

IT IS HEREBY ADJUDGED
and DECREED this is SO
ORDERED.

The party obtaining this order is responsible for
noticing it pursuant to Local Rule 9022-1.

Dated: August 28, 2008



Randolph J. Haines

RANDOLPH J. HAINES
U.S. Bankruptcy Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:

Mortgages Ltd.,

Debtor.

Chapter 11 Proceedings

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

**FINAL ORDER AUTHORIZING
DEBTOR TO OBTAIN POST
PETITION FINANCING PURSUANT
TO 11 U.S.C. §§105, 361, 362 AND 364;
AND DETERMINING PREPETITION
SECURED PARTIES ADEQUATELY
PROTECTED PURSUANT TO 11
U.S.C. §§361, 362 AND 364**

The Court having convened a hearing on "Debtor's Expedited Motion for Approval of Debtor-in-Possession Financing in Accordance with Bankruptcy Code Sections 364 (c) and (d)" (the "Motion"); the Court having ~~Granted~~ the "Interim Order Authorizing Debtor to Obtain Post petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362 and 364; and Determining Prepetition Secured Parties Adequately Protected Pursuant to 11 U.S.C. §§ 361, 362 and 364" (the "Interim Order"); the Court having held an evidentiary hearing on August 21, 2008 regarding the Motion (the "Final Hearing"), the Court having received evidence by declaration and testimony from, among others, Richard Feldheim, Christine Zahedi, and Christopher Olson in support of the Motion; the Court having heard and considered objections filed by various parties in interest, the agreements reached by certain parties, the evidence presented therewith and the arguments of counsel; and the Court having convened a

1 second hearing on the Motion on August 27, 2008 to consider objections to the form of
2 Order; the Court having overruled the objection raised by Arizona Bank & Trust, having
3 reviewed the record as a whole and good cause appearing therefor,

4 IT IS HEREBY ORDERED that the Motion is granted.

5 IT IS FURTHER ORDERED that the objections to the Motion, to the extent that
6 they have not been withdrawn, are overruled.

7 IT IS FURTHER ORDERED approving the immediate use by Debtor of \$5,000,000
8 as a working capital loan ("DIP Loan") from Stratera Portfolio Advisors, LLC ("Stratera")
9 for financing the ongoing operations of the Debtor in accordance with the Budget admitted
10 into evidence at the hearing and attached hereto as Exhibit A, and subject to the Loan
11 Documents (as modified by this Order) and this Order.

12 IT IS FURTHER ORDERED that the Loan Agreement dated August 14, 2008 (the
13 "Loan Agreement"), and the accompanying Promissory Note (the "Note"), Deed of Trust and
14 Assignment of Rents ("Deed of Trust"), and Security and Pledge Agreement (the "Pledge
15 Agreement") (the Loan Agreement, Note, Deed of Trust and Pledge Agreement are
16 collectively referred to herein as the "Loan Documents") are all approved as being a
17 reasonable exercise of the Debtor's business judgment.

18 IT IS FURTHER ORDERED modifying the automatic stay of § 362(a) to the extent
19 necessary to permit Stratera and the Debtor to implement the terms of this Debtor-in-
20 Possession financing, and this Final Order entered herein, and modifying the automatic stay
21 in favor of Stratera only in the event of Debtor's default under the terms of the Loan
22 Documents.

23 IT IS FURTHER ORDERED granting Stratera a super-priority administrative
24 expense claim, a collateral assignment of the note and deed of trust covering the River Run
25 Golf Course; junior deeds of trust on properties described in the Loan Documents as the
26 Chateaux on Central, Central & Highland, 21-acre parcel in Fountain Hills, Arizona,

1 Mummy 8, LLC, and Troon 40-acre parcel, and liens on the loans to Zacher Development,
2 subject to each secured creditor's existing liens, and all subject to a professional fee carve-
3 out.

4 IT IS FURTHER ORDERED that the liens with respect to all loans encumber only
5 the Debtor's interests in such loans, and the Debtor will not, and is not purporting to, grant
6 any lien on the fractional interests held by investors in such loans. The liens with respect to
7 the Zacher loans encumber only the Debtor's interests in such loans and are subject to the
8 claims of William C. Lewis, as trustee of the William C. Lewis Trust dated August 1, 1989,
9 as amended.

10 IT IS FURTHER ORDERED that the Loan Agreement is hereby amended to reflect:
11 (a) Permitted Exceptions (page 5 of the Loan Agreement) shall include: (i) Arizona Bank and
12 Trust's ("AB&T") deed of trust on the Fountain Hills 21 acre and the Troon 40 acre
13 properties (the "AB&T Collateral") and (ii) the Land Form Engineering Company's
14 materialman's lien; (b) Further Assurances (page 9, paragraph d, of the Loan Agreement)
15 shall now read "transferring collateral to Lender's possession (if a security interest in the
16 collateral can be perfected by possession), subject to the rights of senior liens and subject to
17 the provision of the Bankruptcy Code."; and (c) Insurance (page 9, subparagraph (2) of the
18 Loan Agreement) shall now read "loss payments will be payable to Lender subject to claims
19 or rights of senior lenders."

20 IT IS FURTHER ORDERED that the professional fee carve-out referenced above
21 shall include professional fees for services rendered on behalf of the Debtor, the Official
22 Unsecured Creditors' Committee, the Official Investor Committee, and any other
23 professionals hired by the Debtor or the Committees and approved by the Court.

24 IT IS FURTHER ORDERED that the lien and assignment granted to Stratera, is
25 junior, subject and subordinate in all respect to, and does not prime any existing lien or
26 assignment of any secured creditor on the collateral granted to Stratera, except the secured

1 claim of Radical Bunny, LLC (however, Radical Bunny has agreed to withdraw its objection
2 to the Motion pursuant to a settlement agreement which has been placed on the record, but
3 which must still be approved by motion, notice, hearing and order, and the immediate release
4 of the \$50,000 adequate protection payment provided in the Interim Order); and that the
5 professional fee carve-out referenced above does not affect any such secured creditor's
6 existing lien or assignment.

7 IT IS FURTHER ORDERED that the Debtor immediately deliver to Radical Bunny,
8 LLC the sum of \$50,000 that was ordered to be segregated pursuant to the Interim Order.

9 IT IS FURTHER ORDERED that notwithstanding any requirement in the Loan
10 Documents that the River Run and Zacher Notes be surrendered to Alliance Bank to hold for
11 the benefit of Stratera as a perfection method of its security interest in the Debtor's interest in
12 those Notes, only the River Run Note shall be so surrendered after the obligation owed to the
13 secured creditor now holding that Note has been paid in full, and Stratera's security interest
14 in the Debtor's interest in the Zacher Note, dated January 11, 2007, Loan No. 855102, shall
15 be perfected by the filing of a UCC-1 financing statement and by this Order.

16 IT IS FURTHER ORDERED that pursuant to the agreement of AB&T and the
17 Debtor, as stated on the record at the Final Hearing, (a) the Debtor shall file, no later than
18 September 4, 2008, a motion authorizing it to retain a commercial real estate broker (the
19 "Broker") to sell the AB&T Collateral (as such Collateral is more particularly described and
20 defined in AB&T's Proof of Claim, see Proof of Claim #97 on the Claims Registry (the
21 "AB&T Proof of Claim")); (b) upon the Court's approval of the Debtor's retention of the
22 Broker, the Debtor shall immediately employ the Broker and list the AB&T Collateral for
23 sale; (c) the Debtor shall use its best efforts to market and sell the AB&T Collateral; (d)
24 commencing on October 1, 2008 (and ending upon the sale of the AB&T Collateral), the
25 Debtor shall pay \$5,000 per month to AB&T, which shall be applied to accrued and accruing
26 unpaid interest due and owing under the AB&T loan documents (as identified in the AB&T

1 Proof of Claim)(the "AB&T Loan Documents"); and (e) if the foregoing conditions are met,
2 AB&T's claim shall not accrue interest at the default rate set forth in the AB&T Loan
3 Documents from August 21, 2008 through a date which is 150 days following the entry of
4 the Court's Order approving the Debtor's retention of the Broker referenced above (the
5 "Interest Deferral Period"); *provided, however* that (i) if AB&T's Collateral is not sold prior
6 to the expiration of the Interest Deferral Period, then commencing on the following day,
7 interest at the default rate shall begin accruing, and shall be payable, on AB&T's claim until
8 such claim is paid in full, and (ii) nothing contained herein shall be construed as a waiver by
9 AB&T to pursue any of its rights and remedies against the guarantors of the AB&T loans,
10 including AB&T's right to pursue such guarantors for any unpaid default interest under the
11 AB&T Loan Documents.

12 IT IS FURTHER ORDERED that the Court finds that Stratera is extending credit to
13 the Debtor in good faith, in an arms length transaction, and Stratera is therefore entitled to the
14 protection afforded lenders pursuant to § 364(e) of the Bankruptcy Code.

15 **ORDERED, DATED AND SIGNED AS ABOVE.**

GRANTED

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	442,000	155,000	55,000	55,000	55,000	55,000	817,000
Interest Income from Migra Ltd DOT Investments	0	0	0	0	0	0	0	0
TOTAL SERVICE INCOME	0	442,000	155,000	55,000	55,000	55,000	55,000	817,000
OTHER INCOME								
Pool Management Fees	0	0	380,000	90,000	90,000	90,000	90,000	720,000
TOTAL OTHER INCOME	0	0	380,000	90,000	90,000	90,000	90,000	720,000
HUMAN RESOURCES EXPENSES								
COMPENSATION								
Employees Compensation	101,162	115,000	230,000	230,000	230,000	230,000	230,000	1,386,162
TOTAL COMPENSATION	101,162	115,000	230,000	230,000	230,000	230,000	230,000	1,386,162
EMPLOYEE BENEFITS								
Group Health	0	16,300	16,300	16,300	16,300	16,300	16,300	87,800
TOTAL EMPLOYEE BENEFITS	0	16,300	16,300	16,300	16,300	16,300	16,300	87,800
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	300	1,500
Software Upgrades, Maintenance and Licensing	1,500	1,500	1,500	1,500	1,500	1,500	1,500	7,500
Online & Support Costs	100	100	100	100	100	100	100	500
Misc. Computer Expense	400	400	400	400	400	400	400	2,000
Dues & Subscriptions	180	180	180	180	180	180	180	760
Equipment Lease	4,300	4,300	4,300	4,300	4,300	4,300	4,300	26,831
Fees, Permits & Licenses	1,000	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	15,000	75,000
Accounting Fees	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,000,000
Legal Fees	3,000	3,000	3,000	3,000	3,000	3,000	3,000	4,000
Tax Service Expense	5,250	5,250	5,250	5,250	5,250	5,250	5,250	15,000
Other Outside Services/Contract Labor	3,000	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	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 Expenses		53,000	80,000	80,000				213,000
ML Bankruptcy Expenses - US Trustee fee		325		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			1,000	1,000	1,000	1,000	1,000	5,000
Rent		18,000	18,000	18,000	18,000	18,000	18,000	108,000
REC Expenses			28,000	25,000	25,000	25,000	25,000	126,000
Repairs & Maintenance	1,068		3,000	3,000	3,000	3,000	3,000	16,000
Beeper & Cellphones	5,279		2,500	2,500	2,500	2,500	2,500	13,869
Telephone			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)				500	500	500	500	2,750
Mileage Reimbursement		250						27,900
Taxes - Property		2,900		25,000				90,000
Entitlement work for Central and Highland			30,000	30,000	30,000			78,000
Cash Reserve/Moving Expenses			75,000					
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	11,879	224,475	473,950	411,450	303,950	288,950	264,950	1,959,404
Net Cash Provided by/Used in Operations	(112,641)	36,225	(205,250)	(512,750)	(405,250)	(370,250)	(366,250)	(1,888,366)
Cash Provided by/Used in Financing Activities								
DIP Financing Draws - Straters or other lender	189,000		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 Straters or other lender DIP Interest	(800)		(2,000)	(28,000)	(32,000)	(38,000)	(40,000)	(138,800)
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)	196,000	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	25,311	4,561	17,311	61,061	27,077
Net Change in Cash	(15,341)	82,825	(49,250)	(20,750)	12,750	43,750	(28,250)	7,734
Ending Cash Balance	11,736	74,561	25,311	4,561	17,311	61,061	34,811	34,811