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5 **JENNINGS, STROUSS & SALMON, P.L.C.**

A Professional Limited Liability Company

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9 *Attorneys for the Debtor*

10 **IN THE UNITED STATES BANKRUPTCY COURT**

11 **FOR THE DISTRICT OF ARIZONA**

12 In re:

13 Mortgages Ltd.,

14 Debtor.

Chapter 11 Proceedings

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

15 **NOTICE OF FILING PROPOSED**
16 **BUDGET REGARDING DEBTOR-IN-**
POSSESSION FINANCING

17 **NOTICE IS HEREBY GIVEN** that Mortgages Ltd. (“Debtor”) is filing the
18 proposed budget, which is attached to this Notice, in support of the Debtor’s Expedited
19 Motion to Approve Debtor-in-Possession's Financing in Accordance with Bankruptcy
20 Code Sections 364(c) and (d). [Dkt. # 262]

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1 DATED this 14th day of August, 2008.

2 JENNINGS, STROUSS & SALMON, P.L.C.

3
4 By /s/ Todd M. Adkins #025338

5 Carolyn J. Johnsen
6 Bradley J. Stevens
7 Todd M. Adkins
8 The Collier Center, 11th Floor
9 201 East Washington Street
10 Phoenix, Arizona 85004-2385
11 Attorneys for the Debtor

9 COPY of the foregoing e-mailed and/or
10 mailed this 14th day of August, 2008, to all parties
11 on the attached Service List:

12 /s/ Todd M. Adkins

EXHIBIT A

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

	Aug. 1 to Aug. 14	Aug. 14 to Aug. 31	Sep	Oct	Nov	Dec	Jan. 09	Total Budget
SERVICE INCOME								
Origination Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lender Fees - Participation		442,000	155,000	55,000	55,000	55,000	55,000	817,000
Interest Income from Mtgs Ltd DOT Investments								0
TOTAL SERVICE INCOME	0	442,000	155,000	55,000	55,000	55,000	55,000	817,000
OTHER INCOME								
Pool Management Fees			360,000	90,000	90,000	90,000	90,000	720,000
TOTAL OTHER INCOME	0	0	360,000	90,000	90,000	90,000	90,000	720,000
HUMAN RESOURCES EXPENSES								
COMPENSATION	101,162	115,000	230,000	230,000	230,000	230,000	230,000	1,366,162
Employees Compensation	101,162	115,000	230,000	230,000	230,000	230,000	230,000	1,366,162
TOTAL COMPENSATION								
EMPLOYEE BENEFITS		16,300	16,300	16,300	16,300	16,300	16,300	97,800
Group Health	0	16,300	16,300	16,300	16,300	16,300	16,300	97,800
TOTAL EMPLOYEE BENEFITS								
TOTAL HUMAN RESOURCES EXPENSES	101,162	131,300	246,300	246,300	246,300	246,300	246,300	1,463,962
GENERAL AND ADMINISTRATIVE EXPENSES								
Bank Charges		300	300	300	300	300	300	1,500
Software Upgrades, Maintenance and Licensing		1,500	1,500	1,500	1,500	1,500	1,500	7,500
Online & Support Costs		100	100	100	100	100	100	500
Misc. Computer Expense		400	400	400	400	400	400	2,000
Dues & Subscriptions		150	150	150	150	150	150	750
Equipment Lease		4,300	4,300	4,300	4,300	4,300	4,300	25,831
Fees, Permits & Licenses		1,000	1,000	1,000	1,000	1,000	1,000	33,000
Insurance		15,000	15,000	15,000	15,000	15,000	15,000	75,000
Accounting Fees							35,000	35,000
Legal Fees		150,000	200,000	180,000	180,000	150,000	140,000	1,000,000
Tax Service Expense				4,000	4,000			4,000
Other Outside Services/Contract Labor		3,000	3,000	3,000	3,000	3,000	3,000	15,000
Consulting Expenses		5,250	5,250	5,250	5,250	5,250	5,250	26,250

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

	Aug. 1 to Aug. 14	Aug. 14 to Aug. 31	Sep	Oct	Nov	Dec	Jan. 09	Total Budget
Foreclosure/BK Expenses		53,000	80,000	80,000				213,000
ML Bankruptcy Expense - US Trustee fee		325	6,500	6,500				6,825
Postage & Shipping			750	750	750	750	750	3,750
Supplies & Misc.	1,000		2,500	2,500	2,500	2,500	2,500	13,500
Recording & Other Fees		18,000	1,000	1,000	1,000	1,000	1,000	5,000
Rent			18,000	18,000	18,000	18,000	18,000	108,000
REO Expenses			25,000	25,000	25,000	25,000	25,000	125,000
Repairs & Maintenance			3,000	3,000	3,000	3,000	3,000	16,000
Beeper & Cellphone	1,069		2,500	2,500	2,500	2,500	2,500	13,569
Telephone	5,279		4,700	4,700	4,700	4,700	4,700	28,779
T & E			1,000	1,000	1,000	1,000	1,000	5,000
Utilities (included in lease payments)								0
Mileage Reimbursement		250	500	500	500	500	500	2,750
Taxes - Property		2,900		26,000				27,900
Entitlement work for Central and Highland			30,000	30,000	30,000			90,000
Cash Reserve/Moving Expenses			75,000					75,000
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	11,679	224,475	473,950	411,450	303,950	268,950	264,950	1,959,404
Net Cash Provided by/Used In Operations	(112,841)	86,225	(205,250)	(512,750)	(406,250)	(370,250)	(366,250)	(1,886,366)
Cash Provided by/Used In Financing Activities								
DIP Financing Draws - Stratara or other lender	100,000	100,000	3,000,000	520,000	450,000	-450,000	380,000	5,000,000
DIP Financing Fees (2.5%)	(2,500)	(122,500)						(125,000)
Centerpointe Financing Fee - DIP of \$75mm			(250,000)					(250,000)
Payment of Stratara or other lender DIP Interest		(900)		(28,000)	(32,000)	(36,000)	(40,000)	(136,900)
Repayment of SVP Loan Principal and Interest			(522,000)					(522,000)
Repayment of Artemis Loan Principal and Interest			(2,070,000)					(2,070,000)
Net Cash Provided by/Used In Financing Activities	97,500	(23,400)	156,000	492,000	418,000	-414,000	340,000	1,894,100
Beginning Cash Balance (as of August 4, 2008)	27,077	11,736	74,561	26,311	4,561	17,311	61,061	27,077
Net Change in Cash	(15,341)	62,825	(49,250)	(20,750)	12,750	43,750	(26,250)	7,734
Ending Cash Balance	11,736	74,561	25,311	4,561	17,311	61,061	34,811	34,811