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**SUPERIOR COURT OF ARIZONA**  
**MARICOPA COUNTY**

ARIZONA CORPORATION  
COMMISSION

Case No. CV 2005-005484

Plaintiff,

v.

**JOINT MOTION FOR OPERATING  
ORDER**

MATHON MANAGEMENT COMPANY,  
L.L.C., fka an Arizona limited liability  
company now dba a Delaware limited  
liability company, SLADE WILLIAMS AND  
ASSOCIATES, L.L.C., an Arizona limited  
liability company, MATHON FUND I,  
L.L.C., an Arizona limited liability company,  
MATHON FUND, L.L.C., fka an Arizona  
limited liability company now dba a  
Delaware limited liability company,  
INTEGRITY101, L.L.C., an Arizona limited  
liability company, INTEGRITY 201, L.L.C.,  
an Arizona limited liability company,  
INTEGRITY 301, L.L.C., and Arizona  
limited liability company, INTEGRITY401,  
L.L.C., an Arizona limited liability company,  
INTEGRITY 501, L.L.C., an Arizona limited  
liability company, INTEGRITY 601, L.L.C.,  
an Arizona limited liability company,  
INTEGRITY 701, L.L.C., an Arizona limited  
liability company, INTEGRITY 801, L.L.C.,  
an Arizona limited liability company,  
INTEGRITY 901, L.L.C., an Arizona limited  
liability company, ROUND VALLEY  
CAPITAL, L.L.C., an Arizona limited  
liability company, W.S.F. – WORLD  
SPORTS FANS, L.L.C., an Arizona limited  
liability company, MILL CREEK, L.L.C., an

(Assigned to the Honorable  
Barry C. Schneider)

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Arizona limited liability company, BELLEVUE HOLDINGS, L.L.C., an Arizona limited liability company, OAK HARBOR FINANCIAL, L.L.C., an Arizona limited liability company, SW STRATEGIC, WEALTH ADVISORS, L.L.C., an Arizona limited liability company, EVERETT CAPTIAL, L.L.C., an Arizona limited liability company, CRE CAPITAL, L.L.C., an Arizona limited liability company, MEZZANINE MANAGEMENT, L.L.C., an Arizona limited liability company, MEZZANINE FUND I, L.L.C., an Arizona limited liability company, JONAS FUND I, L.L.C., an Arizona limited liability company, TEMPLAR FUND L.L.C., fka an Arizona limited liability company now dba a Delaware limited liability company, MERCER ISLAND, L.L.C., an Arizona limited liability company, CONNECTICUT PROPERTIES, L.L.C., an Arizona limited liability company, FIRST ATLANTA INVESTMENTS, L.L.C., a Georgia limited liability company, MM COLONIAL FUND, L.L.C., a Delaware limited liability company, SLADE CONSTRUCTION, L.L.C., an Arizona limited liability company,

DUANE SLADE and JENNIFER SLADE, husband and wife, GUY ANDREW WILLIAMS and LISA WILLIAMS, husband and wife,

Defendants.

James C. Sell, the Court appointed Conservator in the above referenced matter and the Creditors' Committee, hereby jointly request that this Court issue an Order (the "Operating Order") which will allow for payment of the Conservator, Conservator's Counsel, and other Court Approved Professionals (the "Professionals"), in accordance with the provisions contained herein.

DATED this 8 day of June, 2005.

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

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. Procedural Background:**

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

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

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

4. On June 7, 2005, this Court entered an Order approving the Stipulation to continue the Conservatorship and to preserve the full terms and effect of the related Preliminary Injunction.

**II. Payment of Professionals:**

5. To effectively administer the affairs of the Conservatorship Entities, the Conservator seeks the entry of an Order establishing an orderly, regular process for allowance and payment of compensation and reimbursement of the Conservator's and Court approved Professionals. The procedural Order will avoid burdening the Court with fee applications on a monthly basis, while allowing for the timely payment of the professionals. By requiring a 20% retention, and requiring quarterly fee applications, the interests of the creditors are also protected.

- 1           6. Paragraph 17 of the Conservatorship Stipulation provides as follows:  
2           The Conservator is hereby authorized to employ such  
3           employees, accountants, and attorneys as are necessary and  
4           proper for the collection, preservation and maintenance of the  
5           Conservatorship Assets.  
6           7. Paragraph 25 of the Conservatorship Stipulation further provides as follows:  
7           The Conservator shall seek and obtain the approval of this  
8           Court prior to disbursement of professional fees and expenses  
9           to himself or counsel, by presentation of a written application  
10           therefore and after consultation with the ACC or in accordance  
11           with further order of the Court.  
12           8. To effectuate the aforementioned provisions, the Conservator and Creditor's  
13           Committee request that this Court approve a procedure which would require the monthly  
14           submission of a detailed statement of services rendered and expenses incurred by the  
15           Conservator, Conservator's Counsel and the Professionals, to the Arizona Corporation  
16           Commission, in a format normally submitted to the Bankruptcy Court for interim fee  
17           applications.  
18           9. Absent a timely objection, the Conservator would be entitled to pay himself,  
19           Conservator's Counsel, and the Professionals seeking compensation 80% of the amount of  
20           fees incurred for the month (with a 20% hold back) and 100% of the disbursements  
21           incurred for that month. These payments would be subject to this Court's subsequent  
22           approval as part of a quarterly fee application process.  
23           10. As part of this process, the Conservator, Conservator's Counsel and the  
24           other Professionals would submit interim fee applications to this Court every 120 days.  
25           Upon approval by this Court of the interim fees and expenses, the Conservator,  
26           Conservator's Counsel and the Professionals will receive payment of the 20% holdback.  
27           11. The Conservator proposes that the monthly payment of compensation and  
28           reimbursement of expenses be structured as follows:  
              a. On or before the 25<sup>th</sup> day of each calendar month in which compensation  
                  is sought, the Conservator, Conservator's Counsel and the Professionals  
                  shall submit a monthly statement to the Arizona Corporation

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Commission (the "ACC"). The ACC will then have a seven (7) day review period. At the expiration of the 7 day period, the Conservator will be authorized to pay 80% of the fees and 100% of the disbursements requested in such statement, except such fees or disbursements as to which an objection shall have been served by the ACC.

- b. In the event that the ACC asserts an objection to the compensation or reimbursement sought in a particular statement, they shall, within 7 days of receipt of the statement, serve upon (i) Conservator's Counsel; (ii) Creditors' Committee Counsel; and (iii) and the Professional whose statement is objected to, a written "Notice of Objection to Fee Statement", setting forth the precise nature of each particular objection and the amount at issue with respect to each matter for which an objection is asserted.
- c. Thereafter, the objecting party and the Conservator or Professional whose statement is objected to shall attempt to reach an agreement regarding the appropriate payment to be made. If the parties reach such an agreement, such agreed upon amount shall be paid. If the parties are unable to reach an agreement on the objection within 7 days of such objection, the Professional whose fee statement is objected to shall have the option of either: (i) filing the objection together with a request for payment of the disputed amount with the Court, or (ii) receiving 80% payment on the undisputed amounts, and foregoing payment of the disputed amount until the next interim fee application hearing, at which time the Court would consider and dispose of the objection if payment of the disputed amount is requested.
- d. The Conservator will be required to pay promptly that percentage set forth above of any portion of the fees and disbursements requested that

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1 are not subject to the Notice of Objection to Fee Statement, from  
2 available funds.

3 12. The first statements may be submitted by the Conservator, Conservator's  
4 Counsel, and the Professionals prior to the entry of an Order on this Motion.

5 13. Commencing September 1, 2005, and each four months thereafter ("Fee  
6 Period"), each of the professionals must file with the Court and serve upon all the parties  
7 a "Notice of Application for Interim Court Approval and Allowance of Compensation and  
8 Reimbursement of Expenses Requested by the prior Fee Period" (the "Interim Fee  
9 Application"). Copies of the pleadings and billing statements will be made available to all  
10 parties on the "Conservators website and any website established by the Creditor's  
11 Committee. Any other party in interest that is entitled to notice shall receive a Notice of  
12 Filing of Interim Fee Application which shall state the amounts of fees and expenses  
13 requested in the Application. Any Objections to Interim Fee Applications shall be filed  
14 within twenty (20) days of service of the Application. If no objections are received, the  
15 Court shall enter an order without hearing. If an objection is filed, the Court shall set a  
16 hearing to resolve the objection(s).

17 14. The pendency of an objection to an Interim Fee Application or a Court  
18 Order declaring that the payment of compensation or reimbursement of expenses was  
19 improper shall not disqualify a Professional from the future payment of compensation or  
20 reimbursement of expenses as set forth above, or at a hearing on such professional's Final  
21 Fee Application.

22 15. Neither the payment of, nor the failure to pay, in whole or in part, monthly  
23 interim compensation and reimbursement as provided herein shall bind any party or the  
24 Court with respect to the allowance or disallowance of an Interim Fee Application.

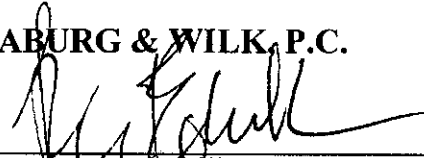
25 16. The procedure shall not be applicable to professionals covered by any  
26 existing Order of the Court preventing monthly interim payments.


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1 **III. Conclusion.**

2 17. Accordingly, based upon the foregoing, the Movants respectfully request  
3 that this Court grant this Motion in its entirety.

4 DATED this 6 day of June, 2005.

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6 **JABURG & WILK, P.C.**  
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9 Lawrence E. Wilk  
10 Attorneys for James C. Sell, Conservator

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12 **QUARLES & BRADY STREICH LANG, LLP**  
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15 Gerald L. Shelley  
16 Attorneys for Creditors' Committee

17 **ORIGINAL** filed and **COPY**  
18 of the foregoing hand-delivered this  
19 8th day of June, 2005 to:

20  
21 The Honorable Barry C. Schneider  
22 MARICOPA COUNTY SUPERIOR COURT  
23 101 West Jefferson, CCB 13A  
24 Phoenix, Arizona 85003-2243  
25 **COPIES** of the foregoing mailed  
26 this 8th day of June, 2005 to:

<p>21 Wendy L. Coy, Esq. 22 ARIZONA CORPORATION COMMISSION 23 SECURITIES DIVISION 24 1300 West Washington, 3<sup>rd</sup> Floor 25 Phoenix, Arizona 85007 26 <i>Attorney for Plaintiff</i></p>	<p>21 Keith Beauchamp, Esq. 22 LEWIS &amp; ROCA, LLP 23 40 N. Central Avenue 24 Phoenix, Arizona 85004-4429 25 <i>Attorney for Duane Slade and Guy Williams</i></p>
<p>25 J. Grant Woods 26 GRANT WOODS P.C. 27 1726 N. Seventh Street 28 Phoenix, Arizona 85006-2200 <i>Attorney for Duane and Jennifer Slade And Guy and Lisa Williams</i></p>	<p>25 Gerald L. Shelley, Esq. 26 QUARLES &amp; BRADY STREICH LANG, LLP 27 Two N. Central Avenue 28 Phoenix, Arizona 85004-2391</p>

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*Janet R*

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