - | 130,412.80 | 1,754.03 | 76,668.44 | 702.99 | 77,371.43 | 86,347.56 | 1,051.04 | 87,398.60 | |

Mortgages Ltd.
Professional Fees
Through May 31, 2009 (estimated as of January 13, 2009)

| Professional | Period | Invoice # | Date of Application/ Invoice | | Date of No Objection | Date of Order Approving Application | Estimated Fees | Amount Applied For | | | Amount Under Objection | | Uncontested Amount | | Amount Approved/ Due Upon No Objection | | Amount Paid | | | Balance Due on Filed Fee Applications | | | |
|-------------------------------|---|-------------|------------------------------|----------|----------------------|-------------------------------------|----------------|--------------------|------------|-----------|------------------------|----------|--------------------|-----------|--|-----------|-------------|------------|-----------|---------------------------------------|-----------|-------|-----------|
| | | | Invoice | | | | | Fees | Expenses | Total | Fees | Expenses | Fees | Expenses | Fees (80%) | Expenses | Fees | Expenses | Total | Fees | Expenses | Total | |
| | | | | | | | | | | | | | | | | | | | | | | | |
| Sierra Consulting | November | Nov-08 | 12/09/08 | | | | 17,184.00 | | | 17,184.00 | | | | 13,747.20 | - | - | 17,184.00 | | | 17,184.00 | | | |
| | December | Dec-08 | 01/19/09 | | | | 19,072.00 | - | - | 19,072.00 | | | | 15,257.60 | - | - | 19,072.00 | | | 19,072.00 | | | |
| | January | | | | | | | | | | | | | - | - | - | | | | | | | |
| | February | Jan/Feb | 03/03/09 | | | | 4,736.00 | 47.62 | 4,783.62 | | | | 3,788.80 | 47.62 | - | - | 4,736.00 | 47.62 | 4,783.62 | | | | |
| | March | | | | | | 15,000.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | - | |
| | April | | | | | | 15,000.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | - | |
| | May | | | | | | 15,000.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | - | |
| | June | | | | | | 10,000.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | - | |
| | Totals | | | | | | 55,000.00 | 40,992.00 | 47.62 | 41,039.62 | - | - | - | - | 32,793.60 | 47.62 | - | - | - | - | 40,992.00 | 47.62 | 41,039.62 |
| | Subtotal Unsecured Creditors Committee | August | | | | | - | 59,603.50 | 37.25 | 59,640.75 | - | - | - | 47,682.80 | 37.25 | 48,345.84 | 37.25 | 48,383.09 | 11,257.66 | - | 11,257.66 | | |
| | September | | | | | - | 29,357.50 | 56.70 | 29,414.20 | - | - | - | 23,486.00 | 56.70 | 22,766.26 | 56.70 | 22,822.96 | 6,591.24 | - | 6,591.24 | | | |
| | October | | | | | - | 42,231.00 | 609.04 | 42,840.04 | - | - | - | 33,784.80 | 609.04 | 5,556.34 | 609.04 | 6,165.38 | 36,674.66 | - | 36,674.66 | | | |
| | November | | | | | - | 49,008.00 | 1,051.04 | 50,059.04 | - | - | - | 39,206.40 | 1,051.04 | - | - | 49,008.00 | 1,051.04 | 50,059.04 | | | | |
| | December | | | | | 30,000.00 | 19,072.00 | - | 19,072.00 | - | - | - | 15,257.60 | - | - | - | 19,072.00 | - | 19,072.00 | | | | |
| | January | | | | | 30,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | February | | | | | 30,000.00 | 4,736.00 | 47.62 | 4,783.62 | - | - | - | 3,788.80 | 47.62 | - | - | 4,736.00 | 47.62 | 4,783.62 | | | | |
| | March | | | | | 45,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | April | | | | | 40,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | May | | | | | 30,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | June | | | | | 25,000.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Totals | | | | | | 230,000.00 | 204,008.00 | 1,801.65 | 205,809.65 | - | - | - | 163,206.40 | 1,801.65 | 76,668.44 | 702.99 | 77,371.43 | 127,339.56 | 1,098.66 | 128,438.22 | | | |
| SEC Related | | | | | | | | | | | | | | | | | | | | | | | |
| Bruce Feder | August | 3851-00M | | | | | 6,715.00 | 2.20 | 6,717.20 | | | | 5,372.00 | 2.20 | - | - | 6,715.00 | 2.20 | 6,717.20 | | | | |
| | September | | | | | | - | - | - | | | | - | - | - | - | - | - | - | - | - | | |
| | October | | | | | | - | - | - | | | | - | - | - | - | - | - | - | - | - | | |
| | November | | | | | | - | - | - | | | | - | - | - | - | - | - | - | - | - | | |
| | December | | | | | | - | - | - | | | | - | - | - | - | - | - | - | - | - | | |
| | January | 659-00M | 03/02/09 | | | | 7,110.00 | 38.89 | 7,148.89 | | | | 5,688.00 | 38.89 | - | - | 7,110.00 | 38.89 | 7,148.89 | | | | |
| | February | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | March | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | April | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | May | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| June | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | | |
| Totals | | | | | | 12,500.00 | 13,825.00 | 41.09 | 13,866.09 | - | - | - | 11,060.00 | 41.09 | - | - | 13,825.00 | 41.09 | 13,866.09 | | | | |
| Roshka Dewulf & Patten | August | 36519 | | | | | 47,084.00 | 494.27 | 47,578.27 | 47,084.00 | 494.27 | | 37,667.20 | 494.27 | - | - | 47,084.00 | 494.27 | 47,578.27 | | | | |
| | September | 36618 | | | | | 13,439.50 | 111.89 | 13,551.39 | 13,439.50 | 111.89 | | 10,751.60 | 111.89 | - | - | 13,439.50 | 111.89 | 13,551.39 | | | | |
| | October | 36617 | | | | | 1,957.50 | 6.00 | 1,963.50 | 1,957.50 | 6.00 | | 1,566.00 | 6.00 | - | - | 1,957.50 | 6.00 | 1,963.50 | | | | |
| | November | 36904/36905 | | | | | 377.50 | 1.00 | 378.50 | | | | 302.00 | 1.00 | - | - | 377.50 | 1.00 | 378.50 | | | | |
| | December | 37083 | | | | | 1,084.50 | 28.80 | 1,113.30 | | | | 867.60 | 28.80 | - | - | 1,084.50 | 28.80 | 1,113.30 | | | | |
| | January | 37176/3717 | 02/11/09 | | | | 277.00 | 5.00 | 282.00 | | | | 221.60 | 5.00 | - | - | 277.00 | 5.00 | 282.00 | | | | |
| | February | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | March | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | April | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | May | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| June | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | | |
| Totals | | | | | | 12,500.00 | 64,220.00 | 646.96 | 64,866.96 | 62,481.00 | 612.16 | - | 51,376.00 | 646.96 | - | - | 64,220.00 | 646.96 | 64,866.96 | | | | |
| Jaburg & Wilk | July | 167253 | | | | | 8,717.50 | 25.80 | 8,743.30 | | | | 6,974.00 | 25.80 | 8,717.50 | 25.80 | 8,743.30 | - | - | - | - | | |
| | August | 168414 | | 12/20/08 | | | 15,820.00 | 106.39 | 15,926.39 | 14,669.69 | | | 12,656.00 | 106.39 | 1,150.31 | 106.39 | 1,256.70 | 14,669.69 | - | 14,669.69 | | | |
| | September | 170060 | | 12/20/08 | | | 1,257.50 | 34.26 | 1,291.76 | 1,257.50 | 34.26 | | 1,006.00 | 34.26 | - | - | 1,257.50 | 34.26 | 1,291.76 | | | | |
| | October | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | November | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | December | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | January | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | February | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | March | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | April | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| May | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | | |
| June | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | | |
| Totals | | | | | | 22,500.00 | 25,795.00 | 166.45 | 25,961.45 | 15,927.19 | 34.26 | - | 20,636.00 | 166.45 | 9,867.81 | 132.19 | 10,000.00 | 15,927.19 | 34.26 | 15,961.45 | | | |
| Cheifetz Iannitelli Marcolini | September | 98640 | | | | | 24,990.00 | 70.99 | 25,060.99 | 24,990.00 | 70.99 | | 19,992.00 | 70.99 | - | - | 24,990.00 | 70.99 | 25,060.99 | | | | |
| | October | | | | | | 17,406.00 | 65.03 | 17,471.03 | 17,406.00 | 65.03 | | 13,924.80 | 65.03 | - | - | 17,406.00 | 65.03 | 17,471.03 | | | | |
| | November | | | | | | (252.00) | - | (252.00) | (252.00) | - | | (201.60) | - | - | (252.00) | - | (252.00) | - | (252.00) | | | |
| | December | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| | January | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | |
| February | | | | | | 2,500.00 | - | - | - | | | - | - | - | - | - | - | - | - | - | | | |

Mortgages Ltd.
Professional Fees
Through May 31, 2009 (estimated as of January 13, 2009)

| Professional | Period | Invoice # | Date of Application/ Invoice | Date of No Objection | Date of Order Approving Application | Estimated Fees | Amount Applied For | | | Amount Under Objection | | Uncontested Amount | | Amount Approved/ Due Upon No Objection | | Amount Paid | | | Balance Due on Filed Fee Applications | | | | |
|--------------------------------|--------------------|-----------|---------------------------------|-------------------------|---|----------------|--------------------|------------|--------------|------------------------|----------|--------------------|----------|---|------------|--------------|-----------|--------------|---------------------------------------|------------|--------------|-----------|--|
| | | | | | | | Fees | Expenses | Total | Fees | Expenses | Fees | Expenses | Fees (80%) | Expenses | Fees | Expenses | Total | Fees | Expenses | Total | | |
| | March | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | April | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | May | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | June | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | Totals | | | | | 17,500.00 | 42,144.00 | 136.02 | 42,280.02 | 42,144.00 | 136.02 | - | - | 33,715.20 | 136.02 | - | - | - | - | 42,144.00 | 136.02 | 42,280.02 | |
| Douglas F. Behm | September | 10102 | | | | | 21,600.00 | 217.51 | 21,817.51 | | | | | 17,280.00 | 217.51 | | | | 21,600.00 | 217.51 | 21,817.51 | | |
| | October | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | November | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | December | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | January | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | February | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | March | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | April | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | May | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | June | | | | | 2,500.00 | | | | | | | | | | | | | | | | | |
| | Totals | | | | | 22,500.00 | 21,600.00 | 217.51 | 21,817.51 | - | - | - | - | 17,280.00 | 217.51 | - | - | - | 21,600.00 | 217.51 | 21,817.51 | | |
| Subtotal SEC | July | | | | | - | 8,717.50 | 25.80 | 8,743.30 | - | - | - | - | 6,974.00 | 25.80 | 8,717.50 | 25.80 | 8,743.30 | - | - | - | | |
| | August | | | | | - | 69,619.00 | 602.86 | 70,221.86 | 61,753.69 | 494.27 | - | - | 55,695.20 | 602.86 | 1,150.31 | 106.39 | 1,256.70 | 68,468.69 | 496.47 | 68,965.16 | | |
| | September | | | | | - | 61,287.00 | 434.65 | 61,721.65 | 39,687.00 | 217.14 | - | - | 49,029.60 | 434.65 | - | - | - | 61,287.00 | 434.65 | 61,721.65 | | |
| | October | | | | | 5,000.00 | 19,363.50 | 71.03 | 19,434.53 | 19,363.50 | 71.03 | - | - | 15,490.80 | 71.03 | - | - | - | 19,363.50 | 71.03 | 19,434.53 | | |
| | November | | | | | 5,000.00 | 125.50 | 1.00 | 126.50 | (252.00) | - | - | - | 100.40 | 1.00 | - | - | - | 125.50 | 1.00 | 126.50 | | |
| | December | | | | | 7,500.00 | 1,084.50 | 28.80 | 1,113.30 | - | - | - | - | 867.60 | 28.80 | - | - | - | 1,084.50 | 28.80 | 1,113.30 | | |
| | January | | | | | 7,500.00 | 7,387.00 | 43.89 | 7,430.89 | - | - | - | - | 5,909.60 | 43.89 | - | - | - | 7,387.00 | 43.89 | 7,430.89 | | |
| | February | | | | | 12,500.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | March | | | | | 12,500.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | April | | | | | 12,500.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | May | | | | | 12,500.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | June | | | | | 12,500.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | Totals | | | | | 87,500.00 | 167,584.00 | 1,208.03 | 168,792.03 | 120,552.19 | 782.44 | - | - | 134,067.20 | 1,208.03 | 9,867.81 | 132.19 | 10,000.00 | 157,716.19 | 1,075.84 | 158,792.03 | | |
| Total Professional Fees | June Gap Period | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | June Post-Petition | | | | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | July | | | | | - | 239,899.50 | 4,242.27 | 244,141.77 | - | - | - | - | 191,919.60 | 4,242.27 | 239,899.50 | 4,242.27 | 244,141.77 | - | - | - | | |
| | August | | | | | - | 713,565.95 | 7,757.15 | 721,323.10 | 61,753.69 | 494.27 | - | - | 570,852.76 | 7,757.15 | 615,113.86 | 7,260.68 | 622,374.54 | 98,452.09 | 496.47 | 98,948.56 | | |
| | September | | | | | - | 750,362.15 | 35,613.21 | 785,975.36 | 135,555.81 | 217.14 | 26,262.64 | - | 528,847.36 | 35,613.21 | 391,821.80 | 35,178.56 | 427,000.36 | 358,540.35 | 434.65 | 358,975.00 | | |
| | October | | | | | 230,000.00 | 972,713.30 | 25,497.08 | 998,210.38 | 96,312.50 | 71.03 | - | - | 778,170.64 | 25,497.08 | 5,669.67 | 9,794.92 | 15,464.59 | 967,043.63 | 15,702.16 | 982,745.79 | | |
| | November | | | | | 320,000.00 | 994,037.60 | 24,218.73 | 1,018,256.33 | (252.00) | - | - | - | 795,230.08 | 24,218.73 | - | - | - | 994,037.60 | 24,218.73 | 1,018,256.33 | | |
| | December | | | | | 489,439.56 | 873,140.97 | 37,151.31 | 910,292.28 | - | - | - | - | 698,512.78 | 37,151.31 | - | - | - | 873,140.97 | 37,151.31 | 910,292.28 | | |
| | January | | | | | 327,500.00 | 762,999.02 | 36,052.06 | 799,051.08 | - | - | - | - | 610,399.22 | 36,052.06 | - | - | - | 762,999.02 | 36,052.06 | 799,051.08 | | |
| | February | | | | | 397,500.00 | 866,808.07 | 21,822.26 | 888,630.33 | - | - | - | - | 693,446.46 | 21,822.26 | - | - | - | 866,808.07 | 21,822.26 | 888,630.33 | | |
| | March | | | | | 1,137,500.00 | 15,520.00 | 238.21 | 15,758.21 | - | - | - | - | 12,416.00 | 238.21 | - | - | - | 15,520.00 | 238.21 | 15,758.21 | | |
| | April | | | | | 857,500.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | May | | | | | 707,500.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | June | | | | | 467,500.00 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Total Professional Fees | | | | | | 4,934,439.56 | 6,189,046.56 | 192,592.28 | 6,381,638.84 | 293,370.00 | 782.44 | 26,262.64 | - | 4,879,794.89 | 192,592.28 | 1,252,504.83 | 56,476.43 | 1,308,981.26 | 4,936,541.73 | 136,115.85 | 5,072,657.58 | | |

| | | | |
|---------------------------------------|----------------------|-------------------|----------------------|
| Amount Paid | 1,252,504.83 | 56,476.43 | 1,308,981.26 |
| Balance Due on Filed Fee Applications | 4,936,541.73 | 136,115.85 | 5,072,657.58 |
| Estimated Professional Fees | 4,934,439.56 | - | 4,934,439.56 |
| Total Professional Fees | 11,123,486.12 | 192,592.28 | 11,316,078.40 |

⁽¹⁾Objection filed over the use of "pre-petition retainer" to pay any post-petition fees.

| | | | |
|---------------------------------------|--------------|------------|---------------|
| Remaining Payments | | | |
| Balance Due on Filed Fee Applications | 4,936,541.73 | 136,115.85 | 5,072,657.58 |
| Estimated Professional Fees | 4,934,439.56 | - | 4,934,439.56 |
| | 9,870,981.29 | 136,115.85 | 10,007,097.14 |

EXHIBIT "3"

1 Carolyn J. Johnsen - 011894
Bradley J. Stevens - 006723
2 Todd B. Tuggle - 020948
Todd M. Adkins - 025338
3 JENNINGS, STROUSS & SALMON, P.L.C.
A Professional Limited Liability Company
4 The Collier Center, 11th Floor
201 East Washington Street
5 Phoenix, Arizona 85004-2385
Telephone: (602) 262-5911
6 Facsimile: (602) 495-2696

E-filed on

7 Attorneys for the Debtor

8 **UNITED STATES BANKRUPTCY COURT**
9 **DISTRICT OF ARIZONA**

10 In re:
11 Mortgages Ltd.,
12 Debtor.

Chapter 11 Proceedings
Case No. 2:08-bk-07465-RJH

**DECLARATION OF
CHRISTINE ZAHEDI IN SUPPORT
OF FTI CONSULTING'S FIRST
AND FINAL FEE APPLICATION
(OCTOBER 7, 2008 -
JULY 6, 2009)**

17 I, Christine Zahedi, declare as follows:

18 1. I was employed by the Debtor, Mortgages Ltd., in July 2008 to assist with the
19 bankruptcy process and operations. In mid March 2009, I was appointed as the Chief
20 Operating Officer. As such, I was in position to be knowledgeable of the work performed by
21 FTI Consulting, Inc. as the financial advisors to the Debtor.

22 2. I submit this declaration in support of the FTI Consulting, Inc. First and Final
23 Fee Application ("Application") for the specific period of October 7, 2008 through July 6,
24 2009. I have personal knowledge of the facts set forth below for the capitalized application
25 period and more specifically the time period after becoming Chief Operating Officer.
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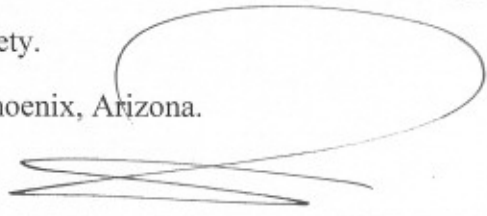
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3. Pursuant to the Court's order approving FTI's application to serve as financial advisors to Mortgages Ltd. in this case, FTI has performed services for Mortgages Ltd. since October 7, 2008.

4. On behalf of the Debtor, Mortgages Ltd., I have reviewed and approved FTI's time detail and believe that the amounts sought by FTI for the specific period of April 1 to July 6, 2009 were reasonable and necessary to represent Mortgages Ltd. in this matter.

5. I have reviewed the Application and, on behalf of the Debtor, Mortgages Ltd., support approval of the Application in its entirety.

Executed this 17th day of July 2009 at Phoenix, Arizona.



Christine Zahedi

EXHIBIT "4"

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF ARIZONA

In re:

Mortgages Ltd.,
Debtor.

Chapter 11 Proceedings
Case No. 2:08-bk-07465-RJH

**AFFIDAVIT OF CHRIS OLSON IN SUPPORT OF FTI CONSULTING'S
FIRST AND FINAL FEE APPLICATION
OCTOBER 7, 2008 – July 6, 2009**

I, Chris Olson, affirm as follows:

1. I was employed by the Debtor, Mortgages Ltd., as the Chief Financial Officer until approximately the 17th of March 2009. I also served on the Mortgages Ltd. Board of Directors from early June 2008 to March 3, 2009. As such, I was in position to be knowledgeable of the work performed by FTI Consulting, Inc. as the financial advisors to the Debtor.

2. I submit this affidavit in support of the FTI Consulting, Inc. First and Final Fee Application ("Application") for the period of October 7, 2008 through July 6, 2009. I have personal knowledge of the facts set forth below for the time period through March 17, 2009.

3. Pursuant to the Court's order approving FTI's application to serve as financial advisors to Mortgages Ltd. in this case, FTI has performed services for Mortgages Ltd. since October 7, 2008.

4. On behalf of the Debtor, Mortgages Ltd., I have reviewed FTI's time detail and believe that the amounts sought by FTI for the specific period of October 7, 2008 through March 17, 2009 appear reasonable and were necessary to represent Mortgages Ltd. in this matter.

Executed this 12th day of August 2009 at Phoenix, Arizona.

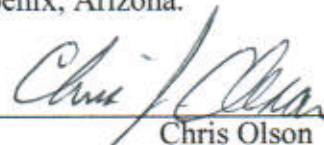

Chris Olson

EXHIBIT "5"

Objections to FTI Fee Application
By Billing Category

| Row | Category | FTI Requested Amounts | Objection Amounts | | Greater of Amount Objected To Limited to Fees Requested | Amounts Not Objected To | Percent Objected To | Proposed Interim Payment | |
|----------------------------------|---|-----------------------|----------------------------|---------------------|---|-------------------------|---------------------|--------------------------|---------------------|
| | | | ML Manager / Radical Bunny | Liquidating Trust | | | | % | \$ |
| 1 | Financing & Cash Flow | 249,084 | | | - | 249,084 | 0% | 100% | 249,084 |
| 2 | Business Operations | 154,514 | | | - | 154,514 | 0% | 100% | 154,514 |
| 3 | Asset Assessment & Sale | 32,841 | | | - | 32,841 | 0% | 100% | 32,841 |
| 4 | Case Administration | 46,013 | 33,171 | 24,631 | 33,171 | 12,842 | 72% | 75% | 34,509 |
| 5 | Claims Admin & Objections | 91,910 | | | - | 91,910 | 0% | 100% | 91,910 |
| 6 | Court Hearings | 33,156 | | | - | 33,156 | 0% | 100% | 33,156 |
| 7 | Employ & Fee Apps | 87,686 | 87,686 | 87,686 | 87,686 | - | 100% | 75% | 65,764 |
| 8 | Investor Relations | 3,749 | | | - | 3,749 | 0% | 100% | 3,749 |
| 9 | Disclosure Statement and Plan | 693,970 | 693,970 | 693,970 | 693,970 | - | 100% | 75% | 520,478 |
| 10 | Litigation | 123,656 | | 123,656 | 123,656 | - | 100% | 75% | 92,742 |
| 11 | Radical Bunny | 105,642 | | | - | 105,642 | 0% | 100% | 105,642 |
| 12 | MP Funds & VTL Fund | 51,696 | | | - | 51,696 | 0% | 100% | 51,696 |
| 13 | Scott Coles & Related Entities | 196,908 | | 196,908 | 196,908 | - | 100% | 75% | 147,681 |
| 14 | Transition | 38,881 | 38,881 | 39,000 | 38,881 | - | 100% | 75% | 29,161 |
| 15 | Sub-Total Non-Loan Categories | 1,909,703 | 853,708 | 1,165,850 | 1,174,271 | 735,432 | 61% | 84% | 1,612,924 |
| Loan Collections/Workouts | | | | | | | | | |
| 16 | Loan Collections/Workouts | 64,822 | | 64,822 | 64,822 | | | 100% | |
| 17 | Snider Loans | 106,483 | | | - | | | | |
| 18 | Vento Loans | 4,411 | | | - | | | | |
| 19 | Burton Loans | 4,618 | | | - | | | | |
| 20 | Wolfswinkel Loans | 57,364 | | | - | | | | |
| 21 | Peloquin Loans | 69,131 | | | - | | | | |
| 22 | Cummings Loans | 16,461 | | | - | | | | |
| 23 | Sorensen Loans | 13,518 | | | - | | | | |
| 24 | Zacher Loans | 924 | | | - | | | | |
| 25 | LaMar Loans | 45,138 | | | - | | | | |
| 26 | Kohner Loans | 58,198 | | | - | | | | |
| 27 | Sodja Loans | 1,237 | | | - | | | | |
| 28 | Dragoo Loan | 14,172 | | | - | | | | |
| 29 | Jensen Loan | 860 | | | - | | | | |
| 30 | Morrison Loan | 41,028 | | | - | | | | |
| 31 | Decker Loan | 2,653 | | | - | | | | |
| 32 | Alder Loan | 2,627 | | | - | | | | |
| 33 | Hurst Loan | 1,473 | | | - | | | | |
| 34 | Savell Loan | 7,403 | | | - | | | | |
| 35 | Cozart Loan | 2,481 | | | - | | | | |
| 36 | Suggs Loan | 1,058 | | | - | | | | |
| 37 | Newman Loans | 105 | | | - | | | | |
| 38 | General Loan Collection Objection | | 448,715 | 451,339 | 451,339 | | | | |
| 39 | Sub-Total Loan Categories | 516,160 | 448,715 | 516,160 | 516,160 | - | 100% | 75% | 387,120 |
| 40 | Total | \$ 2,425,863 | \$ 1,302,423 | \$ 1,682,010 | \$ 1,690,431 | \$ 735,432 | 70% | 82% | \$ 2,000,044 |
| Other Objections | | | | | | | | | |
| 41 | Annual Rate Increases | | 172,467 | | 172,467 | | | | - |
| 42 | Duplicative Internal Meetings & Calls | | 110,031 | | 110,031 | | | | - |
| 43 | Duplicative Services | | 329,689 | | 329,689 | | | | - |
| 44 | Work after May 20, 2009 Not in Fee App or Transition Category | | 57,525 | | 57,525 | | | | - |
| 45 | Unidentified Objection to Arrive at Total Disputed Amount | | 46,011 | | 46,011 | | | | - |
| 46 | Sub-Total Other Objections | | 715,723 | - | 715,723 | (715,723) | | 0% | - |
| 47 | Total After Other Objections | \$ 2,425,863 | \$ 2,018,146 | \$ 1,682,010 | \$ 2,406,154 | \$ 19,709 | 99% | 82% | \$ 2,000,044 |