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Counsel for the Rev Op Group

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re: MORTGAGES LTD., Debtor.	In Proceedings Under Chapter 11 Case No. 2:08-bk-07465-RJH **EMERGENCY MOTION FOR ENTRY OF ORDER: (I) CLARIFYING CHAPTER 11 PLAN, CONFIRMATION ORDER, AND OTHER MATTERS RELEVANT TO TRANSFER DECISION OF PASS-THROUGH INVESTORS; AND (II) EXTENDING THE TRANSFER DECISION DEADLINE** Hearing Date: Not Yet Set Hearing Time: Not Yet Set

This Motion is filed by Rev Op investors who collectively hold approximately $58.4 million in Rev Op investments, as more specifically identified on Exhibit "A" attached hereto (collectively, the **"Rev Op Group"**). Pursuant to this Motion, the Rev Op Group requests entry of an order clarifying the chapter 11 plan dated March 12, 2009 (the **"Plan"**),[1] and this Court's order confirming the Plan dated May 20, 2009 (the

[1] Unless otherwise defined herein, all capitalized terms in this Motion will have the meaning ascribed to such terms in the Plan.

“**Confirmation Order**”). Because it is likely the issues addressed herein will take more than two weeks to resolve, the Rev Op Group requests that the Court extend the transfer decision date (discussed below) for another forty-five days beyond the existing deadline of September 28, 2009. In support of this Motion, the Rev Op Group submits as follows:

INTRODUCTION

1. The Plan was confirmed in May 2009. Under the Plan, Pass-Through Investors were originally given until sixty days after the Effective Date to decide whether to transfer their fractional interests in Notes and Deeds of Trust to the applicable Loan LLCs. See Confirmation Order, ¶W, p.15. This decision was, and remains, strictly voluntary.[2]

2. On August 6, 2009, the ML Manager LLC filed a motion to extend the sixty-day deadline for another forty-five days. Pursuant to its Order dated August 6, 2009, the Court granted the extension request, so the deadline for the transfer decision is presently September 28, 2009.

3. But for the fact that the ML Manager LLC filed its extension motion, the Rev Op Group would have filed its own extension motion. Serious issues remain outstanding which need to be resolved before any Pass-Through Investor should be required to make its transfer decision. Despite various informational meetings between the Investor Committee, the Board of the ML Manager LLC, and the Pass-Through Investors, the Rev Op Group (and presumably other Pass-Through Investors) are in need of answers to basic questions that, to date, have remained unanswered.

4. The Rev Op Group is aware of the fact that the Court already ruled the Disclosure Statement contained adequate information for purposes of voting on the Plan. The reality of the situation, however, is that the Plan and its operative documents are

[2] Hereinafter, a Pass-Through Investor who decides to transfer his or her interest is referred to as a “**Transferring Investor**”; whereas, an investor who decides not to transfer his or her interest is referred to as a “**Non-Transferring Investor**.” For the sake of simplicity, the Notes and Deeds of Trust will simply be referred to as the “**Notes**.”

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exceedingly complex and subject to different interpretations. Plus, there were a number of last minute changes and settlements folded into the Plan, and various key documents (including the documentation related to the Exit Financing and the so-called inter-borrower agreement) were finalized ***after*** entry of the Confirmation Order.

5. Thus, the Court needs to enter an order clarifying the issues set forth herein, so that all Pass-Through Investors will have the benefit of this information before making their final transfer decision ***and*** so that all Investors and other parties in interest will understand how these key issues will be addressed under the Plan.

6. Most of the issues may be boiled down to two things: (i) whether the ML Manager LLC or the Non-Transferring Investor has the right to make key decisions about the Notes; and (ii) the extent to which the ML Manager LLC has the authority and power to impose expenses or any other kind of assessments on Non-Transferring Investors. Analysis of these issues requires a review of relevant provisions of the Disclosure Statement, Plan, and Confirmation Order.

DISCLOSURE STATEMENT, PLAN, AND CONFIRMATION ORDER LANGUAGE RELEVANT TO THIS MOTION

7. A threshold question that must be addressed by the Court is whether the ML Manager LLC "stands in the shoes" of the Debtor under the various agency agreements and other contracts that purportedly exist between the Debtor and the Pass-Through Investors. The record before the Court does not provide an answer to this question.

8. The Disclosure Statement provides some discussion on this topic. On page 7 of the Disclosure Statement, the Investors Committee disclosed the following:

> If a Pass-Through Investor decides not to transfer an interest into the applicable Loan LLC for a specific Loan, then the Pass-Through Investor will continue to hold a fractional interest in the Note and Deed of Trust or the title to the property if it has already been foreclosed upon in their name, however the costs of enforcing the Loan and the expenses related to that Loan will be assessed against the Pass-Through Investor as provided for in the existing documents. The benefits and protections of the Loan LLC and the use of the Exit Financing ***will not be available*** to such Pass-Through

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> Investor and such Pass-Through Investor will be subject to the existing Subscription and Agency Agreement fees and provisions which will be enforced by the ML Manager LLC and may be subject to lawsuits by Borrowers. The existing Agency Agreements and other contracts to which the Pass-Through Investors are parties ***may be transferred*** by the Debtor to the ML Manager LLC, at the option of the Plan Proponent depending on the tax consequences.

Disclosure Statement, p.7 (emphasis added).

9. Paragraph 4.13 of the Plan touches on this issue and states, in relevant part, as follows:

> **Distributions for Loan LLCs.** Each Loan LLC will distribute funds to its members pro rata based on their respective membership percentages in such Loan LLC as set forth in the operating agreement for each of the Loan LLCs. Any Pass-Through Investor that does not transfer its fractional interests into a Loan LLC will receive its distribution pursuant to an existing Agency Agreement and other contracts ***which may be assigned*** to the ML Manager LLC.

Plan, ¶4.13 (emphasis added).

10. Paragraph U of the Confirmation Order specifically modifies Paragraph 4.13 of the Plan, and provides, in relevant part, as follows:

> Before such distributions are made, Pass-Through Investors who retain their fractional interests in the ML Loans shall be assessed their proportionate share of costs and expenses of serving [*sic*][3] and collecting the ML Loans in a fair, equitable and nondiscriminatory manner and shall be reimbursed in the same manner as other Investors.

Id., ¶U(3), p.12.

11. Finally, Paragraph G of the Confirmation Order states, in relevant part, as follows:

> The Debtor, the Plan Proponent and the Board of Managers are authorized to take all actions to consummate the terms of the Plan and to establish the various entities, including but not limited to . . . transfer the existing agency agreements, powers of attorney, servicing agreements, and related contracts between Investors or MP Funds and the Debtor to the ML Manager LLC."

Confirmation Order, ¶G, pp.6-7.

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[3] Presumably, the word "serving" was intended to mean "servicing."

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12. What remains to be clarified is whether any Pass-Through Investor agency agreement, subscription agreement, or other contract with the Debtors has been assigned or otherwise transferred to the ML Manager. What is likewise unclear is how these Plan and other provisions work in light of the law addressing executory contracts.

13. A form of agency agreement, along with a form of subscription agreement and loan purchase agreement, are attached hereto, respectively, as Exhibits B1, B2, and B3. While this issue would have to be addressed on an investor-by-investor basis,[4] it is fairly obvious that the form of agency agreement attached hereto is probably an executory contract unless it has been terminated by a party thereto, or by operation of law. Thus, the Plan's treatment of executory contracts is relevant.

14. Article III of the Plan contains the standard provision that any executory contract not otherwise assumed is rejected on the Confirmation Date, but it specifically states the agreements between the Debtor and Investors "will be handled pursuant to [Paragraph] 4.11 of the Plan." Paragraph 4.11 of the Plan, however, provides the option to transfer the agency agreements to the Plan Proponent – i.e., the Investor Committee. As of the date hereof, it is totally unclear whether the Investor Committee exercised this option with respect to any, let alone all, contracts between the Debtors and Pass-Through Investors.[5]

15. The lack of clarity on these issues is contrary to the best interests of ***all*** Investors. For example, the ML Manager LLC's ability to represent the interests of the

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[4] Exhibits B1, B2, and B3 hereto are form documents that were included as exhibits to the Private Offering Memorandum dated July 10, 2006. The Rev Op Group is informed and believes there are various forms of agency agreements that were used by the Debtor. Obviously, if the ML Manager LLC takes the position that any particular Pass Through Investor is subject to the terms of an agency agreement (or any other agreement), then such an agreement has to ***exist*** and had to be binding on the parties thereto as and when the ML Manager LLC "stepped into the shoes" of the Debtor.

[5] The Investor Committee no longer exists. Thus, a legitimate question to ask is, if the Investor Committee did not exercise this option, is it still possible for any of these contracts to be transferred to the ML Manager LLC?

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Investors after the Effective Date has already been called into question by at least one Judge. Specifically, Judge Redfield T. Baum entered a May 12, 2009 minute entry in the Riverfront bankruptcy case, which raised doubts about the ability of the ML Manager LLC to act on behalf of the holders of the Notes. See Minute Entry attached hereto as Exhibit "C." Thus, the Rev Op Group believes a number of clarifications need to be made with respect to the Plan and the various agency agreements (and other agreements) that may or may not have been executed by Pass-Through Investors and the Debtor.

16. ***First***, the Court needs to enter an order clarifying the status of the agency agreements, the subscription agreements and any other agreement as they relate to the Rev Op Group. Specifically, ML Manager needs to state whether it is the assignee/transferee of any of these agreements ***and*** which specific contracts it contends are binding on which members of the Rev Op Group.[6]

17. ***Second***, the ML Manager LLC should clarify ***how*** it purportedly came to hold these contractual rights. The Rev Op Group is entitled to know who made this decision – the Investor Committee or the ML Manager LLC – and the details thereof. Neither the Rev Op Group members nor any of the other Pass-Through Investors should be held to a contract without a clear record of how the other party contends it "stepped into the shoes" of their alleged counterparty, the Debtor.

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[6] This issue is complex. Prior to the Confirmation Date, the Investors Committee and its counsel often said that, if Pass-Through Investors did not transfer their Notes to the applicable Loan LLCs, then they simply would be held to their agency agreement. The Rev Op Group said then, and reiterates now, it is not that simple. Presumably, there are three potential agreements with Pass-Through Investors that are at issue: (i) the Revolving Opportunity Loan Program Purchase Agreement; (ii) the Subscription Agreement; and (iii) the Agency Agreement. (If there are other agreements, the Pass-Through Investors are entitled to know which ones they are purportedly being held to, how, and by whom.) A legitimate question that may need to be answered is whether all or some of these agreements, if effective, were and are integrated with one another and whether they are severable. See, e.g., In re Pollock, 139 B.R. 938, 940-41 (BAP 9th Cir. 1992); In re Gardinier, 831 F.2d 974, 976 (11th Cir. 1987).

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18. This issue is not without a level of complexity. Clearly, the Debtor did not assume or assign any of these contracts prior to the confirmation date as required under section 365(d)(2) of the Bankruptcy Code. Perhaps the ML Manager LLC believes all of these contracts "rode through" the bankruptcy without being assumed or assigned. See In re Hernandez, 287 B.R. 795 (Bankr. D. Ariz. 2002) (J. Hollowell). In any event, the Rev Op Group and all other Pass-Through Investors are entitled to know the full details behind this situation if the ML Manager LLC is going to attempt to enforce any contractual provisions on them.

19. ***Third,*** if the ML Manager LLC is now the counterparty under any agency agreement or other agreement, the Court should enter an order clarifying whether ML Manager LLC has a right to assess expenses against the Rev Op Group under any such agreements without regard to any setoff rights that they may have due to their claims against the Debtor under their applicable agreements. See In re De Laurentis Entertainment Group Inc., 963 F.2d 1269 (9th Cir. 1992).

20. ***Fourth***, to the extent that the ML Manager LLC has the right to enforce the contractual provisions set forth in the Agency Agreements or other agreements against any of the Rev Op Group members, the Court should clarify that the ML Manager LLC does not have the right to impose any of the expenses or other terms/provisions of the Exit Financing on the Rev Op Group.

21. ***Fifth***, to the extent that the ML Manager LLC has the right to enforce the contractual provisions set forth in the Agency Agreements or other agreements against any of the Rev Op Group members, the Court should clarify that the ML Manager LLC does not have the right to impose the ten percent (10%) disposition incentive payment or loan repayment provisions[7] set forth in the Exit Financing on the Rev Op Group.

[7] Exhibit O of the Disclosure Statement is the Exit Financing term sheet. On page 3 of the term sheet, the various borrowers are obligated to allow seventy percent (70%) of all cash distributions to be paid to the lender.

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NOTE CONTROL AND DECISION-MAKING

22. Prior to the Effective Date of the Plan, Pass-Through Investors held undivided interests on the various Notes. Control and decision-making regarding the Notes were handled pursuant to an agency agreement and, often, through informal agreements and communications between Pass-Through Investors and representatives of the Debtors.

23. The Plan changes this control arrangement for Transferring Investors. Transferring Investors transfer their interests to the Loan LLCs in exchange for membership interests in the Loan LLCs and effectively turn over control and decision-making authority to the Board of the ML Manager LLC except with respect to "major decisions." See Disclosure Statement, Ex. L, ¶5.4, p.11.

24. With respect to Non-Transferring Investors, control and decision-making issues remain. Prior to the Confirmation Date, the Investor Committee espoused two separate theories as to how decisions would be made relative to the Notes. Investors were told they would have "tenant in common" rights. They were also told the ML Manager LLC might attempt to enforce the agency agreements and other contracts to make decisions on behalf of Non-Transferring Investors.

25. Assuming the ML Manager LLC contends it has the right to make any decisions with respect to the Notes of Non-Transferring Investors, the time to clarify these issues is now. This needs to be clarified in three specific ways.

26. ***First*,** the Court should clarify whether the ML Manager LLC has the authority to settle, compromise, or sell the Notes of Non-Transferring Investors without the consent of the Non-Transferring Investors and, if so, pursuant to what document or what legal theory.

27. ***Second*,** the Court should clarify whether the ML Manager LLC has the authority to pledge the Notes of Non-Transferring Investors to any third party without the

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consent of the Non-Transferring Investors and, if so, pursuant to what document or what legal theory.[8]

28. ***Third***, the Court should clarify whether the ML Manager LLC has the authority to foreclose on the collateral underlying the Notes of Non-Transferring Investors and/or sell the underlying collateral without the consent of the Non-Transferring Investors and, if so, pursuant to what document or what legal theory.

THE INTER-BORROWER AGREEMENT

29. Paragraph 4.15 of the Plan addresses the Exit Financing and other related matters. Paragraph 4.15 specifically addresses the so-called inter-borrower agreement and states, in relevant part, as follows:

> It is anticipated that the parties[9] will also enter into an inter-borrower agreement to allocate amongst themselves the use of funds and the repayment of the Exit Financing, among other things. The entities shall keep sufficient records of the use of funds and the repayment of the loan so that a proper allocation and accounting may be made.

Plan, ¶4.15, p.41.

30. On or about June 11, 2009, the ML Manager LLC, the Liquidating Trust and each of the Loan LLCs formed under the Plan entered into that certain Inter-Borrower Agreement (the "Inter-Borrower Agreement"). Before making any transfer

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[8] In the Disclosure Statement, the Investors Committee made it clear that Non-Transferring Investors would not have the benefit of the Exit Financing. See Paragraph 8 above. Yet, the Inter-Borrower Agreement suggests that the Non-Transferring Investors somehow could be responsible for "a share of the Loan or costs funded by the Loan proceeds . . ." See Note 11 infra. If Pass-Through Investors are not entitled to the benefit of the Exit Financing, they cannot be held responsible for repaying the Exit Financing or bearing any of the expense of the Exit Financing.

[9] In the preceding sentence, the Plan states: "It is possible that Exit Financing will be needed to be entered into by the lender as the lender and by the Liquidating Trust, the ML Manager LLC, the Loan LLCs and/or the Reorganized Debtors as co-Borrowers with joint and several liability." Id. Thus, the "parties" referenced in Paragraph 4.15 (quoted above) presumably are these same parties.

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decision, the Rev Op Group believes three clarifications are required with respect to the Inter-Borrower Agreement, especially since this agreement purports to allocate millions of dollars among the various Loan LLCs and, at least indirectly, Non-Transferring Investors.[10]

31. ***First*,** the ML Manager LLC should clarify whether any changes have been made to the Inter-Borrower Agreement since June 11, 2009. If material changes have been made, all Investors are entitled to know who made such changes, under what authority, and the nature of such changes.

32. ***Second***, the ML Manager LLC should clarify whether any additional changes to the Inter-Borrower Agreement are contemplated by the ML Manager LLC and/or the Liquidating Trust, whether any further changes will be made without prior notice to Investors, and, if so, under what authority.

33. ***Third***, the Court should clarify that the Inter-Borrower Agreement and any amendments thereto must be filed with the Court. The Inter-Borrower Agreement is an enormously important document since it allocates repayment of the Exit Financing and a massive amount of expenses. In this kind of case, transparency is critical. Thus, the Inter-Borrower Agreement and any amendments thereto should be available for all Investors and other interested parties to review.

ACCOUNTING

34. Paragraph 4.15 of the Plan states that a proper allocation of expenses and related record-keeping will be needed in connection with the Inter-Borrower Agreement. Otherwise, the Plan is conspicuously silent in terms of the ML Manager LLC providing

[10] See, for example, the definition of Allocated Loan Share in the Inter-Borrower Agreement, whereby the Loan LLC Group is given the benefit of a deduction for costs paid by Non-Transferring Investors. Interestingly, the Inter-Borrower Agreement, which was finalized after entry of the Confirmation Order, suggests that Non-Transferring Investors might be responsible to "pay a share of the Loan or costs funded by the Loan proceeds." Inter-Borrower Agreement, p.2.

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Investors with an accounting of the various expenses and charges that may be imposed under the Plan.

35. The Court should enter an order clarifying that the ML Manager is required to provide a commercially reasonable accounting of all expenses and any other charges assessed against any Investor, including the Rev Op Group, and a commercially reasonable accounting of all expenses and other charges allocated pursuant to the Inter-Borrower Agreement.

ORAL PLAN AMENDMENTS

36. In at least two places, the Confirmation Order references stipulations and oral modifications that may have been made to the Plan during the Confirmation Hearing. Confirmation Order, ¶B, p.5., ¶¶BB, pp.16-17. To the extent that non-material oral modifications were made to the Plan at the Confirmation Hearing, then the Rev Op Group obviously has no concerns. However, the record should be clarified in this regard.

LEGAL AUTHORITY

37. It is black-letter law that this Court retains jurisdiction and has the authority to interpret its own orders. In re Taylor, 884 F.2d 478 (9th Cir. 1989); In re Franklin, 802 F.2d 324 (9th Cir. 1986). This principle extends to issues arising under the interpretation of a confirmed chapter 11 plan. See, e.g., Hawaiian Airlines, Inc. v. Mesa Air Group, Inc., 355 B.R. 214, 218 (D. Hawaii 2006) (citing In re Petrie Retail, Inc., 304 F.3d 223, 230 (2d Cir. 2002)).

38. The Investor Committee set up the right-to-transfer mechanism that was, and is, available to the Rev Op Group and all other Pass-Through Investors. The issues raised in this Motion need to be clarified and resolved before the Rev Op Group makes its transfer decision. Thus, it is necessary and appropriate for the Court to enter an order clarifying the issues addressed herein.

39. Without laying blame on anyone, the Rev Op Group believes that one of the core challenges that existed in this proceeding to date is that various parties were trying to accomplish too many things in very short periods of time. The Rev Op Group

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believes that the issues raised in this Motion can and should be resolved in a consensual manner by the various key players – the ML Manager LLC, the Liquidating Trust, and the Investors, including the Rev Op Group.

40. At the request of the ML Manager LLC, the Court set September 28, 2009 as the deadline for the transfer decision by all Pass-Through Investors. The Rev Op Group believes more time beyond September 28, 2009, will be needed to address these issues. Therefore, the Rev Op Group requests that the Court extend the September 28 deadline for another forty-five days, to avoid yet another situation where very important issues are addressed in a matter of a couple of days. For the reasons set forth herein, cause exists to extend this deadline. See Fed. Bankr. R. 9006(b).

CONCLUSION

For all of the foregoing reasons, the Rev Op Group requests that the Court enter an order clarifying the above-referenced issues; extending the September 28 deadline by another forty-five days; and granting the Rev Op Group any other and further relief as may be just and proper under the circumstances of this Chapter 11 case.

DATED this 14th day of September, 2009.

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EXHIBIT "A"

Rev Op Group Member	Principal Amount Due[1]
AJ Chandler 25 Acres, LLC	5,250,836.88
Bear Tooth Mountain Holdings, LLP	5,578,906.39
Yuval Caine and Mirit Caine	750,000.00
Cornerstone Realty & Development, Inc.	75,000.00
Cornerstone Realty & Development, Inc. Defined Benefit Plan and Trust	525,000.00
Revocable Living Trust of Melvin L. Dunsworth, Jr.	6,000,000.00
Evertson Oil Company, Inc.	1,000,000.00
Ronald Kohner	1,077,338.70
The Lonnie Joel Krueger Family Trust	2,180,000.00
Brett M. McFadden	1,000,000.00
Michael Johnson Investments II, L.L.C.	1,000,000.00
Louis B. Murphey	6,000,000.00
Pueblo Sereno Mobile Home Park L.L.C.	6,907,963.58
Queen Creek XVIII, L.L.C.	6,546,458.49
Morley Rosenfield, M.D. P.C. Restated Profit Sharing Plan	1,639,550.00
The James C. Schneck Revocable Trust	6,820,000.00
Trine Holdings, L.L.C.	2,372,445.06
Weksler-Casselman Investments	500,000.00
William L. Hawkins Family L.L.P.	3,165,922.43
TOTAL	**$58,389,421.53**

[1] Amounts herein are as set forth in filed Proofs of Claim. To be clear, the Rev Op Group reserves all rights with respect to the claims summarized herein, which are subject to the Conditions and Reservation of Rights attached to the Rev Op Group members' respective Proofs of Claim.

EXHIBIT “B1”

AGENCY AGREEMENT

THIS AGENCY AGREEMENT (this "Agreement") dated effective as of _________________, 2_____, is between Mortgages Ltd. ("Agent") and _________________________________ ("Participant").

Background

This Agreement is executed in connection with all loans (each a "Loan" and collectively, the "Loans") with respect to which Participant may hold Pass-through Loan Participations pursuant to any program sponsored by Agent, including the Annual Opportunity™ Loan Program, the Capital Opportunity® Loan Program, the Opportunity Plus® Loan Program, the Revolving Opportunity™ Loan Program, and the Performance Plus® Loan Program (collectively, the "Programs"), all as described in the Private Offering Memorandum of Agent relating to the Programs.

Agreement

Participant and Agent (collectively, the "Parties") agree as follows.

1. **APPOINTMENT AND AUTHORITY OF AGENT.**

Participant appoints Agent to act as Participant's agent with regard to the Loans and the Loan Documents (as defined below). Participant agrees that Agent will be named as the lender/payee/beneficiary (as agent for Participant) under the Loan Documents. Notwithstanding the foregoing, Participant may notify Agent in writing that Participant desires to obtain a separate assignment of the beneficial interest in any of the deeds of trust that are executed in connection with any of the Loans. Upon receipt of such written notice, Agent will comply with Participant's request provided that the Parties agree that all other provisions of this Agreement (including all other rights and powers of Agent) shall remain in full force and effect.

Participant authorizes Agent to perform all of the tasks described in this Agreement on Participant's behalf, at Agent's sole discretion. Participant irrevocably appoints, with full power of substitution, Agent as its true and lawful attorney-in-fact, with authority to sign and endorse all documents and perform any other task to effectuate the intent of this Agreement. This power is a power coupled with an interest, and such power is irrevocable and shall remain in full force and effect until renounced by Agent.

a. **Account Servicing.** In order to aid Agent's management of Participant's investment in the Loans, Agent may do any of the following at the sole discretion of Agent:

(1) Request from Participant, Participant's percentage ratio of any delayed fundings to any borrower (each a "Borrower" and collectively, the "Borrowers") under the Loan Documents related to any Loan, which funds Participant shall deliver to Agent within three business days to be held or disbursed by Agent pursuant to the Loan Documents. If Participant fails to deliver the funds to Agent within the specified time period, Agent may, at its option, do the following:

(a) Divide Participant's total funding of any Loan by the face amount of such Loan to determine Participant's current percentage ratio and transfer to a new investor the difference between Participant's assigned percentage ratio and Participant's current percentage ratio; or

(b) Liquidate Participant's investment in any Loan and transfer all of Participant's assigned percentage ratio in the Loan to a new participant.

(2) Hold the originals of the promissory note, deed of trust and all other documents signed by any Borrower or any guarantor in connection with any Loan (collectively, the "Loan Documents").

(3) Service and administer the Loans in any manner provided by the applicable Loan Documents.

(4) Process payments with respect to any Loan from any Borrower or any other payor (each a "Borrower Payment") as follows:

(a) Upon receipt of a Borrower Payment, deposit that Borrower Payment in an account held by Agent, and transmit or deposit the appropriate funds to Participant.

(b) Agent may delay disbursing funds to Participant from any Borrower Payment until funds from the applicable Borrower or the applicable payor are collected by Agent's financial institution.

(c) If a Borrower Payment is returned by the financial institution of the Borrower or the applicable payor, Agent may send a notice to the applicable Borrower or the applicable payor requesting payment of the past due amount, together with interest at the default interest rate provided for in the Loan Documents.

(5) Assess and process all fees and charges set forth in the Loan Documents, including administrative fees, notice fees and late charges.

(6) Apply any funds received by Agent to the fees and costs incurred or assessed by Agent before applying the funds to the amounts owing under the Loan Documents. These fees and costs include notice fees, service fees, administrative fees, inspection fees, appraisal fees, expert fees, attorneys' fees, litigation costs, forced placed insurance premiums, late charges and guarantor collection expenses (as described herein). Any insurance placed by Agent may be placed with an affiliate of Agent or captive insurance company.

(7) Retain deposits received under the Loan Documents as impounds for the payment of the following: (a) future payments due; (b) taxes and assessments; (c) construction expenses; (d) insurance premiums; (e) extension fees; (f) administration fees; and (g) any other expenditure required under the Loan Documents.

Any impound account may be held in the name of Agent for the benefit of Participant and others, and Agent may apply and/or disburse any such deposits in accordance with the Loan Documents.

(8) Evaluate, effectuate and process an assumption of any Loan, and assess and receive an assumption fee and/or an interest rate increase.

(9) Sign, file and record all documents which are reasonable or desirable to facilitate servicing of the Loans and administration of the Programs, including: (a) deeds of release and reconveyance (full and partial); (b) endorsements and assignments of the Loan Documents (including assignments of all or a portion of the beneficial interest of any deed of trust included in the Loan Documents); (c) corrections, amendments and extensions of the Loan Documents; (d) disclaimers; (e) financing statements; and (f) assumptions and certifications.

(10) To the extent permitted by law, upon Participant's request, hold funds from the full or partial payoff of any Loan in Agent's trust account pending Participant's written direction as to the use of such funds.

b. **Collection**. In order to protect Participant's interests in the Loans, Agent may do any of the following at Agent's sole discretion:

(1) Correspond directly with any Borrower at any time on any matter regarding any Loan or the Loan Documents, including sending notices of delinquency and default, and demands for payment and compliance.

(2) Incur fees, costs and expenses deemed necessary by Agent to protect Participant's interests under the Loan Documents.

(3) Incur fees, costs and expenses deemed necessary by Agent to protect the property securing any Loan (each a "Trust Property"), including insurance premiums, receiver fees, property manager fees, maintenance expenses and security expenses.

(4) Negotiate, accept and/or process partial payments of amounts due and owing under the Loan Documents.

(5) Send the applicable Borrower a request to deposit sufficient funds for delinquent real estate taxes and insurance premiums (including forced placed insurance) relating to the applicable Trust Property.

(6) Obtain forced placed insurance on any portion of the applicable Trust Property if the applicable Borrower fails to maintain insurance as required by the Loan Documents.

(7) Sign, file and record all documents Agent deems necessary to protect Participant's interests and/or pursue Participant's remedies upon default, including a statement of breach or non-performance, a substitution of trustee, a notice of election to foreclose, an affidavit of non-military service, a notice of proposed disposition of collateral and various verifications.

(8) In the event of default, commence foreclosure of the applicable Trust Property, initiate a trustee's sale and/or institute any proceeding necessary to collect the amounts due under the applicable Loan Documents or to enforce any provision therein, including: (a) pursuing an action against the applicable Borrower or any guarantor of the Loan; (b) pursuing injunctive relief, the appointment of a receiver, provisional remedies or a deficiency judgment; (c) pursuing claims in bankruptcy court; (d) pursuing an appeal; (e) collecting rents; or (f) taking possession of and/or operating the applicable Trust Property.

(9) Amend the Loan Documents.

(10) Facilitate the sale of Participant's interests in the Loan Documents by communicating with potential purchasers or their agents and by providing information regarding any Loan to third parties, including copies of the Loan Documents and accounting information related to any Loan.

(11) Retain attorneys, trustees and other agents necessary to collect the amounts due under the Loan Documents, to protect the applicable Trust Property and/or to proceed with foreclosure of the applicable Trust Property, initiate a trustee's sale and/or institute, defend, appear or otherwise participate in any proceeding (legal, administrative or otherwise) that Agent deems necessary.

(12) Incur and pay such costs, expenses and fees as Agent deems appropriate in undertaking and pursuing enforcement of the Loan Documents and/or collection of amounts owed thereunder, including attorneys' fees, receiver fees, trustee fees, expert fees, notice fees and any fees, costs and expenses incurred in an effort to collect against a guarantor of any Loan.

(13) Request and receive payments from Borrowers or Participant as advances in order to pay such fees, costs and expenses incurred by Agent in accordance with this Agreement and/or the Loan Documents.

c. **Compensation**. As compensation for the services provided by Agent, Agent may do any of the following in its sole discretion:

(1) Retain fees and charges assessed under the Loan Documents and collected by Agent, including commitment fees, originations fees or points, late charges, maturity late charges, administrative fees, property inspection fees, prepayment penalties or premiums, notice fees and services.

(2) Deduct from payments received by Participant a portion of the interest payments on any Loan in which Participant acquires an interest in an amount determined by Agent at the time of the origination of such Loan and/or a servicing fee.

(3) Collect and retain any interest on the principal balance of any Loan which is over and above the normal rate set forth in the applicable promissory note, including the default interest rate provided for in the applicable Loan Documents.

(4) Collect and retain any interest that accrues on any impound accounts to the extent permitted by applicable law.

(5) Collect and retain any assumption fees and charges.

(6) Collect and retain any extension fees and forbearance fees.

d. **Sale of Interest**. If Participant owns less than 100% interest in any Loan being serviced by Agent under a Servicing Agent Agreement, Agent, in its sole discretion, may liquidate Participant's interest. Upon payment to Participant, Agent will, upon direction of Participant, use commercially reasonable efforts to reinvest any funds received by Participant in a new Loan.

2. ACCOMMODATION.

Agent provides its services as an accommodation only, and shall incur no responsibility or liability to any person, including Borrowers and Participant, for any act or omission by Agent or any person or entity acting for Agent.

3. ASSIGNMENT, RESIGNATION AND TERMINATION.

a. Agent shall have the right to assign the collection account or resign as Agent at any time, provided that Agent notifies Participant of such assignment or resignation in writing.

(1) If Agent assigns the collection account, Agent will deliver all Loan Documents, directions and account records to assignee, at which time Agent will have no further duties or liabilities hereunder.

(2) If Agent resigns, Participant shall have the right to designate a new collection agent and Agent shall deliver to Participant all Loan Documents, directions and account records to Participant or the newly designated collection agent, at which time Agent will have no further duties or liabilities hereunder.

b. If the ownership of any Trust Property becomes vested in Participant, either in whole or in part, by trustee's sale, judicial foreclosure or otherwise, Agent may enter into one or more real estate broker's agreement on Participant's behalf for the sale of the applicable Trust Property, enter into a management and/or maintenance agreements for management or maintenance of the applicable Trust Property, if applicable, may acquire insurance for the applicable Trust Property, and may take such other actions and enter into such other agreements for the protection and sale of the applicable Trust Property, all as Agent deems appropriate in its sole discretion. Any real estate broker engaged by Agent may be an affiliate of Agent. Participant may terminate this Agreement after it becomes the sole owner of the Trust Property by written notice to Agent and payment of the fees, costs and expenses incurred by Agent as provided herein.

c. Upon Agent's assignment or resignation, or termination of this Agreement, Participant shall immediately reimburse Agent for all fees, costs and expenses incurred

hereunder and pay Agent all compensation due. After such reimbursement and payment, Participant shall have no further duties to Agent, except indemnification of Agent.

4. **INDEMNITY**

a. Participant shall indemnify, protect, defend and hold Agent harmless for, from and against all liabilities incurred by Agent in performing under the terms of this Agreement or otherwise arising, directly or indirectly, from any Loan or the Loan Documents, including all attorneys' fees, insurance premiums, expenses, costs, damages and expenses.

b. If Agent requests that Participant pay any amount owed hereunder, Participant shall remit that amount to Agent as soon as possible, but in no event later than five business days of Agent's request.

5. **PARTICIPANT'S OBLIGATIONS**

a. **Execution of Documents**. Agent is authorized to sign all documents Agent deems necessary to facilitate loan servicing or collection. However, if it is necessary, Participant shall sign any documents Agent deems necessary to facilitate loan servicing or collection, including deeds of release and reconveyance (full and partial), endorsements and assignments. If Agent requests Participant sign such a document, then Participant shall sign and deliver that document as soon as possible, but in no event later than five business days of Agent's request.

b. **Failure to Execute Documents**. If Participant fails to sign any of the documents described in Section 5.a. above, Agent shall be authorized to sign any such document. If Agent is prevented from executing a document due to circumstances beyond Agent's control, then Agent shall be entitled to seek indemnification from Participant for any liabilities Agent may incur as a result.

c. **Assignment**. Participant shall have the right to assign its rights in this Agreement at any time upon immediate notification to Agent in writing of any assignment of Participant's rights. Upon assignment, Participant shall immediately reimburse Agent for all fees, costs and expenses incurred hereunder and pay Agent all compensation due. After such reimbursement and payment, Participant shall have no further duties to Agent, except indemnification of Agent.

d. **Breach**. If Participant breaches this Agreement by failing to perform or by interfering with Agent's ability to perform under this Agreement, then Participant shall pay Agent, within 30 days of written notice of breach, administrative fees, attorneys' fees, costs, closeout fees and any other fees or charges owed to Agent as compensation hereunder, along with any additional damages incurred by Agent, whether actual, incidental or consequential.

6. **CONFIDENTIALITY**

a. For the purposes of this Agreement, the term "Confidential Information" as used herein shall include all written and verbal information provided by Agent to Participant in connection with any Loan, whether marked or designated as confidential or not, including information regarding Agent's underwriting criteria or procedures. Except with respect to Agent's underwriting criteria and procedures, which shall in all events constitute Confidential

Information hereunder, the definition of Confidential Information shall not include any information which: (i) is or becomes generally known to third parties through no fault of Participant; or (ii) is already known to Participant prior to its receipt from Agent as shown by prior written records; or (iii) becomes known to Participant by disclosure from a third party who has a lawful right to disclose the information.

b. Participant acknowledges that the Confidential Information is proprietary and valuable to Agent and that any disclosure or unauthorized use thereof may cause irreparable harm and loss to Agent.

c. In consideration of the disclosure to Participant of the Confidential Information and of the services to be performed by Agent on behalf of Participant hereunder, Participant agrees to receive and to treat the Confidential Information on a confidential and restricted basis and to undertake the following additional obligations with respect thereto:

(i) To use the Confidential Information only in connection with the Loans.

(ii) Not to duplicate, in whole or in part, any Confidential Information.

(iii) Not to disclose Confidential Information to any person or entity, without the prior express written consent of Agent.

(iv) To return all Confidential Information to Agent upon request therefore and to destroy any additional notes or records made from such Confidential Information.

(v) Not to give testimony against Agent in any legal proceeding to which Agent is a party, unless compelled to do so by competent legal authority.

d. The standard of care to be utilized by Participant in the performance of its obligations set forth herein shall be the standard of care utilized by Participant in treating Participant's own information that it does not wish disclosed, except that Agent's underwriting criteria and procedures shall be kept absolutely confidential and privileged regardless of whether such knowledge was previously known to Participant or has been or is in the future disclosed to Consultant by third parties.

e. The restrictions set forth in this Section 6 shall be binding upon Participant, its employees, agents, officers, directors and any others to whom any Confidential Information may be disclosed as part of or in connection with any Loan transaction. Participant shall be responsible for any actions of its employees, agents, officers, directors or others to whom it has provided such information with respect to such information.

f. The restrictions and obligations of this Section 6 shall survive any expiration, termination or cancellation of this Agreement and shall continue to bind Participant, its successors and assigns.

g. Participant agrees and acknowledges that the rights conveyed in this Section 6 are of a unique and special nature and that Agent will not have an adequate remedy at law if Participant or anyone acting on Participant's behalf or for whom Participant acted fails to abide

by the terms and conditions set forth herein, nor will money damages adequately compensate for such injury. It is, therefore, agreed between the Parties that upon a breach by Participant of its agreements in this Section 6, Agent shall have the right, among other rights, to obtain an injunction or decree of specific performance to restrain Participant or anyone acting on Participant's behalf or for whom Participant is acting from continuing such breach, in addition to damages sustained as a result of such breach. Nothing in this Agreement shall in any way limit or exclude any other rights granted by law or equity to either of the Parties.

7. GENERAL PROVISIONS

a. This Agreement is binding on the Parties and their agents, personal representatives, heirs, successors, assigns, beneficiaries and trustees.

b. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Arizona, without regard to the choice of law rules of the State of Arizona. The Parties submit to the exclusive jurisdiction of any Arizona State or Federal Court sitting in the City of Phoenix in any action or proceeding arising out of or relating to this Agreement. The Parties waive the defense of an inconvenient forum.

c. The Parties waive the right to a jury trial on any matters arising from this Agreement.

d. This Agreement sets forth the entire agreement and understanding of the Parties with respect to the subject matter hereof and is to be read in consistency and accordance with the Account Application, the Existing Investor Account Agreement, the New Investor Subscription Agreement, and the Loan Documents.

e. This Agreement replaces and supersedes all prior agency agreements between Participant and Agent relating to any of the Loans. All such prior agency agreements are null and void.

f. This Agreement may be amended, modified, superseded, canceled, renewed or extended and the terms and covenants hereof may be waived only by a written instrument signed by Agent and Participant. Agent's failure, at any time, to require performance of any provision of this Agreement shall in no manner affect the right of Agent at a later time to enforce the same. No waiver by Agent of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver by Agent of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

g. If any term or other provision of this Agreement is declared invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect.

h. This Agreement may be signed by the Parties in counterparts. The signature pages may then be attached together constituting an original copy of the Agreement. Copies of signature pages obtained via facsimile shall be effective and binding on the Parties. As used in

this Agreement, the word "include(s)" means "include(s), without limitation," and the word "including" means "including, without limitation."

i. No remedy herein conferred upon or reserved to Agent is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

j. If there is any arbitration or litigation by or among the parties to enforce or interpret any provisions of this Agreement or any rights arising hereunder, the unsuccessful party in such arbitration or litigation, as determined by the arbitrator or the court, shall pay to the successful party, as determined by the arbitrator or the court, all costs and expenses, including attorneys' fees and costs, incurred by the successful party, such costs and expenses to be determined by the arbitrator or court sitting without a jury.

k. Agent is entitled to sign this Agreement on behalf of Participant as the attorney-in-fact of Participant pursuant to the authority granted under the Existing Investor Account Agreement or the New Investor Subscription Agreement executed by Participant.

IN WITNESS WHEREOF, the Parties have signed this Agreement effective as of the date first set forth above.

PARTICIPANT:

MORTGAGES LTD., as attorney-in-fact for Participant

____

By: **Scott M. Coles, CEO**

AGENT:

MORTGAGES LTD.

____

By: **Scott M. Coles, CEO**

EXHIBIT "B2"

MORTGAGES LTD.

NEW INVESTOR SUBSCRIPTION AGREEMENT

In order to subscribe for Pass-Through Loan Participations ("Participations") in loans originated or acquired by Mortgages Ltd., a prospective Investor must complete and execute this Agreement in accordance with the instructions set forth herein. This Agreement, together with the appropriate payment as described herein, should then be returned to:

MORTGAGES LTD. SECURITIES, L.L.C.
55 East Thomas Road
Phoenix, Arizona 85018
Telephone: (602) 264-9374

If your subscription is not accepted, this Agreement and payment will be returned to you. Please be sure that your name appears in exactly the same way in each signature and in each place where it is indicated in this Agreement.

Subscriptions from suitable prospective Investors will be accepted at the sole discretion of the Mortgages Ltd. and Mortgages Ltd. Securities, L.L.C. after receipt of all subscription documents, properly completed and executed, with the appropriate payment.

If you have any questions concerning the completion of this Agreement, please contact Mortgages Ltd. Securities, L.L.C. at (602) 264-9374.

Mortgages Ltd., which is the issuer of the Participations in which you are considering an investment, and Mortgages Ltd. Securities, L.L.C., which is the licensed broker-dealer for the offering of the Participations, are commonly controlled by Scott M. Coles, who is the Chairman and Chief Executive Officer of Mortgages Ltd. and the Managing Member of Mortgages Ltd. Securities, L.L.C.

MORTGAGES LTD.

NEW INVESTOR SUBSCRIPTION AGREEMENT

1. **Subscription**. The undersigned, desiring to purchase Pass-Through Loan Participations ("Participations") in loans originated or acquired by Mortgages Ltd. hereby subscribes for and agrees to purchase Participations as described in that certain Private Offering Memorandum dated July 10, 2006 (the "Memorandum") upon acceptance of this New Investor Subscription Agreement. The offering of Participations (the "Offering") is being made through Mortgages Ltd. Securities, L.L.C. ("MLS").

The undersigned is subscribing for Participations and has enclosed a check or sent a wire transfer payable to Mortgages Ltd. for the Program or Programs in the amount or amounts set forth below:

Subscription Amount	Program
$___________	Capital Opportunity® Loan Program - minimum investment of $50,000.
$___________	Annual Opportunity™ Loan Program - minimum investment of $100,000.
$___________	Opportunity Plus® Loan Program - minimum investment of $100,000.
$___________	Revolving Opportunity™ Loan Program - minimum investment of $500,000.
$___________	Performance Plus® Loan Program - minimum investment of $500,000.

If paying by check, the check must be payable to Mortgages Ltd. No third-party checks will be accepted other than cashier's checks displaying the remitter's name. Wire transfers should be sent as follows:

Bank Name:	Irwin Union Bank, FSB
Bank Address:	2425 East Camelback Road, Suite 250 Phoenix, Arizona 08397-4467
Bank Routing Number:	083974467
Account Name:	Loan Funding Trust
Account Number:	83015651
Contact Person:	Heather Solomon (602) 553-7803

2. **Representations and Warranties**. By executing this New Investor Subscription Agreement, the undersigned:

(a) Represents and warrants that the Account Application and any other personal and financial information previously provided, provided herewith, or subsequently provided by the undersigned to Mortgages Ltd. or MLS was, is, or will be true and correct.

(b) Acknowledges that the undersigned has received, and is familiar with and understands the Memorandum, including the section captioned "Risk Factors."

(c) Acknowledges that the undersigned is fully familiar with Mortgages Ltd. and its business, affairs, and operating policies and has had access to any and all material information, including all documents, records, and books pertaining to Mortgages Ltd., that the undersigned deems necessary or appropriate to enable the undersigned to make an investment decision in connection with the purchase of Participations.

(d) Acknowledges that the undersigned has been encouraged to rely upon the advice of the undersigned's legal counsel, accountants, and other financial advisors with respect to the purchase of Participations, including the tax considerations with respect thereto.

(e) Represents and warrants that the undersigned, in determining to purchase Participations, has relied solely upon the Memorandum and the advice of the undersigned's legal counsel, accountants, and other financial advisors with respect to the purchase of Participations (including the tax aspects thereof) and has been

offered the opportunity to ask such questions and inspect such documents as the undersigned has requested so as to understand more fully the nature of the investment and to verify the accuracy of the information supplied.

(f) Represents and warrants that the undersigned has the full power to execute, deliver, and perform this Agreement and that this Agreement is a legal and binding obligation of, and is enforceable against, the undersigned in accordance with its terms.

(g) Represents and warrants that the undersigned is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act") and satisfies one of the standards set forth in the Memorandum under the section captioned under "Who May Invest" and that the undersigned will inform Mortgages Ltd. and MLS of any change in such accredited investor status.

(h) Represents and warrants that the Participations being acquired will be acquired for the undersigned's own account without a view to public distribution or resale and that the undersigned has no contract, undertaking, agreement, or arrangement to sell or otherwise transfer or dispose of any Participations or any portion thereof to any other person.

(i) Represents and warrants that the undersigned (i) can bear the economic risk of the purchase of Participations, including the loss of the undersigned's investment and (ii) has such knowledge and experience in business and financial matters, including the analysis of or participation in private offerings and real estate investments, as to be capable of evaluating the merits and risks of an investment in Participations or that the undersigned is being advised by others (acknowledged by the undersigned as being the "Purchaser Representative(s)" of the undersigned) such that they and the undersigned together are capable of making such evaluation.

(j) Represents and warrants, if subject to the Employee Retirement Income Security Act ("ERISA"), that the undersigned is aware of and has taken into consideration the diversification requirements of Section 404(a)(3) of ERISA in determining to purchase Participations and that the undersigned has concluded that the purchase of Participations is prudent.

(k) Understands that the undersigned may be required to provide additional current financial and other information to Mortgages Ltd. and MLS to enable them to determine whether the undersigned is qualified to purchase Participations.

(l) Understands that the Participations will not be registered under the Securities Act or the securities laws of any state or other jurisdiction and therefore will be subject to substantial restrictions on transfer.

(m) Agrees that the undersigned will not sell or otherwise transfer or dispose of any Participations or any portion thereof unless such Participations are registered under the Securities Act and any applicable state securities laws or the undersigned obtains an opinion of counsel that it is satisfactory to Mortgages Ltd. and MLS that such Participations may be sold in reliance on an exemption from such registration requirements.

(n) Understands that (i) there is no obligation or intention to register any Participations for resale or transfer under the Securities Act or any state securities laws or to take any action (including the filing of reports or the publication of information as required by Rule 144 under the Securities Act) that would make available any exemption from the registration requirements of any such laws, and (ii) the undersigned therefore may be precluded from selling or otherwise transferring or disposing of any Participations or any portion thereof for an indefinite period of time or at any particular time.

(o) Represents and warrants that neither Mortgages Ltd. or MLS nor anyone purportedly acting on behalf of either of them has made any representations or warranties respecting the Participations except those contained in the Memorandum nor has the undersigned relied on any representations or warranties in the belief that they were made on behalf of any of the foregoing, nor has the undersigned relied on the absence of any such representations or warranties in reaching the decision to purchase Participations.

(p) Represents and warrants that (i) if an individual, the undersigned is at least 21 years of age; (ii) the undersigned satisfies the suitability standards set forth in the Memorandum; (iii) the undersigned has adequate means of providing for the undersigned's current needs and contingencies; (iv) the undersigned has no need for liquidity in the undersigned's investments; (v) the undersigned maintains the undersigned's business or residence as provided to Mortgages Ltd. and MLS; (vi) all investments in and commitments to non-liquid investments are, and after the purchase of Participations will be, reasonable in relation to the undersigned's net worth and current needs; and (vii) any financial information previously provided, provided herewith, or subsequently provided at the request of Mortgage Ltd. or MLS did, does, or will accurately reflect the undersigned's financial sophistication and condition with respect to which the undersigned does not anticipate any material adverse change.

(q) Understands that no federal or state agency, including the Securities and Exchange Commission or the securities commission or authorities of any state, has approved or disapproved the Participations, passed upon or endorsed the merits of the Offering, or made any finding or determination as to the fairness of the Participations for investment.

(r) Acknowledges that Mortgages Ltd. and MLS have the unconditional right to accept or reject this Agreement.

(s) Understands that the Participations are being offered and sold in reliance on specific exemptions from the registration requirements of federal and state laws and that Mortgages Ltd. and MLS are relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgements, and understandings set forth herein in order to determine the suitability of the undersigned to acquire Participations.

(t) Acknowledges that the undersigned understands that, if this Agreement is rejected or if the Offering is terminated or withdrawn prior to acceptance of this Agreement, the funds deposited by the undersigned will be refunded promptly.

(u) Represents, warrants, and agrees that, if the undersigned is acquiring Participations in a fiduciary capacity (i) the above representations, warranties, agreements, acknowledgements, and understandings shall be deemed to have been made on behalf of the person or persons for whose benefit such Participations are being acquired, (ii) the name of such person or persons is indicated below under the subscriber's name, and (iii) such further information as Mortgages Ltd. and MLS deem appropriate shall be furnished regarding such person or persons.

(v) Represents and warrants that the information set forth herein, or contained in the undersigned's Account Application, is true and complete and agrees that Mortgages Ltd. and MLS may rely on the truth and accuracy of the information for purposes of assuring that Mortgages Ltd. and MLS may rely on the exemptions from the registration requirements of the Securities Act afforded by Section 4(2) of the Securities Act and Regulation D under the Securities Act and of any applicable state statutes or regulations, and further agrees that Mortgages Ltd. and MLS may present such information to such persons as it deems appropriate if called upon to verify the information provided or to establish the availability of an exemption from registration under Section 4(2) of the Securities Act, Regulation D, or any state securities statutes or regulations or if the contents are relevant to any issue in any action, suit, or proceeding to which Mortgages Ltd. or MLS are a party or by which either of them may be bound.

(w) Understands and acknowledges that the Participations are subject to a number of important risks and uncertainties as set forth under the section captioned "Risk Factors" in the Memorandum, including significant competition; the risks generally incident to the development, ownership operation, and rental of real property; changes in national and local economic and market conditions; changes in the investment climate for real estate investments; the availability and cost of mortgage funds; the obligations to meet fixed and maturing obligations, if any; the availability and cost of necessary utilities and services; changes in real estate tax rates and other operating expenses; changes in governmental rules, fiscal policies, zoning, environmental controls, and other land use regulations; acts of God, which may result in uninsured losses; conditions in the real estate market; the availability and cost of real estate loans; and other factors beyond the control of Mortgages Ltd. The undersigned further understands and acknowledges that Participations will also be subject to the risks associated with the

development of real estate, including the cost of construction, the time it takes to complete such construction, worker strikes and other labor difficulties, energy shortages, material and labor shortages, inflation, adverse weather conditions, subcontractor defaults and delays, changes in federal, state, or local laws, ordinances, or regulations, and other unknown contingencies.

(x) Understands and acknowledges that the representations and warranties contained in this Agreement must remain true and correct at any time that the undersigned purchases any additional Participations and that the payment for any additional Participations will constitute such a reconfirmation of the truth and correctness of the representations and warranties contained in this Agreement.

(y) Understands and acknowledges that the success of any investment is impossible to predict and that no representations or warranties of any kind are made by Mortgages Ltd. or MLS or any of their affiliates with respect to the prospects of the investment or the ultimate rate of return on the Participations.

3. **General Information**. Purchaser Representative. Please check (a) or (b) below:

(a) ( ) The undersigned is not relying upon the advice of a Purchaser Representative, such as an attorney, accountant, or other advisor, in making a final investment decision to purchase Participations. The undersigned believes that the undersigned has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Participations.

(b) ( ) The undersigned does not have sufficient knowledge and experience in financial and business matters as required above. The undersigned intends to rely on and hereby designates as the undersigned's Purchaser Representative the individual(s) named below to assist the undersigned in evaluating the risks and merits of an investment in Participations. The undersigned authorizes Mortgages Ltd. to furnish such person with a Purchaser Representative Questionnaire requesting certain information regarding his or her expertise and background and the undersigned agrees to furnish such questionnaire to Mortgages Ltd.

Name of Purchaser Representative:______________________________

Address:____

Occupation:______________________________________

Employer:_______________________________________

If Item 3(b) is checked, each Purchaser Representative must complete a Purchaser Representative Questionnaire.

4. **Adoption of the Agency Agreement**. By executing this Agreement, the undersigned accepts and agrees to be bound by the Agency Agreement in the form of an exhibit to the Memorandum or as otherwise furnished to the undersigned. The undersigned further hereby irrevocably constitutes and appoints Mortgages Ltd., with full power of substitution, as the undersigned's true and lawful attorney and agent, with full power and authority in the undersigned's name, place, and stead, to make, execute, swear to, acknowledge, deliver, file, and record the following:

(a) The Agency Agreement and amendments thereto;

(b) Any Assignments of Beneficial Participation in Deeds of Trust, Promissory Note Endorsements, Assignments of Assignment of Deeds, Leases and Profits, and Assignments of Assignments of Rents

that Mortgages Ltd. deems necessary and appropriate to effectuate the purposes of the Programs and the purchase of Participations.

(c) All certificates, instruments, documents, and other papers and amendments thereto that may from time to time be required under the laws of the United States of America, the state of Arizona, any other state or jurisdiction, or required by any political subdivision or agency of any of the foregoing or otherwise, or which Mortgages Ltd. deems appropriate or necessary to carry on the objects and intent of the Programs and the purchase of Participations;

(d) All conveyances and other instruments that Mortgages Ltd. deems appropriate to effect the transfer of Participations.

(e) Unless authorization is withheld by so indicating below or in another written document to Mortgage Ltd. and MLS, the undersigned hereby authorizes Mortgages Ltd. to be named as the lender/payee/beneficiary as agent for the undersigned in the deed of trust or deeds of trust or mortgage or mortgages securing the Loan or Loans and other documentation relating to the Loans.

________________________ Authorization granted

________________________ Authorization withheld

This power of attorney granted hereby shall be deemed to be a power coupled with an interest, shall survive the death, legal incapacity bankruptcy, merger, sale, dissolution, termination, or other fundamental change of the undersigned, and shall survive the delivery of an assignment by the undersigned of all or any portion of the undersigned's Participations or any interest therein except that, when the assignee thereof has been approved by Mortgages Ltd. as a Participation holder, the power shall survive the delivery of such assignment with respect to the assigned interest only for the purpose of enabling Mortgages Ltd. to execute, acknowledge, and file any instruments necessary to effect such substitution.

5. **Authorization to Purchase Following Verbal Instructions**. The undersigned hereby authorizes Mortgages Ltd. Securities, L.L.C., as the undersigned's agent, to accept the undersigned's oral instructions (a) to purchase Participations in Loans secured by deeds of trusts or mortgages on the properties underlying the Loans so long as the Participations are within the parameters described in the Memorandum and (b) to apply payoff proceeds of Participations to purchase Participations in other Loans within the parameters described in the Memorandum or to forward the cash proceeds thereof to the undersigned. By executing this Agreement, the undersigned also acknowledges and confirms the following:

(a) The undersigned understands and acknowledges that Mortgages Ltd. will have the authority, based upon the undersigned's oral instructions, to make various determinations and take various actions with Loans with respect to the Participations currently owned or owned in the future by the undersigned, including extending the terms of the Loans, modifying the payment terms of the Loans, accepting prepayments on the Loans, releasing a portion of the collateral securing the Loans, and otherwise dealing with the Loans on behalf of the undersigned.

(b) To the extent that the undersigned requests with respect to a Loan, the undersigned understands that the undersigned will have the opportunity to (i) review the Property Information Sheet for the Loan, which describes material information about the Loan and the deed of trust or mortgage securing the Loan, (ii) to review Mortgage Ltd.'s entire loan file with respect to the Loan, which contains information and documentation concerning the Loan, the real property underlying the Loan, and the Borrower under the Loan; (iii) to ask any questions the undersigned has about the Loan and such documentation; and (iv) the undersigned will receive answers to any questions that the undersigned may have.

To the extent that a representative of MLS is unable to contact the undersigned following the payoff of a Loan with respect to which the undersigned owns Participations, the undersigned authorizes MLS to apply such proceeds to the Capital Opportunity Loan Program for the minimum investment period pending oral instructions from the undersigned for the application of such proceeds after such minimum period.

6. **Grant of Discretion**. Until revoked at any time in writing, the undersigned hereby grants discretion to Mortgages Ltd., in its sole discretion, to select for purchase and sale the Loan or Loans with respect to which the undersigned acquires Participations. Without limiting the foregoing, the undersigned understands that this grant of discretion will give Mortgages Ltd. the authority, in its sole discretion, to make various determinations and take various actions with Loans with respect to Participations to be acquired, acquired, or sold by the undersigned, including extending the terms of the Loans, modifying the payment terms of the Loans, accepting prepayments on the Loans, releasing a portion of the collateral securing the Loan, and otherwise dealing with the Loans on behalf of the undersigned.

__________________________ Discretion granted

__________________________ Discretion withheld

7. **Disclosure of Existing Power of Attorney**. Please indicate if the undersigned has granted a power of attorney with respect to Mortgages Ltd. investment products.

☐ Yes ☐ No

If yes, please attach a copy of the document.

8. **Miscellaneous.**

(a) **Choice of Law**. This Agreement and all questions relating to its validity, interpretation, performance, and enforcement, will be governed by and construed in accordance with the laws of the state of Arizona, notwithstanding any Arizona or other conflict-of-law provision to the contrary.

(b) **Binding Agreement**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the respective heirs, personal representatives, successors, and assigns of the parties hereto, except that the undersigned may not assign or transfer any rights or obligations under this Subscription Agreement without the prior written consent of the Mortgages Ltd.

(c) **Entire Agreement**. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements, or conditions, express or implied, oral or written, except as herein contained.

(d) **Dispute Resolution.**

(i) This section applies to any controversy or claim arising from, relating to, or in any way connected with this Agreement, the Offering, the Loans, the Agency Agreement, and any other documents relating to the Loans.

(ii) In the event of any such controversy or claim, the parties shall use their best efforts to settle the controversy or claim. To this effect, they shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If they do not reach such solution within a period of 60 days, then, upon notice by either party to the other, all such controversies or claims shall submitted to mediation administered by the American Arbitration Association under its Commercial Mediation Procedures.

(iii) In the event that mediation does not result in a resolution, any party that still wishes to pursue a controversy or claim shall first notify the other party in writing within 60 days after the mediation. Upon receipt of such notice, the receiving party shall elect, in its sole and absolute discretion, to compel the dispute either to court for litigation pursuant to this section or to arbitration pursuant to this section. The receiving party shall notify the other party of the election within 10 days after receipt of the notice.

(iv) In the event that the dispute is compelled to arbitration, the parties agree to submit the unresolved controversies or claims to arbitration administered by the American Arbitration Association

in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Within 15 days after the commencement of arbitration, each party shall select one person to act as arbitrator and the two selected shall select a third arbitrator within ten days of their appointment. If the arbitrators selected by the parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be selected by the American Arbitration Association. The arbitrators will have no authority to award punitive or other damages not measured by the prevailing party's actual damages, except as may be required by statute. The arbitrators shall not award consequential damages. Any award in an arbitration initiated under this clause shall be limited to monetary damages and shall include no injunction or direction to any party other than the direction to pay a monetary amount. The arbitrators shall award to the prevailing party, if any, as determined by the arbitrators, all of its costs and fees. "Costs and fees" mean all reasonable pre-award expenses of the arbitration, including the arbitrators' fees, administrative fees, travel expenses, out-of-pocket expenses, such as copying and telephone, court costs, witness fees, and attorneys' fees. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of the other parties. The place of arbitration shall be Phoenix, Arizona.

(v) In the event that the dispute is compelled to court for litigation, the parties agree that the unresolved controversies or claims shall be determined in federal or state court sitting in the city of Phoenix, and they agree to waive the defense of inconvenient forum and any right to jury trial.

IN WITNESS WHEREOF, intending to irrevocably bind the undersigned and the heirs, personal representatives, successors, and assigns of the undersigned and to be bound by this Subscription Agreement, the undersigned is executing this Subscription Agreement on the date indicated.

Dated: ____________, ________

Name in which Individual Investment Is to Be Registered:

____

Print Name of Individual Investor:

____

Signature of Individual Investor:

____

Print Name of Individual Co-Investor:

____

Signature of Individual Co-Investor:

____

Name of corporate, partnership, limited liability company, trust, qualified pension, profit sharing, stock/Keogh, or 401k Plan Investor:

____

By:______________________________________
(Signature of first executing party)

Its:______________________________________

By:______________________________________
(Signature of second executing party)

Its:______________________________________

ACCEPTED:

MORTGAGES LTD.

By: ________________________

Its: ________________________

EXHIBIT “B3”

REVOLVING OPPORTUNITY™
LOAN PROGRAM PURCHASE AGREEMENT

THIS REVOLVING OPPORTUNITY LOAN PROGRAM PURCHASE AGREEMENT is entered into as of the "Effective Date" set forth below, by and between MORTGAGES LTD., an Arizona corporation, whose address is 55 East Thomas Road, Phoenix, Arizona 85012 ("Company") and the INVESTOR ("Investor") whose name and address are as set forth at the end of this Agreement.

Section 1. Recitals.

1.1 **The Company**. Company is a mortgage banker licensed by the State of Arizona Banking Department.

1.2 **Business of the Company.** Company originates, makes, and funds loans ("Loans") to various persons, corporations, limited liability companies, partnerships, and other entities ("Borrowers") secured by deeds of trusts or mortgages on residential, commercial, and industrial real estate, the terms of which are defined in a set of documents appropriate to each individual Loan and which provide various rights and protections to both the owners of the Loans and the Borrowers (the "Loan Documents").

1.3 **Revolving Opportunity Loan Program** Company has established its Revolving Opportunity Program (sometimes the "Program") to provide investors with a favorable rate of return through the purchase of interests in Loans and, to a lesser extent, Loans selected by Company.

1.4 **The Investment** Company desires to sell and Investor desires to purchase an interest or interests in Loans or entire loans (together "Participations") up to an aggregate investment amount (the "Investor Commitment") as specifically set forth at the end of this Agreement, which shall be no less than $500,000 (the "RevOp Minimum"), subject to the terms and conditions contained herein.

Section 2. Selection of Participations.

From time-to-time during the 12-month period immediately following the Effective Date (the "Program Term"), Company, in its sole and absolute discretion, may select Participations for purchase by Investor (the "Initial Investment") and additional Participations in the event of repayment ("Successor Investments"). In the event that more than one Initial Investment or Successor Investment (together "Investments") are outstanding at any one time, the aggregate amount of all such Investments shall not exceed the Investor Commitment.

Section 3. Loan Purchases and Terms.

3.1 **Investment Commitment Period**. Subject to the conditions herein set forth, Investor shall purchase, during the Program Term, Investments up to the amount of the Investor Commitment from time to time as requested by Company.

3.2 **Repayment of Investment**. Each Investment purchased by Investor shall be repaid to Investor through payments on the related Loan or Loans on or prior to the expiration of the RevOp Investment Term (as defined herein), subject to Company's obligation under Section 6.2.

3.3 **Reinvestment of Principal Payments.** Notwithstanding the provisions of Section 3.2, during the Program Term, Investor agrees that any principal payments on an Investment prior

to the Repayment Date (as defined herein), including those resulting from scheduled amortization and whole or partial repayments of the unpaid outstanding principal balance of the related Loan or Loans, shall remain available for reinvestment in Successor Investments until the Repayment Date. Company, in its sole discretion, may elect to reinvest such principal payments, or any portion thereof, in Successor Investments on behalf of Investor, but only for a term equal to the number of days remaining until the Repayment Date.

Section 4. Payment of Purchase Money.

4.1 **Notice to Fund Investment Commitment.** Company shall give notice (the "Payment Notice") to Investor requesting funds pursuant to the Investor Commitment at the address or to the telephone number, facsimile number, or e-mail address of Investor set forth below. The Payment Notice shall identify the amount of money (the "Purchase Money") Investor is to invest. In no event shall Company issue a Payment Notice to Investor for an amount more than the Investor Commitment. Within 10 business days of the Payment Notice, Investor shall deliver to Company the Purchase Money specified in the Payment Notice by cashier's check, certified check, or wire transfer. If the Investor Commitment exceeds the aggregate amount of all outstanding Investments at any time during the Program Term, Company shall have the right to issue one or more additional Payment Notices to Investor. Each Payment Notice and Investment purchased from the Purchase Money shall be subject to a separate Repayment Date, as defined in Section 4.3.

4.2 **Action following Receipt of Purchase Money from Investor.** Upon receipt ("Receipt") by Company of the Purchase Money, Company shall (a) pay or cause the payment of the RevOp Prepaid Interests (as defined below) to Investor; (b) prepare an assignment of beneficial interest of deed(s) of trust securing the related Loan or Loans, an endorsement of the promissory note(s), and, if applicable, assignments of other loan or security instruments for the related Loan or Loans (collectively, the "Loan Assignment Documents"); (c) cause to be recorded, at no expense to Investor, in the official records of the county in which the property securing the related Loan or Loans may be situated any of the Loan Assignment Documents required to be recorded, such as an assignment of the beneficial interest of the deed(s) of trust; and (d) prepare such "blank" assignment documents, directions for release and reconveyance, termination of UCC interests, and other assignment or release instruments as Company determines to be appropriate with respect to the related Loan or Loans (collectively, the "Reassignment and Release Documents").

4.3 **Repayment Date of Individual Investments**. The Repayment Date shall be 120 days from the Receipt, but such funds may be applied to Successor Investments subject to the payment of RevOp Prepaid Interest.

4.4 **RevOp Prepaid Interest**. Based on the amount of capital invested in the Revolving Opportunity Loan Program, the RevOp Prepaid Interest shall equal a specified percentage of the outstanding principal of the Investments according to the following table:

Capital Invested	RevOp Prepaid Interest
$500,000 - $2,499,000	0.333%
$3,000,000 - $4,999,000	0.500%
$5,000,000 - $7,499,000	0.666%
$7,500,000 +	0.917%

Section 5. Administration of Purchase Loans.

5.1 **RevOp Investment Term.** The "RevOp Investment Term" shall be the time during which Investor's capital is invested in an Initial Investment or Successor Investment, which will be the shorter of (a) the number of days from the Receipt to the Repayment Date (the "Maximum RevOp Investment Term"), or (b) the number of days from the Receipt to earlier of the date on which (i) the Company redeems the Initial Investment, or (ii) the Initial Investment or Successor Investment has been paid in full, in each case including unpaid principal and RevOp Interest. Partial repayments or redemptions of an Initial Investments and/or Successor Investment shall result in multiple RevOp Investment Terms being applicable to portions of the Purchase Money.

5.2 **RevOp Interest Rate.** The RevOp Interest Rate shall be based on the amount of capital invested in the Revolving Opportunity Loan Program according to the following table:

Capital Invested	RevOp Interest Rate Per Annum
$500,000 - $2,499,000	10.00%
$3,000,000 - $4,999,000	10.50%
$5,000,000 - $7,499,000	11.00%
$7,500,000 +	11.25%

5.3 **Payment of RevOp Interest.** From the Receipt until the expiration of each applicable RevOp Investment Term, Investor shall be entitled to receive monthly interest calculated at the RevOp Interest Rate upon the unpaid principal balance of the Investment (the "RevOp Interest") associated with such RevOp Investment Term. Any interest payable or paid upon the related Loan or Loans in excess of the RevOp Interest shall be retained by Company.

5.4 **Repayment of Investments**. Upon expiration of the Maximum RevOp Investment Term, Investor shall be entitled to receive any unpaid amount of any outstanding Investments plus accrued RevOp Interest pursuant to Section 3.2 or Section 6.2.

Section 6. Repurchase of Investments.

6.1 **Repayment of Investments**. In the event any Investment (including RevOp Interest) has been fully paid upon the expiration of the maximum RevOp Investment Term (as a result of payments on the related Loan or Loans), then no further payments to Investor shall be due and Company shall be entitled to file the Reassignment and Release Documents as provided below.

6.2 **Mandatory Repurchase of Investments.** In the event any Investment (including RevOp Interest) has not been fully repaid to Investor upon expiration of the Maximum RevOp Investment Term, Company shall (a) cause the repurchase of or repurchase the Investment from Investor at a price equal to its unpaid principal balance (after crediting all principal payments previously received by Investor thereon) and (b) cause to be paid or pay any accrued and unpaid RevOp Interest at the time the next regularly scheduled payment on the related Loan or Loans.

6.3 **Optional Redemption of Investments.** Notwithstanding the foregoing, Company may, in its sole discretion, redeem an Investment from Investor at any time prior to expiration of the RevOp Investment Term without payment of premium or penalty by tendering to Investor (a) a repurchase price equal to the unpaid principal balance of the Investment (after crediting all principal payments previously received thereon by Investor) and (b) any accrued and unpaid RevOp Interest at the time the next regularly scheduled payment on the related Loan or Loans.

Section 7. Company to Service Loans.

7.1 **Company to Originate and Service Loans.** Company shall underwrite, originate or acquire, and service the Loan or Loans related to the Investments and collect and disburse Loan payments.

7.2 **Filing of Reassignment and Release Documents.** Company shall hold the Reassignment and Release Documents with respect to an Investment until the expiration of each applicable RevOp Investment Term. Upon expiration of the RevOp Investment Term, (a) if an Investment and RevOp Interest has been repaid as a result of payment or the related Loan or Loans, or repurchased from Investor by or on behalf of the Company as set forth herein, then Company is authorized to complete and record (with respect to such documents as should be recorded) the Reassignment and Release Documents; and (b) if an Investment and RevOp Interest thereon has not been repaid to Investor nor repurchased from Investor by or on behalf of Company as provided in this Agreement, then Company shall deliver to Investor the Reassignment and Release Documents.

7.3 **Disbursement of Payments.** During the RevOp Investment Term, Company shall be authorized to receive all payments of principal and interest with respect to any Loan or Loans related to Investments, to reinvest the principal pursuant to Section 3.3 or disburse the principal to Investor, to disburse the RevOp Interest to Investor, and to disburse the balance of any interest in excess of the RevOp Interest to Company.

Section 8. Representations and Warranties.

8.1 **Representations and Warranties of Company**. Company represents and warrants to Investor as follows:

(a) All recitals and representations set forth in this Agreement are true and correct.

(b) Company is a corporation formed under the laws of the state of Arizona and is duly organized, validly existing, and in good standing under the laws of such state.

(c) Company has the corporate power and authority to conduct its business as now being conducted.

(d) The liens, security interests, and assignments created by the Loan Assignment Documents will result in valid, effective, and enforceable liens, security interests, and assignments.

(e) Until all Investments have been paid in full and all of Company's obligations hereunder have been fully discharged, Company shall maintain in full force and effect all agreements, rights, and licenses necessary to conduct its business.

8.2 **Representations and Warranties of Investor.** Investor represents and warrants to Company as follows:

(a) All recitals and representations set forth in this Agreement are true and correct.

(b) In the event Investor is a corporation, partnership, limited liability company, plan, trust, or other entity, Investor is duly organized, validly existing, and in good standing under the laws of the state of its organization and has full power and authority to carry on its business as now being conducted. In the event Investor is an individual, Investor is either unmarried, or if married, Investor is acting on behalf of Investor's marital community unless Investor is dealing in Investor's sole and separate property and such status is specifically identified on the signature page hereto.

(c) Acknowledges that Investor has received the Private Offering Memorandum dated June 20, 2006 (the "Memorandum") and is familiar with and understands it, including the section captioned "Risk Factors."

(d) Acknowledges that Investor is fully familiar with the Program and with Company and its business, affairs, operating policies, and prospects and has had access to any and all material information, including all documents, records, and books pertaining to Company, that Investor deems necessary or appropriate to enable Investor to make an investment decision to participate in the Program and purchase Participations.

(e) Acknowledges that the Investor has been encouraged to rely upon the advice of Investor's legal counsel, accountants, and other financial advisors with respect to the participation in the Program and the purchase of Participations.

(f) Represents and warrants that Investor, in determining to participate in the Program and purchase Participations, has relied solely upon this Agreement, the Memorandum, and the advice of Investor's legal counsel, accountants, and other financial advisors and has been offered the opportunity to ask such questions and inspect such documents concerning the Company and its business and affairs and the Program as Investor has requested so as to understand more fully the Program and the nature of the investment and to verify the accuracy of the information supplied.

(g) Represents and warrants that Investor has full power to execute, deliver, and perform this Agreement and that this Agreement is a legal and binding obligation of, and is enforceable against, Investor in accordance with its terms.

(h) Represents and warrants that Investor is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act") and satisfies one of the standards set forth in the Memorandum under the section captioned under "Who May Invest."

(i) Represents and warrants that the Participations being acquired will be acquired for Investor's own account without a view to public distribution or resale and that Investor has no contract, undertaking, agreement, or arrangement to sell or otherwise transfer or dispose of any Participations or any portion thereof to any other person.

(j) Represents and warrants that Investor (i) can bear the economic risk of the purchase of Participations, including the loss of Investor's investment and (ii) has such knowledge and experience in business and financial matters, including the analysis of or participation in private offerings and real estate investments, as to be capable of evaluating the merits and risks of the participation in the Program and an investment in Participations.

(k) Represents and warrants, if subject to the Employee Retirement Income Security Act ("ERISA"), that Investor is aware of and has taken into consideration the diversification requirements of Section 404(a)(3) of ERISA in determining to purchase Participations and that Investor has concluded that the purchase of Participations is prudent.

(l) Understands that Investor may be required to provide current financial and other information to the Company to enable it to determine whether Investor is qualified to purchase Participations.

(m) Understands that the Participations will not be registered under the Securities Act or the securities laws of any state or other jurisdiction and therefore will be subject to substantial restrictions on transfer.

(n) Agrees that Investor will not sell or otherwise transfer or dispose of any Participations or any portion thereof unless such Participations are registered under the Securities Act and any applicable state securities laws or Investor obtains an opinion of counsel that it is satisfactory to Company that such Participations may be sold in reliance on an exemption from such registration requirements.

(o) Understands that (i) Company has no obligation or intention to register any Participations for resale or transfer under the Securities Act or any state securities laws or to take any action (including the filing of reports or the publication of information as required by Rule 144 under the Securities Act) that would make available any exemption from the registration requirements of any such laws, and (ii) Investor therefore may be precluded from selling or otherwise transferring or disposing of any Participations or any portion thereof for an indefinite period of time or at any particular time.

(p) Represents and warrants that neither Company, Mortgages Ltd. Securities, L.L.C. ("MLS"), an affiliate of Company, nor anyone purportedly acting on behalf of either of them has made any representations or warranties respecting the Program or the business, affairs, financial condition, plans, or prospects of the Company except those contained in the Memorandum nor has Investor relied on any representations or warranties in the belief that they were made on behalf of any of the foregoing, nor has Investor relied on the absence of any such representations or warranties in reaching the decision to participate in the Program or purchase Participations.

(q) Represents and warrants that (i) if an individual, Investor is at least 21 years of age; (ii) Investor satisfies the suitability standards set forth in the Memorandum; (iii) Investor has adequate means of providing for Investor's current needs and contingencies; (iv) Investor has no need for liquidity in Investor's investments; (v) Investor maintains the Investor's business or residence at the address shown below; (vi) all investments in and commitments to non-liquid investments are, and after the purchase of Participations will be, reasonable in relation to Investor's net worth and current needs; and (vii) any financial information that is provided by Investor at the request of the Company, does or will accurately reflect Investor's financial sophistication and condition with respect to which Investor does not anticipate any material adverse change.

(r) Understands that no federal or state agency, including the Securities and Exchange Commission or the securities commission or authorities of any state, has approved or disapproved the Participations, passed upon or endorsed the merits of the offering of participation, or made any finding or determination as to the fairness of the Participations for public investment.

(s) Understands that the Participations are being offered and sold in reliance on specific exemptions from the registration requirements of federal and state laws and that Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgements, and understandings set forth herein in order to determine the suitability of Investor to acquire Participations.

(t) Represents, warrants, and agrees that, if Investor is acquiring Participations in a fiduciary capacity (i) the above representations, warranties, agreements, acknowledgements, and understandings shall be deemed to have been made on behalf of the person or persons for whose benefit such Participations are being acquired, (ii) the name of such person or persons is indicated below under the subscriber's name, and (iii) such further information as Company deems appropriate shall be furnished regarding such person or persons.

(u) Represents and warrants that the information set forth herein regarding Investor is true and complete and agrees that the Company may rely on the truth and accuracy of the information for purposes of assuring that Company may rely on the exemptions from the registration requirements of the Securities Act afforded by Section 4(2) of the Securities Act and Regulation D under the Securities Act and of any applicable state statutes or regulations, and further agrees that the Company may present such information to such persons as it deems appropriate if called upon to verify the information provided or to establish the availability of an exemption from registration under Section 4(2) of the Securities Act, Regulation D, or any state securities statutes or regulations or if the contents are relevant to any issue in any action, suit, or proceeding to which Company, MLS, or any agent of any of them is a party or by which any of them may be bound.

(v) Understands and acknowledges that the Participations and the Loans are subject to a number of important risks and uncertainties as set forth under the section captioned "Risk Factors" in the Memorandum, including significant competition; the risks generally incident to the development, ownership operation, and rental of real property; changes in national and local economic and market conditions; changes in the investment climate for real estate investments; the availability and cost of mortgage funds; the obligations to meet fixed and maturing obligations, if any; the availability and cost of necessary utilities and services; changes in real estate tax rates and other operating expenses; changes in governmental rules, fiscal policies, zoning, environmental controls, and other land use regulations; and acts of God, which may result in uninsured losses; conditions in the real estate market; the availability and cost of real estate loans; and other factors beyond the control of Company. Investor further understands and acknowledges that Participations will also be subject to the risks associated with the development of real estate, including the cost of construction, the time it takes to complete such construction, worker strikes and other labor difficulties, energy shortages, material and labor shortages, inflation, adverse weather conditions, subcontractor defaults and delays, changes in federal, state, or local laws, ordinances, or regulations, and other unknown contingencies.

(w) Understands and acknowledges that the future operating results of Company are impossible to predict and that no representations or warranties of any kind are made by Company, or MLS or any of their affiliates with respect to the prospects of Company or the rate of return on the Participations.

Section 9. Default.

9.1 **Default by Company.** The occurrence of any of the following events or conditions shall constitute an "Event of Default" by Company under this Agreement:

(a) The failure by Company to fulfill its obligations under Section 6.2 within 10 days after written notice from Investor;

(b) Any representation, warranty, or statement by Company contained in this agreement shall have been materially false when made or furnished;

(c) The filing by Company of any proceeding under the federal bankruptcy laws or any other similar statute now or hereafter in effect; the entry of an order for relief under such laws with respect to Company; or the appointment of a receiver, trustee, custodian, or conservator of all or any part of the assets of Company;

(d) The insolvency of Company; the execution by Company of an assignment for the benefit of creditors; or a material adverse change in the financial condition of Company;

(e) The admission in writing by Company that it is unable to pay its debts as they mature or that it is generally not paying its debts as they mature; or

(f) The liquidation, termination, or dissolution of Company if Investor is not reasonably reassured of timely performance hereunder.

9.2 **Default by Investor.** The occurrence of any of the following events or conditions shall constitute an "Event of Default" by the Investor under this Agreement:

(a) The failure by Investor to timely pay the Purchase Money;

(b) The failure by Investor to timely execute and return to Company the Loan Assignment Documents, the Reassignment and Release Documents, or such other instruments or documents as reasonably requested by Company, in accordance with the terms of this Agreement within 10 business days after written notice thereof by Company to Investor;

(c) Any representation, warranty, or statement by Investor contained in this agreement shall have been materially false when made or furnished;

(d) The filing by Investor of any proceeding under the federal bankruptcy laws or any other similar statute now or hereafter in effect; the entry of an order for relief under such laws with respect to Investor; or the appointment of a receiver, trustee, custodian, or conservator of all or any part of the assets of Investor;

(e) The insolvency of Investor; the execution by Investor of an assignment for the benefit of creditors; or a material adverse change in the financial condition of Investor;

(f) The admission in writing by Investor that it is unable to pay its debts as they mature or that it is generally not paying its debts as they mature; or

(g) The liquidation, termination, or dissolution of Investor if Company is not reasonably reassured of timely performance hereunder.

9.3 **Remedies of Investor.** Upon the occurrence of any Event of Default caused by Company (and at any time thereafter while such Event of Default is continuing), Investor may do one or more of the following:

(a) Proceed to protect and enforce its rights and remedies under this Agreement, the Loan Documents and the Reassignment and Release Documents; and

(b) Avail itself of any other right, remedy, or relief to which Investor may be legally or equitably entitled, all of which remedies shall be non-exclusive and cumulative and the exercise

by Investor of any one such remedy shall not preclude the exercise by Investor of further or additional remedies.

9.4 **Remedies of Company.** Upon the occurrence of any Event of Default caused by Investor (and at any time thereafter while such Event of Default is continuing), Company may do one or more of the following:

(a) Proceed to protect and enforce its rights and remedies under this Agreement, the Loan Assignment Documents, and the Reassignment and Release Documents;

(b) Demand and receive repayment from Investor of the Placement Fee;

(c) Refuse to allow Investor any further participation in the Revolving Opportunity Program and/or any other investment program offered by Company; and

(d) Avail itself of any other right, remedy, or relief to which Company may be legally or equitably entitled, including without limitation damages or injunctive relief, all of which remedies shall be non-exclusive and cumulative and the exercise by Company of any one such remedy shall not preclude the exercise by Company of further or additional remedies.

Section 10. Action Upon Agreement.

10.1 **Beneficiaries of Agreement.** This Agreement is made for the sole protection and benefit of the parties hereto, and no other person or organization shall have any rights hereunder.

10.2 **Entire Agreement.** This Agreement, together with the Loan Assignment Documents and the Reassignment and Release Documents, contain the entire agreement between the parties with regard to the subject matter hereof. There are no representations, promises, warranties, understandings, or agreements, expressed or implied, oral or otherwise, in relation thereto, except those expressly referred to or set forth herein. Each party acknowledges that the execution and delivery of this Agreement is its free and voluntary act and deed, and that said execution and delivery have not been induced by, nor done in reliance upon, any representations, promises, warranties, understandings, or agreements made by the other party, its agents, officers, employees, or representatives.

10.3 **Agreements in Writing.** No promise, representation, warranty, or agreement made subsequent to the execution and delivery of this Agreement by either party hereto, and no revocation, partial or otherwise, or change, amendment, or addition to or alteration or modification of this Agreement shall be valid unless the same shall be in writing signed by all parties hereto.

10.4 **Independent Parties.** Investor and Company each have separate and independent rights and obligations under this Agreement. Nothing contained herein shall be construed as creating, forming, or constituting any partnership, joint venture, merger, or similar relationship between Company and Investor for any purpose or in any respect.

Section 11. Adoption of the Agreements.

11.1 **Power of Attorney**. By executing this Agreement, Investor accepts and agrees to be bound by the Agency Agreement, the Loan Assignment Documents, and the Reassignment and Release Documents. Investor further hereby irrevocably constitutes and appoints the Company, with full power of substitution, as Investor's true and lawful attorney and agent, with full power and authority in

the Investor's name, place, and stead, to make, execute, swear to, acknowledge, deliver, file, and record the following:

(a) The Agency Agreement, the Loan Assignment Documents, and the Reassignment and Documents, and any amendments thereto;

(b) All certificates, instruments, documents, and other papers and amendments thereto that may from time to time be required under the laws of the United States of America, the state of Arizona, any other state or jurisdiction, or required by any political subdivision or agency of any of the foregoing or otherwise, or which Company deems appropriate or necessary to carry on the objects and intent of this Agreement and to administer the Revolving Opportunity Loan Program as contemplated by this Agreement;

This power of attorney granted hereby shall be deemed to be a power coupled with an interest, shall survive the death, legal incapacity bankruptcy, merger, sale, dissolution, termination, or other fundamental change of Investor, and shall survive the delivery of an assignment by Investor of all or any portion of Investor's Investments.

11.2 **Execution of Documents by Investor.** Notwithstanding Section 11.1, to the extent requested by Company upon 10 business days notice, Investor shall execute (and cause signature to be acknowledged before a notary, when appropriate) and deliver to Company any Loan Assignment Documents, Reassignment and Release Documents (but only upon the repayment in full of the related Investment), and such other documents, certificates, and other papers as Company reasonably deems necessary or appropriate to administer the Revolving Opportunity Loan Program as contemplated by this Agreement.

Section 12. General.

12.1 **Cooperation**. Each party shall reasonably cooperate with the other party, including without limitation the execution or delivery upon request of such other or additional instruments or documents as reasonably necessary or appropriate to accomplish the purposes of this Agreement.

12.2 **Notices**. All notices required or permitted to be given hereunder shall be in writing, and shall become effective 72 hours after such are deposited in the United States mail, certified or registered, postage prepaid, addressed as shown above or to such other address as such party may from time-to-time designate in writing.

12.3 **Governing Law and Venue.** This Agreement shall be governed by and construed according to the laws of the state of Arizona. Investor agrees that any controversies relating to this Agreement will be determined in federal or state court sitting in the city of Phoenix, waives the defense of inconvenient forum, and waives any right to jury trial.

12.4 **Binding Agreement**. This Agreement shall be binding upon the parties hereto and may not be assigned by either party.

12.5 **Headings**. The headings or captions of sections in this Agreement are for convenience and reference only and in no way define, limit, or describe the scope or intent of this Agreement or the provisions of such sections.

IN WITNESS WHEREOF, the parties have executed this Agreement with respect to the Investor Commitment amount of $__________ as of the Effective Date of ______________, 2006.

MORTGAGES LTD., an Arizona corporation

By:________________________________

Scott M. Coles

Its: Chairman ad Chief Executive officer

Address: 55 East Thomas Road
Phoenix, Arizona 85012

INVESTOR

Name(s) of Individual Investors:

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____

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Signature(s) of Individual Investors:

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Name of corporate, partnership, limited liability company, trust or plan Investor:

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By:________________________________

____

Its:________________________________

Address: ____________________________

____

Phone: ____________________________

Fax: ____________________________

E-mail: ____________________________

EXHIBIT “C”

FILED
MAY 1 2 2009
UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF ARIZONA

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

MINUTE ENTRY/ORDER

FOR MATTER TAKEN UNDER ADVISEMENT

Bankruptcy Judge:	Hon. Redfield T. Baum
Case Name:	Mortgages, LTD., Chapter 11
Case No.:	2:08-bk-07465-RJH
Adversary Name:	Mortgages Ltd., vs. Riverfront Commons, et al..
Adversary No.:	2:08-00906
Subject of Hearing:	Motion For Summary Judgment Filed by Mortgages Ltd (Guaranties)
Date Matter Taken Under Advisement:	May 4, 2009
Date Ruled Upon:	May 12, 2009

Pending before the court is plaintiff's motion for summary judgment against the guarantors of the eight million dollar debt at issue before this court. As the court noted at oral argument, movant has almost established its right to the requested summary judgment.

The issue the court struggles with is plaintiff's status as the real party in interest. The court directed further briefing on this point. Bluntly and candidly, the briefing and particularly the authorities provided were of little aid to the court. It is undisputed that (1) the chapter 11 debtor borrowed approximately eight million dollars and that such debt was evidenced by a promissory note payable to plaintiff, (2) the note is in default, (3) the guarantors unconditionally guaranteed that debt and (4) now there are about thirty individuals or entities that have some

form of interest in that note/debt. The plaintiff holds an admitted .057% ownership interest in that note and debt. What is unknown by all but plaintiff is the precise evidence showing the legal rights held by the approximately 96% interest in that debt/note held by third parties. Particularly what written agreement(s), if any, authorize plaintiff to sue on behalf of those holding a partial interest in the note/debt.

Rule 17 directs that an action must be prosecuted in the name of the real party in interest. The Rule specifically provides that an action may be brought by a party in its own name without joinder of others by " a party with whom or in whose name a contract has been made for another's benefit". Here the contract at issue, the note, is solely in the name of plaintiff; i.e., on its face it is not a contract made for another's benefit. Based on that fact, the court does not consider this term of the Rule applicable here. Although unknown, it is inferred that the transfer of the interests here occurred after the contract/note was entered into by plaintiff. Virtually all of the authorities cited to the court involved different factual scenarios then present here. Therefore, the court is not satisfied that plaintiff is the real party in interest to obtain judgment against the guarantors for the full amount of the debt. It is a basic requirement for summary judgment that the moving party be entitled to judgment as a matter of law. On this record, plaintiff has not established such. Thus, its motion is denied.

Copy of the foregoing
mailed this 12 day of
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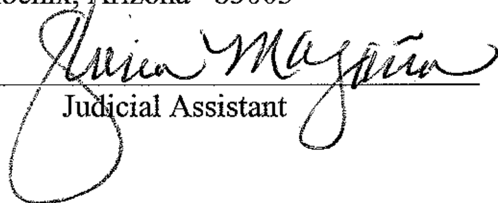

by__________________________
Judicial Assistant