IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
MORTGAGE LENDERS NETWORK USA, INC.,[1]	)	Case No. 07-10146 (PJW)
	)	
Debtor.	)	

DECLARATION OF DANIEL SCOULER, AS CHIEF RESTRUCTURING OFFICER OF THE DEBTOR, IN SUPPORT OF FIRST DAY MOTIONS

I, Daniel Scouler, hereby declare that the following is true to the best of my knowledge, information and belief:

1. I am a Member with the firm Scouler Andrews, LLC ("SA") which maintains offices at 225 West Wacker Drive, Suite 1550, Chicago, Illinois 60606. SA specializes in, among other things, supplying senior executives on an interim basis to financially troubled companies.

2. Pursuant to a unanimous written consent executed by the Board of Directors (the "Board") for Mortgage Lenders Network USA, Inc. (the "Debtor"), I have been appointed to serve as the Chief Restructuring Officer ("CRO") of the Debtor. I have also been authorized by the Board to make decisions with respect to all aspects of the management and operation of the Debtor's business, including, without limitation, organization, human resources,

[1] Debtor's EIN: XX-XXX7394;
Debtor's Address: Middlesex Corporate Center, 213 Court Street, 11th Floor, Middletown, CT 06457

marketing, sales, logistics, finance, administration, and oversight of the prosecution of the Debtor's bankruptcy case.

3. I have been involved with efforts to restructure the Debtor since December 22, 2006, and I have been actively engaged in Debtor's efforts to restructure its business and finances, as described herein, with the assistance of employees of the Debtor, legal counsel, and other professionals. My duties as CRO for the Debtor include: general supervision of and responsibility for the finances, property and business of the Debtor; assisting with the Debtor's business plans and strategies; advising and assisting the Debtor with respect to the business and financial activities of the Debtor; and other related matters.

4. In addition to the personal knowledge that I have acquired while working with the Debtor, I also have general knowledge of the Debtor's books and records, and I am familiar with the Debtor's financial and operational affairs.

5. I submit this declaration (the "Declaration") in support of the Debtor's petition and "first day" motions and applications, described further below (collectively, the "First Day Motions"). Except as otherwise indicated, all statements in this Declaration are based upon my personal knowledge, my review of the Debtor's books and records, relevant documents and other information prepared or collected by the Debtor's employees, or my opinion based on my experience with the Debtor's operations and financial condition. In making my statements based on my review of the Debtor's books and records, relevant documents and other information prepared or collected by the Debtor's employees, I have relied upon these employees accurately recording, preparing or collecting any such documentation and other information.

6. If I were called to testify as a witness in this matter, I could and would competently testify to each of the facts set forth herein based upon my personal knowledge, review of documents, or opinion. I am authorized to submit this Declaration on behalf of the Debtor.

7. Part I of this Declaration describes the business of the Debtor and the developments that led to its filing for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Part II sets forth the relevant facts in support of the First Day Motions filed by the Debtor concurrently herewith in support of its chapter 11 case (the "Chapter 11 Case"). Capitalized terms not defined herein have the meanings ascribed to them in the First Day Motions.

PART I

A. Overview of the Debtor and its Operations

Introduction

8. The Debtor is a privately held Delaware corporation that was founded approximately 10 years ago with 7 employees. Thereafter, the Debtor grew into a full service residential mortgage company licensed to do business in 47 states and the District of Columbia. As of November, 2006, the Debtor employed approximately 1,780 employees across the nation who, depending upon their location, worked at the Debtor's: (i) corporate headquarters, in Middletown, Connecticut; (ii) 5 regional, sub-prime wholesale origination offices throughout the country; (iii) 1 prime wholesale origination office in Connecticut; (iv) 2 retail origination offices in Connecticut and Illinois; and/or (v) 2 loan servicing locations in Arizona and Connecticut. At

the close of 2006, the Debtor's monthly loan volume was approximately $1.5 billion; and the Debtor's was servicing approximately $17 billion of sub-prime and prime mortgages.

9. A majority of the Debtor's business involved the origination of wholesale loans to credit-impaired borrowers (frequently referred to as "sub-prime") who generally are unable to obtain financing from traditional banks or savings and loan associations. The Debtor was the fifteenth largest sub-prime lender in the United States in the third quarter of 2006, with $3.3 billion in loan originations for that quarter.

10. As explained in detail below, a significant increase in the number of early payment defaults occurred in the sub-prime market in the last quarter of 2006. In an attempt to abate such defaults on its future loan originations, the Debtor tightened its lending standards and introduced a new loan product. Unfortunately, there was a significant mistake in the pricing of the new loan product. As a result of this pricing error, the Debtor originated $600 to $700 million of new loans that, inadvertently, could only be sold for a loss in the secondary markets. As the Debtor was trying to work through these issues at the end of 2006 and the start of 2007, certain of its warehouse lenders declined to advance amounts in excess of their commitments and/or began terminating the financing used for loan origination. This, among other things, prevented the Debtor from funding a number of loan commitments upon which it had closed, and forced the Debtor to shut down its wholesale loan origination business.

11. While the Debtor was trying to address these problems and salvage its loan origination business, a $7.65 million judgment was issued against it on January 17, 2007 in favor of Wachovia Bank, National Association in the Southern District of New York and entered

on the docket on January 22, 2007. Moreover, on January 19, 2007, the State of Connecticut Department of Banking issued a Cease and Desist Order (defined below), pursuant to which the Debtor was, among other things, ordered to stop making further loans.[2] Finally, on January 24, 2007, Freddie Mac sent the Debtor a termination letter, pursuant to which Freddie Mac purportedly terminated the Debtor as servicer of its loans.

12. These events in late January, 2007, effectively foreclosed any possibility for the Debtor to salvage its loan origination business, and forced the Debtor to seek bankruptcy protection by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code on February 5, 2007 (the "Petition Date").

Business Operations

13. Prior to December 29, 2006, the Debtor had 3 major components to its business: (1) wholesale loan originations; (2) retail loan originations; and (3) loan servicing.

14. Wholesale Loan Originations. Prior to December 29, 2006, the largest component of the Debtor's business was its wholesale loan originations, wherein the Debtor worked with a network of independent mortgage brokers to provide financing for consumer borrowers on residential loans. The Debtor originated prime wholesale loans to consumer borrowers in compliance with Fannie Mae and Freddie Mac guidelines, and sub-prime wholesale loans to consumer borrowers who were unable to qualify for prime lending on residential mortgages. The Debtor obtained the funds needed for its loan originations from several warehouse lines of credit (the "Warehouse Credit Facilities") provided by Residential Funding

[2] Similar actions were taken by Massachusetts, Vermont, Rhode Island, Pennsylvania, New Hampshire, New York, Michigan, and Maine.

Company, LLC ("RFC"), Greenwich Capital Financial Products, Inc. ("Greenwich"), Merrill Lynch Bank USA and Merrill Lynch Mortgage Capital, Inc. (collectively, "Merrill Lynch"), and Goldman Sachs Mortgage Co. ("Goldman" – and collectively referred to as the "Warehouse Lenders"). After originating wholesale loans, the Debtor then sold substantially all of such loans to its Warehouse Lenders and/or certain other third parties, including Freddie Mac, Fannie Mae, Countrywide Home Loans, Inc., Credit-Based Asset Servicing and Securitization LLC, Emax Financial Group LLC ("Emax"), and Lehman Brothers Bank, FSB ("Lehman") (collectively, the "Loan Purchasers"). Certain of these Loan Purchasers, would bundle the purchased loans and issue securities (through bankruptcy remote entities), backed by these loans and mortgages to private investors.

15. The Debtor originated loans pursuant to certain guidelines with customary representations and warranties set forth in the sale contracts to the Loan Purchasers. Pursuant to such sale contracts, the Debtor may be required to repurchase loans or reimburse Loan Purchasers for a breach of a representation or warranty. In addition, the Debtor may be required to return a portion of the premium earned if a loan is prepaid during a limited period of time after sale, usually 6 to 12 months. The Debtor may also be required to repurchase loans ("Repurchase Requests") if a default occurs within a brief period following the loan origination date ("Early Payment Defaults"), or if loans are alleged to contain misrepresentations by borrowers.

16. Retail Loan Originations. In addition to originating wholesale loans through mortgage brokers, the Debtor also originated loans directly to consumers through 4 different programs, until approximately January 19, 2007. First, the Debtor made direct loans to

consumers. To generate these loans, the Debtor purchased leads from information providers and then interacted directly with the potential borrowers to originate the loans. Second, the Debtor originated loans to consumer borrowers seeking to refinance existing loans. As described below, the Debtor's business also involves servicing a significant number of the loans. When individuals whose loans were being serviced by the Debtor sought to refinance, they were referred to the Debtor's Portfolio Retention Group for refinancing. Third, the Debtor originated loans to consumer borrowers through its Bank Referral Group. The Debtor's Bank Referral Group consists of a network of banks located throughout the Northeast with which the Debtor regularly conducted business. When these banks received loan applications from consumer borrowers who were unable to meet the bank's lending requirements, the banks would refer such individuals to the Debtor. If the individual satisfied the Debtor's lending requirements, then the referring bank would make the loan to the individual and the Debtor would purchase the loan from the referring bank. Finally, the Debtor originated loans to consumer borrowers through the use of its Mortgage Affinity Program. In this program, Debtor sought out companies, usually with more than 5,000 employees, with which to enter into agreements pursuant to which the Debtor would offer competitively priced loans to such company's employees in exchange for the company's promotion of the Debtor's services as an employee benefit.

17. Loan Servicing. Finally, the Debtor provides loan servicing on an interim and full time basis to certain Loan Purchasers for a significant number of loans originated by the Debtor. As of December 31, 2006, the Debtor serviced approximately $17 billion of loans. Currently, the Debtor services approximately $14 billion of loans. The Debtor also has a small

number of its own loans that it services as well. Typical loan services provided by the Debtor include, without limitation: billing; collections; processing mortgage payments and loan payoffs received from borrowers; remitting payments to the appropriate entities; processing tax and insurance payments received from borrowers and remitting such funds to the appropriate taxing authorities and insurers; maintaining records; engaging in collection efforts; foreclosing on delinquent loans; and performing accounting and reporting services.

18. The Debtor also provided sub-servicing for certain loans serviced by Emax. Emax is a Virgin Island LLC that is an affiliate of the Debtor. Emax purchases loans and also sells loans to investors, while retaining the servicing rights. The Debtor provided sub-servicing (i.e. the actual servicing for such loans) pursuant to the terms of a sub-servicing agreement between the Debtor and Emax. Prior to the Petition Date, Emax's servicing rights, and the Debtor's sub-servicing rights with respect thereto, purportedly were terminated.

B. Financing and Significant Indebtedness

19. The Debtor's wholesale and retail loan origination business was primarily financed through the Warehouse Credit Facilities provided by RFC, Merrill Lynch, Greenwich and Goldman (i.e. the Warehouse Lenders). The Warehouse Lenders would make advances to the Debtor, who in turn would use such funds to originate loans. The funds advanced by the Warehouse Lenders were secured by the mortgages from the borrowers.

20. The Debtor employed both "wet" and "dry" funding to finance its loan originations. Wet funding occurs when a lender advances money to fund loans prior to receiving the collateral package (i.e. executed loan agreement, note, mortgage and deed) securing such

loans. Dry funding occurs when a lender advances money after receiving the full collateral package securing the loan. The Debtor obtained wet financing from its Warehouse Credit Facilities with RFC, pursuant to a $529 million line, and Merrill Lynch, pursuant to a $1.7 billion line. As the Debtor approached its maximum lending capacities on its RFC and Merrill Lynch lines, it would sweep certain of the loans on those lines to Greenwich and Goldman, in order to increase its wet funding availability. The Debtor would do so by sending Greenwich and/or Goldman a list of loans that had initially been wet funded and for which the collateral packages had been obtained. Greenwich and/or Goldman would then review such loans and, if they so desired, fund the loans by transferring the requisite funds to RFC and/or Merrill Lynch in exchange for having the collateral packages for such loans shipped to their respective receiving facilities.

21. For the reasons set forth below, the Debtor's ability to obtain financing from its Warehouse Lenders for originating wholesale loans ceased prior to the Petition Date. In addition, all of the Warehouse Lenders, except for RFC, purchased all of the loans on their respective credit lines from the Debtor. The Debtor owes estimated deficiency amounts of $1.3 million to Greenwich, $344,000 to Goldman, and $17.8 million to Merrill Lynch.

22. In addition to its Warehouse Credit Facilities, the Debtor obtained secured financing from IXIS Real Estate, Inc. ("IXIS") and Merrill Lynch. The Debtor's financing from IXIS was secured by the Debtor's interest in its Freddie Mac servicing rights, while the Debtor's non-Warehouse financing from Merrill Lynch was secured by the Debtor's Fannie Mae servicing rights. As of the Petition Date, the Debtor owed IXIS approximately $25 million and Merrill

Lynch approximately $9.4 million. On January 24, 2007, as set forth in detail below, Freddie Mac sent a notice of termination with respect to the Debtor's servicing rights purportedly terminating such rights.

23. The Debtor also obtained additional financing from RFC to fund its operating expenses. As of the Petition Date, the Debtor owed RFC approximately: (i) $20 million on account of a senior capital working line of credit; and (ii) approximately $4.1 million on account of a premium advance line of credit.

24. Finally, the Debtor owes RFC $1.5 million on account of that certain Amended and Restated Loan Agreement (Convertible Debt) Between the Debtor and RFC, dated as of May 21, 2004 (the "Agreement"). Pursuant to the Agreement, RFC may convert this debt into an interest in the Debtor.

C. Circumstances Leading to the Commencement of the Chapter 11 Case

25. In the last quarter of 2006 and in January, 2007, the Debtor experienced multiple, unforseen crises that forced the Debtor to file for bankruptcy protection. These crises, set forth in detail below, included a significant increase in Early Payment Defaults in the sub-prime market, and a corresponding increase in the number of Repurchase Requests submitted to the Debtor, a significant mistake by the Debtor in the pricing of a new loan product, a collapse in the funding to the Debtor needed to originate loans, the entry of a major judgment against the Debtor, the closure of the Debtor's wholesale and retail loan origination businesses, and a substantial loss of servicing in the Debtor's servicing business.

26. Increase in Early Payment Defaults. In 2006, the Debtor commenced selling loans to Wall Street firms (i.e. "Loan Purchasers"). Pursuant to the terms of these sales, the Loan Purchasers could, in certain circumstances set forth in the sale contracts, submit Repurchase Requests to the Debtor in the event that there were Early Payment Defaults on the purchased loans. Starting in June, 2006, in conjunction with rising interest rates and fuel costs, the sub-prime market experienced a substantial increase in the number of Early Payment Defaults as more consumer borrowers defaulted on their loans. As Early Payment Default rates increased, the Debtor had to expend cash in order to "buy back" the increasing number of loans that were subject to Repurchase Requests.

27. The A++ Loan Crisis. To understand the cause of the increase in Early Payment Defaults, the Debtor performed an analysis and found 15 underwriting characteristics that needed to be eliminated to help reduce such defaults. Since this tightening of lending standards would cause a decrease in the number of loans that the Debtor would generate, the Debtor introduced a new, fixed-rate A-plus-plus product (the "A++ Loans") in the fourth quarter of 2006. The A++ Loans could be originated at rates that were competitive with loans conforming with Fannie Mae and Freddie Mac guidelines, and required borrowers to have a FICO score of 730, which was higher than the FICO requirements for the other loan products.[3] The new loans proved more popular than anticipated and the Debtor received a massive influx of approvals on A++ Loans. However, within 13 days after the rollout of the A++ Loans, the Debtor realized that the algorithm used to price the A++ Loans had a mistake in it causing the

[3] A FICO score is a credit score developed by Fair Isaac & Co that is widely accepted by lenders as a reliable means of credit evaluation for determining the likelihood that credit users will pay their bills.

rates to fall below market rates, and that the Debtor would take a loss on each loan when the loans were sold in the secondary market.

28. Upon realizing the pricing error, the Debtor immediately attempted to cease the sale of A++ Loans and believed that its exposure on the A++ Loans would be approximately $200 to $300 million of origination volume. The anticipated loss on that volume of $3 to $4 million was an amount that the Debtor had capital to absorb. Accordingly, the Debtor decided that the existing loans should be honored and instructed its employees to immediately stop selling the A++ Loans while agreeing to consider applications already received as long as closings took place within 30 days. Notwithstanding these efforts, an additional $400 million of the A++ Loans were accepted by wholesale business line management.

29. The Funding Crisis. Contemporaneously with the Debtor's problems with the A++ Loans, in early December, 2 other subprime lenders – Ownit Mortgage Solutions, Inc. ("Ownit"), and Sebring Capital Partners LLC ("Sebring") – went out of business. When the Debtor reported the pricing problem for the A++ Loans to its Warehouse Lenders (at about the same time as the news of the Ownit and Sebring failures was reverberating through the market), the Warehouse Lenders significantly lowered their advance rates on the funds used by the Debtor to originate loans. This lowering of advance rates, in turn, required the Debtor to post additional collateral as security for such funds. When the Debtor was unable to do so, its financing ceased when RFC declined to advance amounts in excess of its commitment, and Merrill Lynch declined to advance against its line unless RFC made half the advances for that day. This forced

the Debtor to shut down (the "Wholesale Shut Down") its wholesale loan originations on December 29, 2006.

30. At the time of the Wholesale Shut Down, the Debtor had a number of outstanding loan commitments that had been closed, but not funded. Although the Debtor was able to fund certain of these loan commitments through placement with other entities, not all of the loan commitments were funded.

31. The Regulatory Crisis. Since the Debtor was unable to obtain the financing necessary to fund the above-noted, outstanding loans, the State of Connecticut Department of Banking issued a Temporary Order to Cease and Desist against the Debtor on January 19, 2007 (the "Cease and Desist Order"). On or about the same time, additional Cease and Desist Orders were received by the Debtor from Massachusetts, Vermont, Rhode Island, Pennsylvania, New Hampshire, New York, Michigan, and Maine.[4] Pursuant to the Cease and Desist Orders, the Debtor was ordered, among other things, to stop further lending activity and to obtain replacement funding for the unfunded loan commitments.

32. Pursuant to the Cease and Desist Orders, the Debtor stopped its retail lending activities (the "Retail Shut Down") and RFC stopped financing the Debtor's retail loan originations. At the time of the Retail Shut Down, the Debtor had retail loan commitments upon which it had closed, but not funded.

33. Impact on Servicing. On January 24, 2007, Freddie Mac sent the Debtor a termination letter, pursuant to which Freddie Mac purportedly terminated its servicing agreement

[4] On January 30, 2007, the State of Connecticut Department of Banking issued an amended and restated Cease and Desist Order.

with the Debtor. In addition, certain other entities for which the Debtor provides loan servicing have purportedly terminated such services or advised the Debtor of their intentions to do so at a future date certain.

34. The Wachovia Judgment. In addition to the foregoing, on January 17, 2007, in the United States District Court for the Southern District of New York, a judgment in the amount of $7.65 million was issued against the Debtor in favor of Wachovia Bank, National Association ("Wachovia"), in the action entitled Wachovia Bank, National Association, f/k/a First Union National Bank v. Mortgage Lenders Network USA, Inc., Case No. 03 Civ. 8809 (NRB) and was entered on January 22, 2007.

D. The Filing of the Chapter 11 Case and the Debtor's Bankruptcy Goals

35. The confluence of the above-noted crises severely impacted the Debtor's business. As of the Petition Date, the Debtor has essentially ceased operations at its prime and sub-prime wholesale origination offices, is in the process of rapidly phasing out operations at its retail origination offices, and is in the process of scaling back its servicing business. As of the Petition Date, the Debtor has approximately 267 employees who are employed at the head office in Middleton, Connecticut and at the Debtor's loan servicing operations in Wallingford, Connecticut. These employees continue to run the Debtor's remaining loan servicing business.

36. The Debtor filed this Chapter 11 Case in order to preserve its remaining assets from dismemberment by individual creditors, so that their value may be maximized by the Debtor for the benefit of all of its creditors.

37. As set forth in greater detail below, the Debtor has reached an agreement with RFC for the use of cash collateral and to provide debtor in possession financing to be used to fund the administration of this Chapter 11 Case. The Debtor anticipates promptly filing motions to reject real property leases and/or executory contracts and to sell machinery and office equipment. These funds, along with other assets of the Debtor, will be used to fund the Debtor's plan of liquidation which the Debtor anticipates filing during the second quarter of 2007.

38. The Debtor believes that by using the chapter 11 process, it will be able to maximize the value of its remaining assets for the benefit of all creditors. In addition, the Debtor believes that the filing of the Chapter 11 Case will provide needed stability to its remaining loan servicing business and insure its clients that the Debtor's services will not be interrupted by further unforeseen events.

PART II

First Day Motions and Applications

39. In order to enable the Debtor to minimize the adverse effects of the commencement of the Chapter 11 Case on its liquidation and sales efforts, the Debtor has requested various types of relief in the First Day Motions filed simultaneously with this Declaration. A summary of the relief sought in each First Day Motion is set forth below.

40. I have reviewed each of these First Day Motions (including the exhibits and schedules thereto). The facts stated therein are true and correct to the best of my knowledge, information and belief, and I believe that the type of relief sought in each of the First Day Motions: (a) is necessary to enable the Debtor to operate in chapter 11 with minimal disruption

to its current business operations; and (b) is essential to maximizing the value of the Debtor's assets for the benefit of its estate and creditors.

E. Motion and Orders for Admission Pro Hac Vice

41. The Debtor has chosen the law firm of Pachulski Stang Ziehl Young Jones & Weintraub LLP to represent it during the course of its Chapter 11 Case. By this motion, the Debtor seek to have Brad R. Godshall, Esquire and David M. Bertenthal, Esquire (collectively, the "Admittees") admitted *pro hac vice* before the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") to represent the Debtor, as proposed attorneys, pursuant to Local Rule 83.5(c) of the United States District Court for the District of Delaware.

42. I believe that the *pro hac vice* admissions of the Admittees to file pleadings and appear and be heard in the Chapter 11 Case will be in the best interest of the Debtor and its estate.

F. Debtor's Application to Employ and Retain the Trumbull Group, LLC DBA Wells Fargo Trumbull as Notice, Claims and Balloting Agent

43. The Debtor desires to retain the Trumbull Group, LLC dba Wells Fargo Trumbull ("Trumbull") to act as the noticing, claims and balloting agent of the Bankruptcy Court in the Chapter 11 Case. In consideration of the number of anticipated claimants and other parties-in-interest and the nature of the Debtor's businesses, the appointment of Trumbull will expedite the distribution of notices and relieve the Clerk's office of the administrative burden of processing such notices. Moreover, Trumbull has substantial experience in the matters upon which it is to be engaged and has acted in this capacity in several cases in this judicial district.

G. Application of the Debtor Pursuant to Section 327(a) of the Bankruptcy Code, Rule 2014 of the Federal Rules of Bankruptcy Procedure and Local Rule 2014-1 for Authorization to Employ and Retain Pachulski Stang Ziehl Young Jones & Weintraub LLP as Counsel for the Debtor and Debtor in Possession Nunc Pro Tunc to the Petition Date

44. By this Application, the Debtor seeks to employ and retain the firm of Pachulski Stang Ziehl Young Jones & Weintraub LLP ("PSZYJW") as its bankruptcy counsel with regard to the filing and prosecution of its Chapter 11 Case. Accordingly, the Debtor respectfully requests the entry of an order pursuant to section 327(a) of the Bankruptcy Code authorizing it to employ and retain the PSZYJW, *nunc pro tunc* to the Petition Date, as its attorneys under a general retainer to perform the legal services that will be necessary during the Chapter 11 Case.

H. Application of the Debtor Pursuant to 11 U.S.C. §327(a) for Entry of An Order Authorizing the Employment of Scouler Andrews LLC to Provide Restructuring Services to the Debtor and of Daniel Scouler and Chief Restructuring Officer of the Debtor Nunc Pro Tunc to the Petition Date

45. By this Application, the Debtor seeks to employ (a) Scouler Andrews, LLP ("SA") to provide restructuring services to the Debtor and to assist the Debtor in preserving and marketing its remaining mortgage servicing business, and (b) Daniel Scouler, a member with SA, as Chief Restructuring Officer of the Debtor, *nunc pro tunc* to the Petition Date, pursuant to section 327(a) of the Bankruptcy Code and on the terms set forth herein and in the engagement letter between the Debtor and SA.

I. Motion of the Debtor Pursuant to Sections 105(A), 327, 28 and 330 of the Bankruptcy Code for an Order Authorizing the Debtor to Retain, Employ and Compensate Certain Professionals Utilized by the Debtor in the Ordinary Course of Business

46. In the ordinary course of operating its businesses, the Debtor retains and employs different professional firms that provide, among other things, various ongoing legal services. Many of these services are an integral component of the Debtor's loan servicing operations. To minimize disruption of its operations, the Debtor seeks authority to retain, *nunc pro tunc* to the Petition Date, certain professionals the Debtor may require from time to time during the pendancy of its Chapter 11 Case, to render discrete services to the Debtor in a variety of matters affecting its day-to-day business operations (the "Ordinary Course Professionals"). The services of the Ordinary Course Professionals shall not include the administration of the Chapter 11 Case and matters that will be handled by the professionals being retained by the Debtor through separate applications to the Court.

47. Due to the number and geographic diversity of the Ordinary Course Professionals that are regularly utilized by the Debtor, it would be unwieldy and burdensome on both the Debtor and this Court to request that each such Ordinary Course Professional separately apply for approval of its employment and compensation. Further, a number of the Ordinary Course Professionals are unfamiliar with the retention and fee application procedures employed in bankruptcy cases, and may be unwilling to continue to provide critical services to the Debtor during the Chapter 11 Case, without the assurance of payment that will be provided by an order granting the relief sought in the Motion. If the expertise and background knowledge of any of the Ordinary Course Professionals with respect to the particular matters for which they were

responsible prior to the Petition Date are lost, the Debtor will undoubtedly incur additional and unnecessary expenses, as other professionals without such background knowledge will have to be retained to do the job. Therefore, I believe that relief requested in the Motion is in the best interests of the Debtor's estate, and urge the Court to enter an order granting such relief.

J. Debtor's Motion for an Order Establishing Procedures for Interim Compensation Pursuant to Section 331 of the Bankruptcy Code

48. The Debtor requests approval of certain procedures for compensating and reimbursing court-approved professionals on a monthly basis, which I am informed are comparable to the procedures established in other similar-sized chapter 11 cases in this district.

49. As set forth above, the Debtor seeks approval to employ PSZYJW as its bankruptcy counsel and SA to provide restructuring services. The Debtor intends to seek authority to retain certain other professionals in the Chapter 11 Case as the need arises. In addition, I am informed that an official committee of unsecured creditors (the "Committee") may be appointed, and that the Committee also may seek to retain various professionals (the "Committee Professionals").

50. I am informed that entry of an interim compensation order will streamline the professional compensation process and enable the Court and all other parties to more effectively monitor the professional fees incurred in Chapter 11 Case. Further, it will avoid forcing professionals to finance the Chapter 11 Case while awaiting final approval of their fees and expenses. I believe that such relief is in the best interests of the Debtor's estate.

K. Motion of Debtor for Order Under 11 U.S.C. §§ 105, 345, 363, 364, 1197 and 1108 Authorizing (I) Maintenance of Existing Bank Accounts, (II) Continued Use of Existing Business Forms, (III) Continued Use of Existing Cash Management System, and (IV) Limited Waiver of Section 345(b) Deposit and Investment Requirements

51. The Debtor's cash management system (the "Cash Management System") is an integrated network of bank accounts that facilitates the timely and efficient collection, management and disbursement of funds used by the Debtor in its business. Because of the nature of the Debtor's loan servicing business, the massive disruption to the Debtor's business if it were forced to close the accounts that comprise the Cash Management System and the approximately two months it would take the Debtor to open a new Cash Management System, it is critical that the existing Cash Management System remain in place. A diagram summarizing the salient features of the Debtor's Cash Management System is attached to the Motion as Exhibit A and incorporated by reference herein and is further described below. A list of the bank accounts maintained by the Debtor (the "Bank Accounts") is attached to the Motion as Exhibit B, incorporated by reference herein and is further described below.

52. Collections and Deposits. The Debtor currently derives substantially all of its revenues from loan servicing fees that are deducted from the monthly mortgage loan payments (the "Loan Payments") made by the individual mortgagors pursuant to mortgage loan agreements.[5] The Debtor's customers (the "Loan Servicing Customers")[6] make loans to various mortgagors (or purchase loans already made to mortgagors), and these loans are subsequently

[5] As described below, the Debtor also derives revenues from sub-servicing loans on behalf of its non-debtor affiliate, Emax Financial Group, LLC ("Emax").

[6] The Debtor's Loan Servicing Customers are more fully described in the Scouler Declaration.

serviced by the Debtor (the "Serviced Loans"). Loan Payments remitted by the individual mortgagors on the Serviced Loans are deposited into the Debtor's payment clearing account, entitled "Mortgage Lenders Network USA, Inc. As Custodian for Various Investor Mortgage Payments" (the "Payment Clearing Account"), and which is located at Wachovia Bank, N.A ("Wachovia"). The mortgagors' respective Loan Payments are deposited into the Payment Clearing Account by automatic debit payment, electronic transfer, or by checks mailed to a lockbox maintained by Wachovia and serviced by Wachovia's agent, Remitco. On a daily basis, between approximately $11,000,000 and $19,000,000 on average is deposited into the Payment Clearing Account. The Debtor receives a loan servicing fee for each Loan Payment, which fee is either automatically or manually calculated and deducted from the interest portion of the Loan Payment, and then deposited into the Debtor's main operating account located at Bank of America (the "Operating Account") for disbursement in the manner discussed in section (d) below.[7] After payment of the servicing fees to the Debtor, the Loan Payments are then deposited into the various custodial accounts, which, as noted below, belong to either Debtor's Loan Servicing Customers or the individual mortgagors, depending on the type of custodial account.

53. The Custodial Accounts. After payment of the Debtor's loan servicing fees, the balance of the Loan Payment is deposited into the appropriate custodial account maintained by the Debtor on behalf of and solely for the benefit of its Loan Servicing Customers

[7] Prior to the Petition Date, the loan servicing fees were deposited into a corporate account maintained at Wachovia (the "Corporate Account") and then swept to the Operating Account. The Debtor no longer uses the Corporate Account, but seeks authority, in its discretion, to keep this account open in the event that it needs to sweep proceeds that may be mistakenly deposited into the Corporate Account to the Operating Account.

(the "Custodial Accounts"). The Debtor maintains a minimum of two custodial accounts for each Loan Servicing Customer. The portion of the Loan Payment required to cover taxes and insurance payments on each Serviced Loan is deposited into a tax and insurance custodial account established for each Loan Servicing Customer, for the benefit of the individual mortgagor (collectively, the "T&I Custodial Accounts"). The portion of the Loan Payment attributable to the payment of principal and interest is deposited into a separate principal and interest account established for the benefit of each Loan Servicing Customer (collectively, the "P&I Custodial Accounts").[8] Proceeds from the T&I Custodial Accounts are remitted to the applicable taxing, regulatory or insurance authorities pursuant to the requirements of each jurisdiction through a separate disbursing account linked to each of the T&I Custodial Accounts (the "T&I Disbursement Account"). Proceeds from the P&I Custodial Account are automatically released to the appropriate Loan Servicing Customer on a monthly basis by wire or drafts.[9] In order to process overpayments or corrections, the Debtor maintains a remittance clearing account to return funds to Loan Service Customers and individual mortgagors, as the case may be. The Debtor also maintains specialized accounts at Wachovia for certain Loan Servicing Customers who permit the Debtor to invest the amount on deposit in the Loan Servicing Customer's P&I Custodial Account in separate money market accounts maintained by the Debtor at U.S. Bank (the "U.S. Bank Investment Accounts"). Funds are deposited into the

[8] When a Serviced Loan is fully paid off, the full payoff amount is remitted to the Loan Servicing Customer either within approximately one week or a on a monthly basis depending on the Loan Servicing Customer's requirement.

[9] The Debtor also derives revenue from certain loans that they own and service (the "Owned Loans"). Proceeds from the Owned Loans are also deposited into the Payment Clearing Account, but instead of being deposited into a P&I Custodial Account, principal and interest is deposited into the Operating Account at Bank of America.

U.S. Bank Investment Accounts each evening in conservative overnight money market funds and are then returned to their respective P&I Custodial Account the next morning. Interest earned from these overnight deposits is owned by the Debtor and is swept into the Debtor's Operating Account on a manual basis.

54. The Debtor uses third party administrators to coordinate disbursements to applicable taxing, insurance and regulatory authorities from the T&I Custodial Disbursement Account. Fidelity National Tax Service identifies from the applicable taxing authorities the amount of taxes due and outstanding with respect to the Serviced Loans. These amounts are then transferred to the T&I Custodial Disbursement Account for distribution to the appropriate taxing authorities. Proctor Financial receives information from a multitude of insurance carriers on the amount of due and outstanding homeowners' insurance payments. These amounts are then transferred to the T&I Custodial Disbursement Account for distribution to the appropriate insurance carriers.

55. The RFC Serviced Loans. Prior to the Petition Date, and in addition to the loan servicing fees described above, the Debtor generated additional revenues from sub-servicing loans serviced by Emax on behalf of Emax's customers. Emax is a non-debtor affiliate of the Debtor. Emax purchases loans and also sells loans to investors, while retaining the service rights. The sub-servicing activities provided to Emax by the Debtor were similar to the services that the Debtor directly provides to its Loan Servicing Customers. In return for sub-servicing certain loans (the "RFC Serviced Loans") owned by Residential Funding Company, f/k/a Residential Funding Corporation, ("RFC"), the Debtor receives 32 basis points of the loan

servicing fees paid to Emax by Emax's customers (the "MLN RFC Loan Servicing Fees") while Emax retains the remaining 18 basis points of the loan servicing fees for itself (the "Emax RFC Loan Servicing Fees, and together with the MLN RFC Loan Servicing Fees, the "RFC Loan Servicing Fees"). Prepetition, the Debtor derived approximately $2.3 million per month in MLN RFC Loan Servicing Fees.

56. Prior to the Petition Date, RFC purportedly terminated Emax's loan servicing rights and the Debtor's sub-servicing rights with respect to the RFC Serviced Loans. Currently, the entire amount of the RFC Loan Servicing Fees are currently deposited in RFC's P&I Custodial Account, and RFC has agreed to pay the Debtor the MLN RFC Loan Servicing Fees, and to deposit such fees in the Operating Account on a daily basis.[10]

57. The Operating and Disbursement Accounts. As noted above, the loan servicing fees paid to the Debtor on account of the Serviced Loans are deposited into the Operating Account at Bank of America. Funds deposited into the Operating Account are then manually transferred on an as-needed basis to the appropriate Bank of America disbursement account. On average, the Debtor maintains between $250,000 and $500,000 in cash in the Operating Account, which also is a disbursement account used to pay trade payables and other expenses. In addition to the Operating Account, the Debtor maintains two disbursement accounts at Bank of America used to pay the Debtor's operating expenses: the payroll account (the "Payroll Account"), which funds the Debtor's semi-monthly payroll obligations; and (ii) the

[10] In addition to the RFC Serviced Loans, Emax also owns certain loans that it also services and which MLN sub-services (the "Emax Owned Loans"). The Debtor receives 32 basis points for each Emax Owned Loan that it sub-services.

medical benefit account, which is used to pay health and welfare claims incurred by the Debtor's former healthcare provider on behalf of the Debtor's employees (the "Medical Expense Account" together with the Operating Account, and the Payroll Account, the "Disbursement Accounts"). As noted above, substantially all of the cash deposited into the Operating Account is derived from the loan servicing fees generated by the Debtor's loan servicing and sub-servicing operations. The Medical Expense Account and the Payroll Account are funded only on an as-needed basis, such as to pay the Debtor's payroll obligations and the medical claims of the Debtor's former heath care provider. The Debtor manually funds its Payroll Account one to two days prior to the scheduled payroll. Once the Payroll Account is funded, the Debtor employs MasterTax Service, LLC ("Mastertax") to remit applicable taxes and certain other withholding obligations to the appropriate third party recipients directly from the funded Payroll Account.

58. The Debtor's Investment Account. Prior to the Petition Date, the Debtor maintained an investment account at Dreyfus Overnight Bank (the "Investment Account"). Funds in the Operating Account are swept each evening into the Investment Account, are conservatively invested in AAA rated investments and then swept back into the Operating Account each morning.

59. The Debtor's Warehouse Account. Prior to the Petition Date, the Debtor maintained a warehouse account at JP Morgan Chase which was used to fund overages and shortfalls with respect to loans funded by RFC and originated by the Debtor, one of the Debtor's prepetition customers (the "Warehouse Account"). Prior to the Petition Date, the Debtor originated mortgage loans, in addition to the loan-servicing activities described above. The

Debtor contracted with various third parties, including RFC, to loan the Debtor the necessary funds to originate the loans. However, the Debtor no longer originates any loans and there is currently less than $200 on deposit in the Warehouse Account. The Debtor intends to transfer that amount to the Operating Account and then close the Warehouse Account.

60. Pursuant to the Motion, the Debtor seeks a waiver of the United States Trustee's requirement that the Bank Accounts be closed and new postpetition bank accounts be opened at depositories authorized by the United States Trustee. If strictly enforced in this case, the United States Trustee's requirement would cause a severe disruption in the Debtor's activities and would impair the Debtor's ability to operate under chapter 11. To avoid disruptions and delays in the Debtor's and the Loan Service Customers' receipt of Loan Payments, the Debtor should be permitted to continue to maintain the existing Bank Accounts and, if necessary, to open new accounts or close unnecessary existing accounts.

61. I believe that maintenance of the Bank Accounts will greatly facilitate the Debtor's operations in chapter 11. The mortgagors' loan payments are deposited into the existing Payment Clearing Account, which payments are, in turn, distributed to a variety of other accounts, including to the Custodial Accounts for the benefit of the Debtor's Loan Servicing Customers. As noted above, between approximately $11,000,000 and $19,000,000 are deposited into the Payment Clearing Account on a daily basis and then transferred through a network of accounts at Wachovia in order for the Debtor to provide the loan servicing activities that provide it with substantially all of its revenue. Establishing new accounts in their place and instructing Loan Servicing Customers (as well as each and every individual mortgagor who is accustomed to

making the Loan Payments to a specific account) of the changes will substantially disrupt and delay the Debtor's receipt of Loan Payments and provision of services to its Loan Service Customers.[11] The Debtor would have to shut down its entire existing Cash Management System and attempt to establish a new cash management system to service loans at a different bank, including opening new operating and custodial accounts for the benefit of its Loan Servicing Customers. Even if this were practicable (which the Debtor submits it is not), the Debtor is informed that it would take at least two months to reinstate its entire Cash Management System. Such a disruption would severely impact and could irreparably harm the Debtor's ability to operate its business. Moreover, such severe disruption would likely substantially harm the Debtor's Loan Servicing Customers and potentially harm individual mortgage holders.

62. To minimize expense to the estate, the Debtor also requests authority to continue to use all correspondence and business forms (including, but not limited to letterhead, purchase orders, invoices, etc.), as well as checks without reference to its "debtor in possession" status. Changing correspondence and business forms would be unnecessary and burdensome to the estate, as well as expensive and disruptive to the Debtor's reorganization efforts, particularly regarding any programming that would be necessary to alter the Debtor's check drafting practice with respect to the Serviced Loans. Checks issued with respect to transactions on the Serviced loans are electronically administered pursuant to pre-programmed software that the Debtor cannot easily alter because the software does not permit the Debtor to change the payor information on its checks. The Debtor is informed that it may take up to three weeks for a third

[11] The Debtor estimates that there are over 85,000 individual mortgage loans.

party to alter the software and modify the manner in which these checks are issued. Such a modification would be disruptive and expensive given the Debtor's current state of operations.

63. While the Debtor could purchase new check stock for checks issued from its Disbursement Accounts at Bank of America because this change would not implicate the software issues discussed above with respect to the check drafting process on the Serviced Loans, it would still require the Debtor to incur additional expenses to order and purchase new check stock to replace its existing check stock. In addition, the Debtor contracts with a third party vendor to prepare certain letters, mortgage payment statements, and escrow analyses for the over 85,000 individual loans serviced on behalf of the Loan Servicing Customers. The Debtor would need to coordinate and pay its vendor to change the existing forms, which would cause confusion and additional unnecessary expense. For these reasons, the Debtor requests that it be authorized to use checks and business forms without placing the label "debtor in possession" on each such check or form, except that upon exhaustion of the Debtor's current check stock for checks issued from the Disbursement Accounts at Bank of America, the Debtor will place the label "Debtor In Possession" on any new checks issued from such accounts.

64. Finally, the Debtor seeks authority to continue to use its Cash Management System in the ordinary course of its business, as such system may be modified pursuant to the requirements of any Court-approved debtor in possession financing facility and/or cash collateral usage and related order of this Court. The Debtor's Cash Management System constitutes an essential business practice and was created and implemented by the management of the Debtor in the exercise of its business judgment. The widespread use of this

particular Cash Management System, moreover, is attributable to the numerous benefits it provides, including the ability to (a) provide a mechanism for the servicing of the thousands of Loan Payments to the Debtor's Loan Servicing Customers and to the appropriate taxing, regulatory, and insurance authorities on behalf of the individual mortgagors; (b) invest idle cash balances; (c) ensure cash availability; (d) control and monitor corporate funds; and (e) reduce administrative expenses by facilitating the movement of funds and the development of timely and accurate balance and presentment information. In addition, preserving a "business as usual" atmosphere and avoiding the unnecessary distractions that would inevitably be associated with a substantial disruption of the Cash Management System, will facilitate and enhance the Debtor's efforts to service its Loan Servicing Customers and maximize its assets for the benefit of creditors. Moreover, the Debtor submits that the relief requested is consistent with the relief provided to debtors in a number of other cases pending in this district.

65. As part of the continued operation of the Cash Management System, the Debtor requests that the Court authorize and direct the Debtor's banks to process, honor and pay all prepetition checks and transfers relating to funds from the P&I Custodial Accounts (the "P&I Funds") and the T&I Custodial Disbursement Account (the "T&I Funds"). As described above, the P&I Funds contained in the P&I Custodial Accounts belong to the Debtor's Loan Servicing Customers and the T&I Funds are remitted to the appropriate taxing, regulatory and insurance authorities on behalf of the mortgagors and do not belong to the Debtor. In both cases, neither the Debtor nor its estate has any interest in the P&I and T&I Funds. Thus, authorizing and directing the Debtor's banks to process, honor and pay all prepetition checks and transfers

relating to such P&I and T&I Funds will not prejudice creditors or other parties-in-interest in this case. Accordingly, the Debtor's banks should be authorized and directed to process, honor and pay all prepetition checks or other transfers related to the P&I Funds and T&I Funds including, without limitation, checks or other transfers drawn from the T&I and P&I Custodial Accounts.

66. I believe that the relief requested in the Motion is appropriate in this case given the complexity of the Debtor's servicing business. Any disruption of the Debtor's cash management procedures could adversely impact the Debtor's operations. Therefore, it is important that the Debtor be permitted to continue using its existing Cash Management System (or a streamlined alternative thereof) and Bank Accounts, consolidate the management of its cash, and transfer monies from entity to entity as needed and in the amounts necessary to continue the operation of the business pursuant to existing cash management procedures.

L. Motion Of The Debtor Pursuant To Bankruptcy Code Sections 105(A), 362(D), 363 And 507(A) For An Order Authorizing The Debtor To: (I) Pay Prepetition Wages, Salaries, Commissions, Employee Benefits And Other Compensation; (II) Remit Withholding Obligations; (III) Maintain Employee Benefits Programs And Pay Related Administrative Obligations; and (IV) Authorize Applicable Banks And Other Financial Institutions To Receive, Process, Honor And Pay Certain Checks Presented For Payment And To Honor Certain Fund Transfer Requests

67. As of the Petition Date, the Debtor employed 267 full and part time employees in hourly, salaried, supervisory, management and administrative positions to perform the functions necessary to effectively and efficiently operate the Debtor's operations (collectively, the "Employees"). Approximately 154 Employees are paid hourly and approximately 113 Employees are salaried.

68. To minimize the personal hardships the Employees will suffer if prepetition employee-related obligations are not paid when due or honored as expected, and to maintain the morale of the Employees during this critical time, the Debtor, by this Motion, seeks authority, in its discretion, to pay and/or honor, as the case may be, certain prepetition claims for, among other items, wages, salaries, and other compensation solely for continuing Employees (collectively, the "Employee Wages"), as well as to honor paid time off, fixed holidays, medical benefits, contributions to employee benefit plans, and other employee benefits offered by the Debtor for employees (collectively, "Employee Benefits") that the Debtor historically has paid in the ordinary course of its business, to reimburse certain reimbursable unpaid employee Reimbursement Obligations (defined below) solely for continuing Employees, and to pay all costs incident to the foregoing (collectively, and as more fully described below, the "Employee Wages and Benefits"). The Employee Wages and Benefits for which this relief is sought are set forth in detail below.

Employee Compensation
Wages, Salaries and Other Compensation

69. The Debtor's Employees are paid in arrears semi-monthly on the fifteenth and the last day of the month. As of the Petition Date, the Debtor's aggregate semi-monthly payroll for its continuing Employees will be approximately $560,000. The Debtor's last prepetition pay period was January 26, 2007 (the "Last Pay Date"). As of the Petition Date, salaried Employees were paid through January 31, 2007 and hourly Employees were paid through January 12, 2007. [12] The Debtor estimates that it owes approximately $160,000 in

[12] In addition to last Pay Date, the Debtor issued a payroll on February 1, 2007 in order to pay earned but unpaid wages with respect to their former employees whose employment with the Debtor terminated prepetition. Certain of those payments were made by "live" check. Thus, as of the Petition Date, the Debtor estimates that there may be

unpaid wages prior to the Petition Date for current hourly and salaried Employees. In addition, the Debtor estimates that owes approximately $106,000 in prepetition service loan commissions earned by certain continuing employees. The Debtor's next scheduled pay date is February 15, 2007, on which date continuing salaried Employees will be paid up through and including February 15, 2007 and continuing hourly employees will be paid through January 26, 2007.

70. All Employees are paid through direct deposit or by live check directly for the Debtor. As more fully described in the Debtor's motion to approve, inter alia, the maintenance of existing bank accounts and continued use of existing cash management system, filed concurrently herewith (the "Cash Management Motion"), among other things, the Debtor maintains a main operating account and other disbursement accounts at Bank of America. The Debtor administers its own payroll. The Debtor uses MasterTax Service, LLC ("Mastertax") to remit tax obligations to the appropriate taxing authorities. The Debtor funds its semi-monthly payroll obligations to its payroll account one to two days prior to the applicable date on which the Employees are paid (the "Pay Date").[13] Prior to the Pay Date, Mastertax debits the Debtor's payroll account and remits the tax Withholding Obligations to the appropriate taxing authorities. Employees receive their direct deposits or live checks, as the case may be, on the Pay Date. The Debtor funded and paid its payroll obligations and for amounts due to current and former employees on the Last Pay Date, except with respect to certain withholding obligations that may be currently held by the Debtor on behalf of certain former and current employees as more fully

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approximately $152,000 in previously issued, but uncashed paychecks to current and former employees. The Debtor requests authority to honor any uncashed pay checks issued to such employees prior to the Petition Date in accordance with 11 U.S.C. § 507(a)(4).

[13] If the semi-monthly Pay Date falls on a Saturday or Sunday, Employees are paid on the Friday preceding the semi-monthly Pay Date.

explained below. As noted above, as of the Petition Date, the Debtor estimates that it owes in the aggregate approximately $266,000 in earned but unpaid wages and unpaid loan servicing commissions (the "Unpaid Wages") earned by the Debtor's continuing employees prior to the Petition Date. The Debtor seeks authority, in its discretion, to pay all Unpaid Wages solely for the continuing Employees, subject to a maximum cap of $300,000.

71. Prior to the Petition Date, the Debtor offered commissions earned based on loan originations (which service the Debtor no longer provides) and commissions earned based on loan servicing activities performed on behalf of the Debtor's customers. Certain current and/or former employees may assert prepetition claims for commissions earned from prepetition loan origination sales (the "Prepetition Loan Origination Commissions"). As set forth above, the Debtor no longer originates loans, does not seek authority to pay the Prepetition Loan Origination Commissions and reserves any and all rights to object to any claims with respect to any Prepetition Commissions by any party.

72. The Debtor does pay certain employees commissions earned on the servicing of certain loans for the Debtor's customers (the "Prepetition Loan Servicing Commissions"), and from which services the Debtor derives substantially all of its revenues. Prior to the Petition Date, the Debtor owed approximately $106,000 in Prepetition Loan Servicing Commissions. The Prepetition Loan Servicing Commissions are payable on February 28, 2007. Prepetition, one continuing Employee, Rick Smith, was owed approximately $56,000 in unpaid Prepetition Loan Servicing Commissions (the "Smith Prepetition Loan Servicing Commission") in addition to approximately $9,375 in Unpaid Wages owed to him.

The Debtor seeks authority to pay the Smith Prepetition Loan Servicing Commission and Unpaid Wages owed to Mr. Smith in excess the cap fixed by Bankruptcy Code section 507(a)(4) pursuant to sections 105(a) and 363 of the Bankruptcy Code and the "necessity of payment" doctrine discussed below. Mr. Smith is the Debtor's Senior Vice President of Loan Administration and currently heads the senior management team of the Debtor's servicing operations. The Debtor believes that if Mr. Smith were to resign as a result of nonpayment of the prepetition amounts due and owing to him, the Debtor would also lose the remaining members of the Debtor's loan servicing operations. As the Debtor's financial difficulties have become known in the industry, the Debtor believes that Mr. Smith has received a number of offers to join other loan servicing operations and to bring his management team with him. If this were to occur, the stability of the Debtor's loan servicing platform (its major remaining revenue generating business) would be severely compromised at this critical juncture when the Debtor needs to maximize the revenues generated from its loan servicing activities. Moreover, the Debtor will not pay Mr. Smith any Prepetition Loan Servicing Commission until February 28, 2007 to ensure the completion of the transitioning of the loan servicing activities currently administered by Mr. Smith and his team over to the Debtor's customers and their agents. Except in the case of Mr. Smith, no single continuing Employee is owed Unpaid Wages and Prepetition Loan Servicing Commissions of more than the $10,000 priority limit set forth in section 507(a)(4) of the Bankruptcy Code, exclusive of any potential Prepetition Loan Origination Commissions, which, as noted above, the Debtor does not seek authority to pay pursuant to this Motion.

Payment of Unpaid Administrative Fees to Mastertax

73. As of the Petition Date, the Debtor estimates that it owes Mastertax approximately $5,400 in unpaid administrative fees with respect to its administration of tax Withholding Obligations. The Debtor requests authority to pay Mastertax any prepetition expenses and fees that it may be owed in connection with foregoing services and to continue to pay Mastertax postpetition in the ordinary course of the Debtor's business with respect to the same.

Withholding Obligations

74. In the ordinary course of business, the Debtor routinely withholds from Employee Wages certain amounts that the Debtor is required to transmit to third parties for purposes such as Social Security and Medicare**,** federal and state or local income taxes, contributions to the Debtor's Health and Welfare Plans (defined below) contributions to flexible spending accounts, 401(k) contributions, garnishment, child support, (and other similar obligations pursuant to court order), employee charitable contributions, and certain other withheld amounts (collectively, the "Withholding Obligations"). Mastertax administers the tax Withholding Obligations for the Employees while the Debtor administers all other Withholding Obligations.

75. As noted above, the Withholding Obligations administered by Mastertax are generally transferred to the appropriate recipients on or prior to the Pay Date. The Withholding Obligations administered by the Debtor are generally transferred to the appropriate recipients on or before the applicable Pay Date, as is the case with Employee 401(k)

contributions made by the Debtor, or after the Pay Date in the case of (i) certain wage garnishments, (ii) employee charitable contributions, which contributions are remitted after receipt of an invoice from the charitable organizations for the amount of the employee contribution (the "Employee Charitable Contributions"), and (iii) flexible spending contributions, which amounts are paid to the flexible spending plan administrator after notification to the Debtor of the reimbursed claims.

76. The Debtor believes that such withheld funds, to the extent that they remain in the Debtor's possession, are not property of the Debtor's estate. As of the Petition Date, the Debtor believes it may be holding approximately $76,000 in prepetition Withholding Obligations for the benefit of its former and current employees. Thus, the Debtor seeks authority for the transfer of any Withholding Obligations (whether on account of continuing or former employees) that may still be in its possession to the appropriate third party recipients.

Business Expense Reimbursements

77. The Debtor customarily reimburses Employees who incur business expenses in the ordinary course of performing their duties on behalf of the Debtor. Such expenses typically include, but are not limited to, business-related travel expenses, including hotel and meal charges, airplane travel, car rental expenses, relocation expenses, and business telephone calls (including cell phone charges) and other expenses (collectively, the "Reimbursement Obligations"). It is difficult for the Debtor to determine the exact amounts of Reimbursement Obligations that are due and owing for any particular time period since the expenses incurred by Employees on behalf of the Debtor throughout the year vary on a monthly

basis and because there may be some delay between when an Employee incurs an expense and submits the corresponding expense report for processing. The Debtor anticipates that, as of the Petition Date, it owed approximately $10,000 in prepetition Reimbursement Obligations for continuing Employees of the Debtor. The Debtor seeks authority, in its discretion, to pay any prepetition Reimbursement Obligations, solely for continuing Employees, subject to a maximum cap of $10,000.

Health and Welfare Benefits

78. The Debtor provides several health and welfare benefit plans (collectively. the "Health and Welfare Plans") to its eligible Employees who work at least thirty hours per week (the "Eligible Employees"). The Debtor provides self-funded medical and prescription drug benefits, dental benefits, administers an employee-funded vision plan, and has insurance policies with various third parties to provide life insurance, disability coverage, and accidental death and dismemberment benefits. The Debtor uses a variety of third party administrators (collectively, the "TPAs") to administer its various benefit programs. The services provided by the TPAs are critical to ensure the continued and uninterrupted coverage of medical, prescription drug, dental coverage and other benefit plans provided by the Debtor to its Employees. By this Motion, the Debtor requests authority, in its discretion, to pay any prepetition administrative costs that may be owed to the TPAs, which the Debtor estimates total approximately $200,000, and to pay prepetition health claims incurred by any of the TPAs solely on behalf of continuing Employees, as described below.

Medical and Prescription Drug Benefits

79. The Debtor offers Eligible Employees a medical and prescription drug benefit plan (the "Medical Plan") administered by CIGNA HealthCare ("Cigna"). Pursuant to this Motion, and as more fully described therein, the Debtor seeks authority (i) to pay prepetition health, medical, dental and prescription drug services under the Debtor's Medical Plan and the Dental Plan (described below), solely for continuing Employees, (ii) to pay all administrative costs relating to the Debtor's Medical Plan and Dental Plan and administrative costs relating to the Debtor's Vision Plan (defined below), and (iii) to continue to pay claims incurred postpetition under such plans in the ordinary course of the Debtor's business.

80. Each pay period, all Eligible Employees participating under the Medical Plan make contributions for their health for themselves and/or their participating spouses and dependent children. Prior to the Petition Date, the Debtor incurred on average approximately $150,000 in weekly claims under the Medical Plan for all their current and former employees. Cigna requires the Debtor to transfer sufficient funds to Cigna's account at JP Morgan Chase Bank to ensure the payment of medical and prescription drug claims of the Debtor's current and former employees. On average, the Debtor funded prepetition approximately $150,000 per week to pay the medical claims of its current and former employees.[14] As of the Petition Date, the Debtor believes it owed Cigna approximately $800,000 in medical claims incurred prepetition

[14] CIGNA began administering the Medical Program as of January 1, 2007. Prior to that date, the Debtor used United HealthCare as its third party administrator to administer and process medical claims. The Debtor pre-funded payment of claims administered by United HealthCare in the same manner that it currently pre-funds claims administered by CIGNA, except that funds were deposited into a special disbursement account at Bank of America for the purpose of paying medical claims to United HealthCare in lieu of transferring funds directly to Cigna. As of the Petition Date, the Debtor believes it owes United HealthCare approximately $75,000 in unpaid administrative fees and approximately $450,000 in total unpaid prepetition medical claims through and including December 31, 2006 for current and former employees.

for all of the Debtor's current and former employees (the "Prepetition Medical Claims"). As of the Petition Date, the Debtor owed Cigna approximately $105,000 in prepetition administrative fees with respect to the Prepetition Medical Claims.

81. The Debtor self-funds claims under its Medical Plan and, as of January 1, 2007, has stop-loss coverage from Cigna for claim amounts in excess of $125,000 per claim. Thus, claim amounts in excess of $125,000 per allowed claim are paid by Cigna. As of the Petition Date, the Debtor did not owe any amounts in unpaid premium amounts with respect to stop-loss coverage.

82. Eligible Employees may choose between either a core plan (the "Core Plan") or a premier plan (the "Premier Plan") with respect to the health care benefits under the Medical Program. The Core and Premier Plans are provided by Cigna. The Core and Premier Plans each provide in and out of network coverage and provide varying degrees of medical and prescription drug coverage based upon the amount of required Employee monthly contributions for each plan. The Core and Premier Plans also have different limitations on total out-of-pocket expenses paid by Employees.

The Vision Plan

83. The Debtor offers a vision plan to Eligible Employees, their spouses, and their dependents, which plan is sponsored by Avesis Vision Care (the "Vision Plan"). The Debtor does not contribute any amounts to the Vision Plan, except for certain costs relating to the administration of such plan. Employees make monthly contributions for themselves and participating spouses or family members. Prior to the Petition Date, the Debtor incurred

administrative costs of approximately $5,000 per month with respect to the administration of the Vision Program.

The Dental Plan

84. The Debtor offers one self-insured dental plan to all Eligible Employees (the "Dental Plan") sponsored by Delta Dental of New Jersey ("Delta"). Participating Employees make monthly contributions for themselves and their participating spouses and family members. As of the Petition Date, the Debtor estimates that it owes Delta Dental approximately $70,000 with respect total unpaid prepetition claims and approximately $7,000 in unpaid prepetition administrative costs with respect to the Dental Plan.

85. The lag time for claims on services performed by physicians, but not yet paid by the Debtor, is approximately two months. As of the Petition Date, the Debtor estimates that there are approximately $1,525,000 in total outstanding prepetition claims and administrative costs under the Medical Plan and Dental Plan, as well as all administrative costs under the Vision Plan (together, the "Prepetition Unreimbursed Health Care Claims"). Of this amount, the Debtor believes approximately $250,000 relates to Prepetition Unreimbursed Health Care Claims with respect to continuing Employees and approximately $200,000 constitutes unpaid prepetition administrative expenses owed to the Debtor's TPAs. The Debtor seeks authority, in its discretion, to pay the Prepetition Unreimbursed Health Care Claims solely for continuing Employees and also to pay any prepetition administrative costs owed to the Debtor's current and former TPAs with respect to the foregoing, in the ordinary course, subject to a cap of

$450,000, and to continue to pay claims incurred postpetition in the ordinary course of its business.

Disability, Life and Accidental Death and Dismemberment Insurance

86. The Debtor offers Eligible Employees short and long term disability insurance, life insurance, and voluntary accidental death and dismemberment plans and coverage as described below. Prior to the Petition Date, the Debtor incurred approximately $35,000 in unpaid prepetition premium expenses for their disability, life insurance and voluntary accidental death and dismemberment plans, described more fully below.

87. Short – and Long – Term Disability Coverage. The Debtor offers short and long-term disability benefits to Eligible Employees through Standard Insurance Company. Employees may receive short-term disability income equal to 60% of their salary if they are unable to work due to disability, up to a maximum of $7,500 per month. The maximum number of weeks for which short-term disability benefits are paid is ninety days. The Debtor offers Eligible Employees long-term disability benefits equal to 60% of the Employee's salary up to a maximum of $7,500 per month if the Employee is disabled after ninety consecutive work days. The length of long term disability payments vary depending on the age of the employee.

88. Life Insurance. The Debtor provides Eligible Employees with basic life insurance benefits through Standard Insurance Company. Employees may also purchase supplemental life insurance benefits at their own expense. Employees receive basic life term insurance equal to one times (1X) their annual base compensation up to a maximum of $150,000,

subject to adjustment depending on the age of the covered employee. The Debtor also provides life insurance benefits to certain executive employees from New Century Life.

89. Accidental Death and Dismemberment Insurance. The Debtor offers basic accidental death and dismemberment ("AD&D") insurance through Standard Insurance Company to Eligible Employees who are dismembered or killed in an accident up to one times (1X) the Employee's annual base compensation, up to the maximum of $150,000, subject to adjustment depending on the age of the covered employee and the extent of the injury to the employee.

90. As set forth above, as of the Petition Date, the Debtor estimates it owes approximately $35,000, in respect of unpaid premium payments for disability insurance, life insurance, and voluntary AD&D Coverage (collectively, the "Prepetition Life, AD&D and Disability Insurance Costs"). The Debtor seeks authority, in its discretion, to pay the Prepetition Life, AD&D and Disability Insurance Costs subject to a maximum cap of $40,000. The Debtor also seeks authority to continue, in its discretion, to pay its share of premiums and costs with respect to life insurance, disability insurance and AD&D coverage, including payment of administrative costs to maintain such coverage, postpetition in the ordinary course of the Debtor's business.

Paid Time Off

91. The Debtor offers paid time off ("PTO") consisting of vacation time, paid holidays and sick time benefits.

92. PTO. All regular full-time and part-time non-commission employees are eligible for PTO. PTO eligibility for the Debtor's employees is determined based on the state in which the employee works, and is accrues as follows:

New Hire Grants for Full-Time Employees Working in States Other Than CA, IL, MA or RI in Their First Calendar Year of Service

New Hire Date	Initial Grant Date	Total Annual Grant
1st calendar quarter	4.75 days on April 1st	14.25 PTO days
2nd calendar quarter	4.75 days on July 1st	9.50 PTO days
3rd calendar quarter	4.75 days on Oct 1st	4.75 PTO days
4th calendar quarter	No Grant	No Grant

New Hire Grants for Full-Time Employees Working in the States of CA, IL, MA or RI in Their First Calendar Year of Service

New Hire Date	Initial Grant Date	Total Annual Grant
1st calendar quarter	2.25 days on April 1st	6.75 PTO days
2nd calendar quarter	2.25 days on July 1st	4.50 PTO days
3rd calendar quarter	2.25 days on Oct 1st	2.25 PTO days
4th calendar quarter	No Grant	No Grant

93. In addition to the accrued PTO set forth above, employees may receive additional PTO if they have worked a minimum number of years with the Debtor as follows:

Special Length of Service Grants for Full-Time
Employees Working in the States CA, IL, MA or RI

Years of Service	Additional Grant-Each Year on January 1	Total Annual PTO Grant
5 through 9 years	1 day	10 PTO days
10 through 14 years	4 days	13 PTO days
15 plus years	9 days	18 PTO days

Special Length of Service Grants for Full-Time
Employees Working in States other than CA, IL, MA or RI

Years of Service	Additional Grant-Each Year on January 1	Total PTO Annual Grant
5 through 9 years	1 day	20 PTO days
10 through 14 years	4 days	23 PTO days
15 plus years	9 days	28 PTO days

94. Employees may carry over a maximum of 80 hours of earned PTO from one calendar year to another, except for employees located in those states that allow them to carry over additional PTO, in which case, PTO is carried over in accordance with the laws of such states. The Debtor seeks authority, in its sole discretion, to honor its existing PTO policies for continuing Employees in the ordinary course of business, but not to pay any cash amounts for accrued PTO.

95. Paid Holidays. In addition to vacation benefits, the Debtor provides its employees with eight days of paid holiday time off in accordance with the Debtor's policies. The Debtor seeks, in its sole discretion, authority to continue to honor its applicable paid holiday policies for its continuing Employees postpetition in the ordinary course of its business.

401(k) Plan

96. The Debtor offers a 401(k) Plan (the "401(k) Plan") for Eligible Employees through John Hancock. Participants may contribute a portion of their pre-tax compensation to the 401(k) Plan under applicable federal law. Voluntary Employee contributions to the 401(k) Plan are withheld by the Debtor as Withholding Obligations and funded into the plan on the Pay Date.[15] As of the Petition Date, the Debtor does not believe it owed any amounts in Employee 401(k) Withholding Obligations to the 401(k) Plan.[16]

97. Harper & Whitfield is responsible for auditing the Debtor's 401(k). The fees for these auditing and actuarial services are borne by the Debtor. As of the Petition Date, the Debtor does not believe it owes anything in prepetition advisory fees collectively to Harper & Whitfield (the "Plan Advisory Fees"). Out of an abundance of caution, however the Debtor seeks authority, in its discretion, to pay any prepetition Plan Advisory Fees and to continue the 401(k) Plan postpetition solely for continuing Employees and to pay related costs and fees postpetition in the ordinary course of the Debtor's business.

Tuition Reimbursement Program

98. Eligible Employees may receive educational reimbursement benefits for costs associated with college courses and/or professional development education (the "Tuition

[15] Under the 401(k) Plan, the Debtor may provide a voluntary discretionary percentage match of the Employee's voluntary contributions to the 401(k) plan, up to an annual maximum amount of 6% of the employee's annual compensation, although no matching contribution was contributed for the 2006 year.

[16] Prior to the Petition Date, the Debtor remitted a check for its 401(k) Withholding Obligations for approximately $106,250 to the 401(k) Plan administrator (the "Prepetition 401(k) Transfer"), which the Debtor believes was negotiated and paid prepetition. However, out of an abundance of caution, and solely to the extent that the check was neither cashed nor otherwise honored by the 401(k) Plan administrator's financial institution as a result of the commencement of the Debtor's chapter 11 case, the Debtor requests authority to remit the amount of the Prepetition 401(k) Transfer to the appropriate recipient postpetition as a Withholding Obligation.

Reimbursement Program"). The Debtor reimburses Eligible Employees for 75% of registration, tuition, and for lab course fees for the types of courses allowed by the Debtor, up to a maximum of $5,250 per calendar year.[17]

99. The Debtor estimates that it does not owe prepetition reimbursement and administrative expenses pursuant to the Tuition Reimbursement Program (the "Prepetition Tuition Reimbursement Expenses") for continuing Employees. The Debtor seeks authority, in its discretion, to continue the Tuition Reimbursement Program and honor any claims arising thereunder in the ordinary course of the Debtor's business.

Legal Services Program and Employee Assistance Program

100. Along with the other Employee Benefit programs described above, the Debtor also offers its Employees a pre-paid legal service program and a counseling services program. The pre-paid legal services program (the "Legal Services Program") is a program pursuant to which Employees may contribute $16.50 per month in order to receive a specified array of legal services. The Debtor does not contribute anything to the Legal Services Program or incur any costs in connection with the program's administration, which is funded entirely by the Employees. The Debtor requests authority to, in its discretion, continue the Legal Assistance Program postpetition in the ordinary course of its business.

101. The employee assistance program (the "Employee Assistance Program") provides Employees with professional assistance with family, relationship, emotional, mental

[17] In addition to the Tuition Reimbursement Program, the Debtor's Employees may individually contribute tax-deferred college contributions under section 529 of the Internal Revenue Code. The Debtor does not administer these contributions.

health, substance abuse, financial and legal problems for Employees and family members. The costs of the Employee Assistance Program are borne entirely by participating Employees. The Debtor seeks authority, in its discretion, to continue such program postpetition in the ordinary course of business.

Flexible and Healthcare Reimbursement Spending Accounts

102. The Debtor offers Employees the option to establish flexible spending accounts ("FSAs") to put aside money tax-free to pay for eligible medical and dependent care costs for themselves and their dependents. An Employee's FSA deduction is taken out his or her paycheck each pay period and withheld by the Debtor for application toward payment of eligible medical expenses throughout the year. The FSA program is administered under applicable IRS guidelines and regulations. The FSA administrator invoices the Debtor of the amount of claims asserted by an employee. If the employee has designated sufficient funds to be withheld to pay the claims, the Debtor transfers the appropriate amounts to the FSA administrator. The amounts on deposit in the FSA accounts are Withholding Obligations that belong to the contributing employee and do not constitute property of the Debtor's estate. As of the Petition Date, the Debtor had approximately $71,000 in FSA Withholding Obligations. The Debtor incurs administrative costs of approximately $2,100 per month with respect to processing and administering claims with respect to the FSAs. The Debtor seeks authority to pay, in its discretion, prepetition administrative and processing fees associated with the FSAs, subject to a cap of $2,500, to transfer any FSA Withholding Obligations to the appropriate recipients, and

seeks authority to continue to maintain the FSAs and to pay such fees postpetition in the ordinary course of the Debtor's business.

Workers' Compensation Insurance

103. Under the laws of various states, the Debtor is required to maintain workers' compensation insurance to provide its Employees with coverage for claims arising from or related to their employment with the Debtor. To meet its workers' compensation insurance obligations, the Debtor currently maintains an annual workers' compensation policy (The Workers' Compensation Insurance Policy") with CNA Insurance Co. ("CNA") pursuant to which CNA provides workers' compensation insurance for Employees in all of the states in which the Debtor currently conducts business. The Debtor's Workers' Compensation Insurance Policy expires on January 15, 2008. Prior to the Petition Date, Debtor owed approximately $60,000 in due but unpaid premium payments (the "Premium").[18] The Debtor seeks authority, but not the obligation and in the Debtor's sole discretion, to pay any prepetition Premium amounts due under the Workers' Compensation Insurance Policy and to continue to make postpetition Premium payments in the ordinary course of its business.

104. The Debtor also requests that all applicable banks and other financial institutions be authorized to receive, process, honor and pay all checks presented for payment and to honor all fund transfer requests made by the Debtor related to Employee Wages and Benefits, whether such checks were presented or fund transfer requests were submitted prior to, on, or after the Petition Date. The Debtor represents that it has (or will have) sufficient

[18] This amount may be reduced because the Debtor now employs far fewer Employees than it did at the time the Premium was asserted for the 2007 calendar year.

postpetition funding to pay promptly all Employee Wages and Benefits to the extent described herein, on an ongoing basis and in the ordinary course of business. Nothing contained in the Motion, however, shall constitute a request for authority to assume any agreements, policies or procedures relating to Employee Wages and Benefits. Further, the Debtor seeks to retain the discretion to decide which Employee Wages and Benefits to pay and honor, and nothing in the Motion shall be deemed an admission by the Debtor that any Employee Wages and Benefits will in fact be honored or paid.

105. Finally, the Debtor requests authority to pay all of the processing fees associated with payment of the Employee Wages and Benefits including, but not limited to, any fees owed to any third party administrators of Employee Benefits as described in the Motion.

M. Motion of the Debtor for an Order (I) Authorizing the Debtor to Pay Prepetition Sales, Use, Franchise and Similar Taxes and Regulatory Fees in the Ordinary Course of Business and (II) Authorizing Banks and Financial Institutions to Honor and Process Checks and Transfers Related Thereto

106. In connection with the normal operation of its business, the Debtor pays an assortment of sales and use, business and occupations, gross receipts, business privilege and similar taxes (the "Taxes") to various federal, state, and local taxing authorities (collectively, the "Taxing Authorities") and pays various regulatory fees ("Regulatory Fees") to federal, state, and local regulatory authorities (collectively, the "Regulatory Authorities," and together with the Taxing Authorities, the "Taxing and Regulatory Authorities"), including, but not limited to, those Taxing and Regulatory Authorities listed on Exhibit A to the Motion. Taxes and Regulatory Fees include, without limitation, the following:

a. Sales Tax: In the normal course of its business, the Debtor incurs sales tax in connection with its business. The Debtor collects and remits or otherwise pays an assortment of sales and use, business and occupation taxes (collectively, the "Sales Taxes") to the Taxing Authorities. The Debtor incurs sales tax obligations when it purchases certain items which may not be subject to sales tax in the state of origin, but are subject to sales tax in the state where the item is shipped. For example, the Debtor places an order for office supplies with a vendor in State A and requests that the supplies be delivered to the Debtor's location in State B. Supplies are not subject to sales tax in State A, the vendor's home state, but are subject to sales tax in State B, the Debtor's state. In such cases, the vendor does not collect the sales tax but the Debtor is required to pay sales tax and the Debtor remits the sales tax to State B. Sales Taxes are paid in the ordinary course of the Debtor's business and are calculated based upon statutorily mandated percentages. Generally, the Debtor remits the Sales Taxes quarterly to the applicable Taxing Authority. Such Sales Taxes could include both amounts not yet due and amounts paid by checks sent prior to the Petition Date that have not cleared the Debtor's bank accounts on the Petition Date, though the Debtor is not aware of any such checks that have not cleared. The Debtor estimates that unpaid prepetition sales tax amounts to no more than $15,000. The Debtor seeks authority, in its discretion, to pay any such unpaid Sales Tax.

b. Franchise Taxes: The Debtor also pay in the ordinary course of its business franchise, excise and similar taxes required to maintain its existence or continue to do business in various jurisdictions (the "Franchise Taxes"). Such Franchise Taxes could include both amounts not yet due and amounts paid by checks sent prior to the Petition Date that have

not cleared the Debtor's bank accounts on the Petition Date, though the Debtor is not aware of any such checks that have not cleared. The Debtor estimates that it owes approximately $35,000 in accrued and prepetition unpaid Franchise Taxes. The Debtor seeks authority, in its discretion, to pay any such unpaid Franchise Taxes.

c. Regulatory Fees: Many municipal and county governments require the Debtor to obtain a business license and to pay corresponding business license fees and business operating taxes (the "Regulatory Fees"). The requirements for a company to obtain a business license and the manner that the Regulatory Fees are computed vary greatly according to the local tax laws. The Debtor incurs regulatory fees in connection with its loan servicing business. The Debtor estimates that they owe approximately $50,000 in accrued Regulatory Fees that are due or that have accrued but remain unpaid as of the Petition Date. The Debtor seeks authority in its discretion, to pay any such unpaid Regulatory Fees.

107. By this Motion, the Debtor seeks authority to pay, in the Debtor's sole discretion, prepetition Taxes and Regulatory Fees owed to the Taxing and Regulatory Authorities, including, without limitation, Taxes and Regulatory Fees subsequently determined upon audit to be owed for periods prior to the Petition Date, in an aggregate amount (excluding amounts paid prepetition by checks that have not yet cleared on the Petition Date) not to exceed $100,000, which is the aggregate maximum sum that the Debtor currently believes will be due on account of prepetition Taxes and Regulatory Fees.

108. In addition, to the extent any check issued or electronic transfer initiated prior to the Petition Date to satisfy any prepetition obligation on account of Taxes or Regulatory

Fees has not cleared the Banks as of the Petition Date, the Debtor requests the Court to authorize the Banks, when requested by the Debtor in its sole discretion, to receive, process, honor, and pay such checks or electronic transfers, provided that there are sufficient funds available in the applicable accounts to make such payments. The Debtor also seeks authorization to issue replacement checks, or to provide for other means of payment to the Taxing and Regulatory Authorities, to the extent necessary to pay such Taxes and Regulatory Fees outstanding and owing for periods prior to the Petition Date.[19]

N. Motion of the Debtor for an Order Providing that Creditors' Committees are Not Authorized or Required to Provide Access to Confidential Information of the Debtor or Privileged Information

109. The Debtor seeks entry of an order of the Court confirming that the Committee in this case will not be authorized or required to provide access to the Debtor's Confidential Information or Privileged Information to any creditor that the Committee represents. I understand that the relief requested in this Motion will help ensure that confidential, privileged, proprietary and/or material non-public information will not be disseminated to the detriment of the Debtor's estate and will aid the Committee in performing its statutory function.

110. The Debtor is in a competitive industry. The dissemination of the Debtor's Confidential Information or Privileged Information to parties who are not bound by any confidentiality agreement or privilege directly with the Debtor could be disastrous for the estate.

[19] Because each of the checks or electronic transfers is readily identified as relating directly to an authorized payment of Taxes, the Debtor believes that checks and electronic transfers for payments that are not authorized will not be honored inadvertently.

Among other things, the Debtor's business strategies and intended initiatives would become known to the Debtor's competitors, thereby allowing such competitors to adjust to the Debtor's plans and reduce or eliminate value of such initiatives to the estate. Certain Confidential Information of the Debtor, such as compensation levels or other employee information, is of a sensitive nature, and public disclosure of such information would cause morale and similar problems for the Debtor, as well as potentially violate federal and state privacy laws. In addition, if the Debtor believed that there could be a risk that Privileged Information would need to be turned over to creditors, with the possible loss of the relevant privilege as that time, the entire purpose of such privilege would be eviscerated.

111. The disclosure of nonpublic or privileged information to creditors will not aid in maximizing the value of the Debtor's estate, but will instead likely cause serious harm to the Debtor's estate. Therefore, I believe that the relief sought in this Motion is in the best interests of the Debtor's estate and creditors.

O. Motion for Order Under Section 365(a) and 554(a) of the Bankruptcy Code Authorizing the Debtor to (1) Reject Certain Unexpired Leases of Nonresidential Real Property, and (2) Abandon Any Personalty Located Such Premises

112. The Debtor, after consideration of its current and expected future business objectives, and in connection with efforts to reduce costs, has determined that the leases set forth on Exhibit A to this Motion (the "Rejected Leases") are unnecessary to the continued operation of the Debtor's business, have no value to the estate, and should therefore be rejected. The annual rent payable by the Debtor on account of the Rejected Leases totals approximately $6 million.

113. Accordingly, the Debtor seeks authority to reject the Rejected Leases, effective as of the Petition.[20]

114. The Rejected Leases may contain various items of personal property owned by the Debtor. The Debtor believes that any personal property at these locations has inconsequential value to the estate when considered in relation to the anticipated expense of sale and any carrying costs associated therewith. The Debtor therefore seeks to abandon any personal property located at the premises leased by the Debtor under the Rejected Leases as of the effective date of rejection.

P. Debtor's Motion for the Entry of an Order Authorizing the Debtor to Reject Certain Executory Contracts Pursuant to 11 U.S.C. § 365

115. On November 15, 2004, the Debtor entered into a master lease agreement (the "Master Lease") with First Financial Corporate Services, Inc. ("First Financial").

116. The Debtor has determined that, as of the Petition Date, it no longer needs the equipment which is the subject of four schedules to the Master Lease (the "Schedules" or the "Rejected Leases") listed on Exhibit A to the Motion.[21]

117. Prior to the Petition Date, the Debtor notified First Financial of its intention to reject the Schedules and requested that First Financial retrieve its equipment.

118. Through this Motion, the Debtor seeks the entry of an order, pursuant to section 365 of the Bankruptcy Code and Bankruptcy Rule 6006, authorizing and approving the Debtor's rejection of the Rejected Leases (as defined below), effective as of the Petition Date.[22]

[20] The Debtor reserves the right to seek to reject other nonresidential real property leases at a later date.

[21] According to its terms, each Schedule constitutes a separate and enforceable lease. The Debtor does not, at this time, seek rejection of the Master Lease – only the four Schedules listed on Exhibit A to the Motion. The Debtor reserves the right to seek rejection of executory contracts at a future date.

Q. Motion of the Debtor for an Order Under Section 366 of the Bankruptcy Code (A) Prohibiting Utility Providers From Altering, Refusing or Discontinuing Service, (B) Deeming Utilities Adequately Assured of Future Performance, and (C) Establishing Procedures for Determining Adequate Assurance of Payment

119. In the normal course of business, the Debtor has relationships with various utility companies and other providers (each "Utility Provider" and, collectively, the "Utility Providers") for the provision of telephone, gas, electricity and related services (the "Utility Services"). The Utility Providers include, without limitation, the entities set forth on Exhibit A to the Motion.[23] The Debtor estimates that its average monthly payments to the Utility Providers aggregate approximately $93,000.

120. Because uninterrupted Utility Services are critical to the Debtor's ongoing operations, the Debtor, by this Motion and pursuant to sections 105(a) and 366 of the Bankruptcy Code, seeks the entry of an order: (a) prohibiting the Utility Providers from altering, refusing or discontinuing services; (b) deeming Utility Providers adequately assured of future performance; and (c) establishing procedures for determining adequate assurance of future payment.

121. In order to provide adequate assurance of payment for future services to the Utility Providers, the Debtor proposes to make a deposit (a "Utility Deposit") equal to 50% of the Debtor's estimated cost of its monthly utility consumption to each Utility which the

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[22] Concurrently with this Motion, the Debtor has filed a Motion seeking rejection of certain real property leases. The Rejected Leases (as herein defined) are for personal property located in real property which the Debtor has surrendered.

[23] The listing of any entity on Exhibit A to the Motion is not an admission that any listed entity is a utility within the meaning of section 366 of the Bankruptcy Code. The Debtor reserves the right to assert at any time that any entity listed on Exhibit A is not entitled to adequate assurances pursuant to Bankruptcy Code section 366. The Debtor further reserves the right to terminate the services of any Utility Provider at any time and to seek an immediate refund of any Utility Deposit without effect to any right of setoff or claim asserted by a Utility Provider against the Debtor.

Debtor intends to continue to utilize during the course of this case.[24] The Debtor estimates that the Utility Deposits, in the aggregate, will total approximately $46,500. The Debtor proposes to make Utility Deposits to each of the Utility Providers specified herein within 10 days after the entry of an interim order granting this Motion, pending further order of the Court, for the purpose of providing each Utility Provider with adequate assurance of payment of its postpetition date services to the Debtor.

122. In addition, the Debtor seeks to establish reasonable procedures (the "Procedures") by which a Utility Provider may request additional adequate assurance of future payment, in the event that such Utility Provider believes that its Utility Deposit does not provide it with satisfactory adequate assurances. Such Procedures, in particular, would provide that:

(a) If a Utility Provider is not satisfied with the assurance of future payment provided by the Debtor, the Utility Provider must serve a written request (the "Request") upon the Debtor setting forth the location(s) for which Utility Services are provided, the account number(s) for such location(s), the outstanding balance for each account, a summary of the Debtor's payment history on each account, and an explanation of why the Utility Deposit is inadequate assurance of payment;

(b) The Request must be actually received by Debtor's counsel, Laura Davis Jones, Esquire, Pachulski Stang Ziehl Young Jones & Weintraub LLP, 919 North Market Street, 17th Floor, P.O. Box 8705, Wilmington, Delaware 19899-8705 (Courier 19801) within forty-five (45) days of the date of the order granting this Motion (the "Request Deadline");

(c) Without further order of the Court, the Debtor may enter into agreements granting additional adequate assurance to a Utility Provider serving a timely Request, if the Debtor, in its discretion, determines that the Request is reasonable;

[24] Two Utility Providers (Connecticut Natural Gas Corp. and Northeast Utilities) provide service to the Debtor at its location in Rocky Hill, CT. The Debtor has sought to reject the lease of these premises effective February 28, 2007. Because the Debtor intends to vacate the premises next month, the Debtor is not proposing to pay any deposit to these two Utility Providers.

(d) If the Debtor believes that a Request is unreasonable, then the Debtor shall, within thirty (30) days after the Request Deadline date, file a motion pursuant to section 366(c)(2) of the Bankruptcy Code (a "Determination Motion"), seeking a determination from the Court that the Utility Deposit, plus any additional consideration offered by the Debtor, constitutes adequate assurance of payment. Pending notice and a hearing on the Determination Motion, the Utility Provider that is the subject of the unresolved Request may not alter, refuse, or discontinue services to the Debtor nor recover or setoff against a pre-Petition Date deposit; and

(e) Any Utility Provider that fails to make a timely Request shall be deemed to be satisfied that the Utility Deposit provided to it supplies adequate assurance of payment.

123. In addition, the proposed form of order (the "Order") also allows the Debtor to supplement the list of Utility Providers. The Debtor reserves the right, without further order of the Court, to supplement the list if any Utility Provider has been inadvertently omitted. If the Debtor supplements the list subsequent to the filing of this Motion, the Debtor will serve a copy of this Motion, and the signed order granting the Motion (the "Order"), on any Utility Provider that is added to the list by such a supplement (the "Supplemental Service"). In addition, the Debtor will also provide a Utility Deposit in the amount of 50% of the estimated cost of monthly utility consumption for the added Utility Provider. Concurrently with the Supplemental Service, the Debtor will file with the Court a supplement to Exhibit A to the Motion adding the name of the Utility Provider so served. The added Utility Provider shall have thirty (30) days from the date of service of this Motion and the Order to make a Request.

124. Finally, the Order provides that the Debtor may terminate the services of any Utility Provider by providing written notice (a "Termination Notice"). Upon receipt of a Termination Notice by a Utility Provider, pursuant to the relief requested by the Debtor herein,

the Utility Provider shall immediately refund any Utility Deposit to the Debtor, without giving effect to any rights of setoff or any claims the Utility Provider may assert against the Debtor. The Debtor believes that the immediate refund of a Utility Deposit by a Utility Provider whose services are terminated is fair and appropriate under the circumstances because the Utility Provider would no longer require adequate assurances of future performance by the Debtor.

R. Motion of Debtor for Interim Order (1) Authorizing Mortgage Lenders Network USA, Inc., as Debtor-in-Possession to Use Cash Collateral and Continue Certain Financial Arrangements, (2) to Incur Post-Petition Secured Indebtedness, (3) Granting Security Interest and Super-Priority Claims Pursuant to 11 U.S.C. Section 364(c) & (d), (4) Granting Adequate Protection, (5) Modifying Automatic Stay and (6) Setting Final Hearing

125. By this Motion, the Debtor seeks entry of (i) the Interim Order attached to the Motion as Exhibit A (the "Interim Order")[25] on and expedited basis, and ultimately a final order seeking, without limitation, the following relief:

a. Authorizing the Debtor to use cash collateral (as such term is used in Bankruptcy Code Section 363, "Cash Collateral") on the terms set forth in the Motion;

b. Authorizing the Debtor, pursuant to sections 105(a) and 364(c) and (d) of the Bankruptcy Code and Bankruptcy Rules 2002, 4001 and 9014, to obtain from RFC ("Lender"), cash advances and other extensions of credit in an aggregate principal amount of up to $3 million (the "Maximum Final Borrowing") consisting of revolving loans (the "DIP Revolving Loans"), pursuant to the "DIP Agreement" (attached to the Motion as Exhibit B) (the "DIP Agreement") in order to provide working capital to support servicing and sale of mortgage loans and to fund fees of professionals.

[25] Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Interim Order or the "DIP Agreement" (as defined below).

c. Authorizing, first on an interim and then on a final basis, as set forth in the Motion, pursuant to sections 364(c)(1), (2), (3) and 364(d) of the Bankruptcy Code, that the Obligations of the Debtor under the DIP Agreement and the other DIP Credit Documents (as defined in the DIP Agreement) (collectively, the "DIP Indebtedness") (a) be granted superpriority administrative expense status, having priority over any and all administrative expenses of the kinds specified in, or arising or ordered under, sections 105(a), 326, 328, 330, 331, 503(b), 506(c), 507, 546(c), 726, 1113 and 1114 of the Bankruptcy Code, except the administrative expenses and claims relating to the professional expenses in an amount not to exceed the Carve-Out (as defined below) and (b) be secured (i) under section 364(d) of the Bankruptcy Code, by first priority, perfected security interests and liens, *pari passu* with the Prior Claims (as defined in the Interim Order), in and on all of the property, assets, or interests in property or assets owned by the Debtor, of any kind or nature whatsoever, real or personal, now existing or hereafter acquired or created, including, without limitation, all property of Debtor's estate (including, as of the entry of a Final Order, claims and causes of action under sections 544, 545, 547, 549, 549, 550, 552(b) and 553 of the Bankruptcy Code and the proceeds thereof (the "Avoidance Actions") (although Debtor is entitled to maintain control of such Avoidance Actions), all cash and non-cash proceeds, rents, products and profits of any of the foregoing and all collateral securing Debtor's obligations to Lender as of the Petition Date (as defined below) (the "Pre-Petition Collateral") (all of the foregoing, collective, the "DIP Collateral"), subject and subordinate only to Prior Claims;

d. The Court grant to Lender, as adequate protection for the use of Cash Collateral, replacement liens in the DIP Collateral (including the Cash Collateral), and a super-priority administrative expense claim in the event of any diminution of the value or amount of Lender's Pre-Petition Collateral in certain circumstances;

e. The Court find, pursuant to Bankruptcy Rule 4001(c), that notice of the Interim Hearing given to (i) the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee"), (ii) the Debtor's 20 largest unsecured creditors, as identified in its chapter 11 petition, (iii) all of Debtor's known secured creditors, (iv) each of the state regulatory agencies issuing a Cease and Desist Order, and (v) counsel to Lender (collectively, the "Notice Parties") was good and sufficient under the particular circumstances and no other or further notice is or shall be required; and

f. The Court schedule, pursuant to Bankruptcy Rule 4001, a hearing (the "Final Hearing") to consider entry of a final order (the "Final Order") authorizing the Debtor to use Cash Collateral and obtain, on a final basis, DIP Revolving Loans under the DIP Credit Documents.

126. The principal terms of the DIP Agreement and the financing contemplated thereby (the "DIP Facility") are generally as follows:

a. Borrower: Debtor and certain non-debtor subsidiaries.

b. Lender. Lender

c. Commitment/Availability. A total revolving credit commitment of up to an incremental $3 million.

d. Term. All DIP Revolving Loans shall be due and payable on the earliest to occur of (i) April 28, 2007 (unless extended); or (ii) the occurrence of an Event of Default under the DIP Agreement (the "Loan Payment Date").

e. Priority. The DIP Indebtedness will have superpriority administrative expense status subject to the Carve Out (as defined below) and any Prior Liens (as defined in the Interim Order).

f. Liens. The Lender will receive security interests in and liens and mortgages (collectively, the "DIP Liens") upon all prepetition and post-petition assets of Debtor (i.e., the "DIP Collateral"). The DIP Liens will secure both the DIP Indebtedness and the existing Pre-Petition Indebtedness and any collateral diminution claim in respect of the existing Indebtedness. The DIP Liens will also extend to Avoidance Actions upon entry of the Final Order to the extent of the Carve-Out, subject to Debtor's continued control of such Avoidance Actions. Subject to the Carve-Out, the DIP Liens (a) will constitute first priority liens in and to all Collateral to the extent such assets of Debtor is not subject to any valid, perfected, enforceable and non-avoidable lien in existence as of the Petition Date other than the Lender's lien, and (b) would be immediately junior in priority to any and all other valid, perfected, enforceable and non-avoidable liens on the assets of Debtor in existence as of the Petition Date other than statutory and governmental liens filed or otherwise perfected prior to the Petition Date ("Prior Liens").

g. Use of Proceeds. In accordance with an Approved Budget.

h. Carve Out. Priority professional expenses described with more particularly in the Interim Order.

i. Fees and Expenses.

Origination Fee:	$50,000
Unused Line Fee:	.05% per annum

j. Interest. All outstanding advances under the DIP Facility shall bear interest at a floating rate per annum equal to a current rate of LIBOR plus 4%.

k. Events of Default. The Events of Default under the DIP Facility include as follows:

(1) Any representation or warranty by Debtor shall prove incorrect or misleading in any material respect when made or deemed to have been made;

(2) The default in the payment of any interest, fees and other non-principal amounts payable to Lender;

(3) Lender suspends or discontinues or is enjoined by any court or governmental agency from continuing to conduct all or any material part of its business, or if a trustee, receiver or custodian is appointed for Lender, or any of its properties;

(4) Any act, condition or event occurring after the date of the commencement of the Case that has or would reasonably expect to have a material adverse effect upon the assets of the Debtor, or the rights and remedies of Lender under the DIP Credit Documents or the Interim Order (or, upon final approval, the Final Order);

(5) Conversion of the Case to a Chapter 7 case under the Bankruptcy Code;

(6) Dismissal of the Case or any subsequent Chapter 7 case either voluntarily or involuntarily;

(7) The grant of a lien on or other interest in any property of the Debtor other than a permitted lien or by the Interim Order or an administrative expense claim other than such administrative expense claim permitted by the Interim

Order or the DIP Credit Documents by the grant of or allowance by the Bankruptcy Court which is superior to or ranks in parity with Lender's security interest in or lien upon the Collateral or Lender's administrative claims;

(8) The Interim Order shall be modified, reversed, revoked, remanded, stayed, rescinded, vacated or amended on appeal or by the Bankruptcy Court without the prior written consent of Lender (and no such consent shall be implied from any other authorization or acquiescence by Lender);

(9) The appointment of a trustee pursuant to Sections 1104(a)(1) or 1104(a)(2) of the Bankruptcy Code;

(10) The appointment of an examiner with special powers pursuant to Section 1104(a) of the Bankruptcy Code;

(11) The Interim Order and Final Order must be in form and substance acceptable in all respects to the Lender. Among other things, the Interim Order must provide that (a) any statutory creditor's committee shall have 90 days from the date of its appointment to commence any adversary proceeding or other proper action against the Lender, after which date, if no such objection or adversary proceeding or other action has been timely filed, the claims, liens and security interests of the Lender shall, without further order of the bankruptcy court, be deemed to be finally allowed and not be subject to challenge by any party in interest as to validity, priority or otherwise and (b) Debtor and the Estate shall be deemed to have released any and all claims or causes of action against the Lender, without further order of the bankruptcy court.

127. The Interim Order also incorporates this Court's authorization under sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3) and 364(d)(1) of the Bankruptcy Code:

(a) granting in respect of the DIP Agreement (subject to a Carve-Out):

(i) pursuant to § 364(c)(1) of the Code, a superpriority administrative expense claim with priority over all administrative expenses of the kind specified in §§105, 326, 328, 503(b), 506(c), 507(a), 507(b) and 726 of the Code;

(ii) pursuant to § 364(c)(3) of the Code, a perfected junior security interest and lien, (and with respect to § 364(c)(2) a first priority

lien where the following is unencumbered) in all of the existing or after acquired property and assets of Debtor of any kind or nature, whether real or personal, tangible or intangible, wherever located, now owned or hereafter acquired or arising and all proceeds, products, rents and profits thereof, which is subject to Prior Claims (other than the Pre-Petition Collateral); and

(iii) pursuant to § 364(d)(1) of the Code, a perfected first priority security interest in all of the existing or after acquired property and assets of Debtor of any kind or nature, whether real or personal, tangible or intangible, wherever located, now owned or hereafter acquired or arising and all proceeds, products, rents and profits thereof which is not subject to Prior Claims or which is Pre-Petition Collateral (including, upon entry of a Final Order, avoidance claims under §§ 544, 545, 547, 548, 551 and/or 553, which avoidance claims shall collectively be referred to as the "Avoidance Actions") (the collateral set forth in (b) and (c), the "DIP Collateral").

(b) Granting as adequate protection for Lender in respect of any diminution in the value of Lender's interest in the Pre-Petition Collateral resulting from (i) Debtor's use of Cash Collateral; or (ii) Debtor's breach, after the Petition Date, of any obligation regarding servicing, sale, or transfer of loans (the amount of (i) and (ii) collectively, the "Diminution Claim"), Lender shall be granted, to the extent of such Diminution Claim and in each case subject to the Carve-Out and the priority of the liens granted to Lender with respect to DIP Indebtedness (as set forth in the preceding paragraph):

(i) pursuant to §§ 361 and 363 of the Code, a superpriority administrative expense claim with priority over all administrative expenses of the kind specified in §§105, 326, 328, 503(b), 506(c), 507(a), 507(b) and 726 of the Code;

(ii) pursuant to §§ 361 and 363 of the Code, a perfected junior security interest and lien in the DIP Collateral, which is subject to Prior Claims (other than the Pre-Petition Collateral); and

(iii) pursuant to §§ 361 and 363 of the Code, a perfected first priority priming security interest in the DIP Collateral, which is not subject to Prior Claims or which is Pre-Petition Collateral.

(c) scheduling, under Bankruptcy Rule 4001, a final hearing on this Motion (the "Final Hearing") and establishing notice procedures in respect of the Final Hearing, by this Court to consider entry of the Final Order authorizing the DIP Facility; and

(d) waiving any right to surcharge Lender under section 506(c) of the Bankruptcy Code.

The Need for The DIP Facility

128. If the DIP Facility is not approved, the Debtor may not be able to orderly liquidate and parties for whom Debtor services loans will suffer irreparable harm. Debtor may be unable to service loans for its customers while its wind-down is completed. Debtor's effort to sell its assets will be completely derailed.

The Debtor Is Unable to Obtain Credit on More Favorable Terms

129. In order for the Debtor to achieve the necessary liquidity to administer the Chapter 11 cases and accomplish an orderly liquidation of their assets, the Debtor must have access to the DIP Revolving Loans.

130. The Debtor is unable to obtain financing from other capital sources, given its extremely distressed financial condition. No other lender or capital source will provide the Debtor with post-petition financing on terms equal or more favorable to the estate than the proposed DIP Facility under the circumstances.

Protections Under Bankruptcy Code Section 364(e)

131. The Debtor believes that the terms and conditions of the DIP Facility are the best possible under the circumstances of these cases, and were negotiated in good faith and at arms-length with all parties represented by experienced counsel.

Use of Cash Collateral

132. The Lender here consents to the use of Cash Collateral on the terms set forth in the Interim Order and this Motion.

Interim Authorization

133. The authorization to obtain the DIP Facility and use Cash Collateral pending a final hearing will preserve the value of the Debtor's business only if authorization is granted immediately on short notice. The Debtor must have immediate use of the DIP Facility and Cash Collateral in order to pay its remaining payroll and other expenses and preserve and maximize the value of its assets. Funds are urgently needed to meet all of the Debtor's liquidity needs and to administer their chapter 11 cases in an orderly manner. In the absence of immediate post-petition financing, the Debtor's ability to preserve the value of their businesses and assets will be immediately and irreparably jeopardized, resulting in significant harm to the Debtor's estate and creditors.

134. Deviations from Delaware Local Rule 4001-2. Delaware Local Rule 4001-2 requires a debtor in possession to affirmatively advise the Court of any deviations from certain proscribed provisions to be included in interim and final Interim Orders. The Interim Order includes the following such provisions:

a. Surcharge Prohibition. The Interim Order at § 9 prohibits any surcharge on the collateral of the Lender pursuant to § 506(c) and grants Lender a lien on Debtor's surcharge rights against third parties.

b. Lien on Avoidance Actions. Lender is granted a limited lien on Avoidance Actions upon entry of a Final Order. Interim Order at § 7.

135. The Debtor seeks authorization on an interim basis to utilize up to the Interim Availability under the DIP Facility and use of Cash Collateral for the purposes set forth in the Initial Budget pending the Final Hearing.

136. Based on the foregoing, the Debtor respectfully requests that, pending a final hearing on this Motion, the terms and provisions of the DIP Facility and use of Cash Collateral be implemented and approved on an emergency interim basis, to the extent of authorizing the Debtor to obtain interim post-petition financing and use Cash Collateral as provided for in the Interim Order.

137. As, the Debtor submits, is apparent from the foregoing, the interim relief requested in this Motion, pending the Final Hearing, is necessary, appropriate and fully warranted, and is essential to avoid immediate and irreparable harm to the Debtor, its estate, and its creditors.

S. Motion for Order Authorizing the Debtor to (A) Sell Loans That Have Closed and Been Funded, (B) Honor Loan Commitments Upon Which the Debtor Closed Prepetition But Was Unable to Fund, and (C) Honor Existing Obligations and Incur New Obligations in the Ordinary Course of Business in Connection With the Servicing of Loans

138. By this Motion, the Debtor seeks the entry of an order by the Court authorizing the Debtor to (a) sell loans that have closed and been funded, (b) honor those

prepetition loan commitments upon which the Debtor closed but was unable to fund (the "Outstanding Loan Commitments"), and (c) honor existing obligations and incur new obligations in the ordinary course of business in connection with the servicing of loans.

139. Selling the Closed and Funded Loans. As set forth above, the Debtor, in the ordinary course of its business, regularly sold the loans that it originated. Pursuant to this Motion, the Debtor seeks authority to sell the remaining loans in its possession. These loans were closed and funded prior to the shut down of the Debtor's wholesale and retail origination operations. To maximize the value of these loans, the Debtor needs to sell them in accordance with customary industry practices.

140. The Debtor, in an abundance of caution, seeks the entry of an order authorizing the loan sales provided for herein, because certain of the Cease and Desist Orders contain provisions that prohibit the Debtor from authorizing or executing financial transactions in excess of $250,000, except for the payment of wages and salaries to employees, contractors, officers, or other members of the Debtor in the normal course of the Debtor's management, without prior written approval from the applicable regulatory entity.[26] The Debtor does not believe that the intent behind this prohibition in certain of the Cease and Desist Orders was to prevent the sale of its loans in the ordinary course of business. In addition, the Debtor believes that the sale of such loans – under the supervision and control of the Bankruptcy Court – is necessary to ensure that their value is maximized for the benefit of all of the Debtor's creditors. Moreover, the loan agreements for the Warehouse Credit Facilities and the proposed order for

[26] The Debtor has, or intends to, challenge this prohibition as beyond the scope of the regulatory agencies' authority.

use of cash collateral for which the Debtor seeks approval provide that the proceeds of sale are to be paid to the Warehouse Lender.

141. Honoring Outstanding Loan Commitments. The Debtor is seeking to arrange for the financing necessary to fund the Outstanding Loan Commitments. In the event that such financing is arranged and approved by the Court, the Debtor seeks authority to fund the Outstanding Loan Commitments. The Debtor is not seeking authority to engage in any new lending activity.

142. The Debtor believes that honoring the Outstanding Loan Commitments is in the best interest of its estate, creditors and the counter parties to the Outstanding Loan Commitments (the "Counter Parties"). By obtaining the relief sought herein, the Debtor will, if it can obtain the necessary financing, be able to fulfill its obligations to the Counter Parties. Moreover, obtaining the financing necessary to fund the Outstanding Loan Commitments is consistent with the Cease and Desist Orders and the Debtor shall attempt to obtain such financing on a basis that best preserves the assets for the benefit of the creditors while fulfilling its obligations to borrowers.

143. Honoring Pre and Post Petition Servicer Obligations. The Debtor's servicing business is of critical importance to its creditors and the servicing platform may have value as a marketable asset. Servicing generates significant revenues. To preserve the value of this asset for the benefit of its creditors, the Debtor must continue to service loans in the ordinary course of its business.

144. Accordingly, the Debtor seeks authorization to continue to honor, as it determines to be appropriate: (i) its servicer obligations in the ordinary course of business, including, without limitation and subject to available funding, the Periodic Advances and Servicing Advances, and (ii) continue in its ordinary course of business practices of Deferment Arrangements and Forbearance Arrangements. If the Debtor does not continue to honor these obligations in the ordinary course of its business, it may risk being replaced as servicer, with the loss of future Servicing Fees, and/or other servicing compensation. The Debtor also seeks an the entry of an order authorizing the Debtor's banks to honor the Debtor's prepetition wire transfers and/or checks that were made in the ordinary course of the Debtor's servicing business. Such transfers and/or checks relate to payments by borrowers that the Debtor must transfer to Loan Purchasers in order to fulfill its servicing functions.

145. Consent for the relief requested herein has been obtained from the Debtor's proposed DIP Lender - RFC. Moreover, such relief is necessary for the Debtor to (i) liquidate its closed and funded loans, (ii) honor its Outstanding Loan Commitments, in the event that it can obtain the necessary financing, and (iii) preserve the value of its servicing business for the benefit of all of its creditors. In addition, with respect to servicing, such relief falls squarely within the ordinary course of the Debtor's business, is customary in the Debtor's servicing operations, and will enable the Debtor to continue to service loans. Such relief is necessary to allow the Debtor to maximize the recoveries to be received by creditors in this case.

For all of the foregoing reasons, I respectfully request that the Court grant the relief requested in each of the First Day Motions filed concurrently herewith.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

February 5, 2007.

Daniel Scouler

Daniel Scouler
Chief Restructuring Officer
Mortgage Lenders Network USA, Inc.
Debtor and Debtor-in-Possession