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12 *Attorneys for Douglas A. Dragoo and Elizabeth Dragoo*

13

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IN THE UNITED STATES BANKRUPTCY COURT

15

THE DISTRICT OF ARIZONA

16

In re:
17 MORTGAGES, LTD., an Arizona corporation,
18 Debtor.

Chapter 11 Proceedings
Case No. 2:08-bk-07465-RJH

**WITHDRAWAL OF PROOF
OF CLAIM NO. 195**

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Foothills Plaza IV, LLC and Douglas A. Dragoo and Elizabeth Dragoo (collectively,
21 “Claimants”), by and through their respective undersigned attorneys, pursuant to that certain
22 Settlement Agreement and Release entered into by the Claimants and ML Manager LLC on or
23 about March 24, 2011, hereby withdraw proof of claim No. 195-1, filed in the above-captioned
24 bankruptcy on October 6, 2008, a copy of which is attached hereto as Exhibit “A.”

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DATED: April 18, 2011.

POLSINELLI SHUGHART PC

By: /s/ Wesley D. Ray
John J. Hebert
Mark W. Roth
Wesley D. Ray
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Phoenix, AZ 85004

Attorneys for Foothills Plaza IV, LLC

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By: /s/ Michael F. Beethe
Edward O. Comitz
Michael F. Beethe
6720 N. Scottsdale Road, Suite 150
Scottsdale, AZ 85253

Attorneys for Douglas A. Dragoo and Elizabeth Dragoo

COPY of the foregoing mailed (or served via electronic notification if indicated by an “*”) on April 18, 2011, to:

U.S. TRUSTEE’S OFFICE
230 N. 1st Avenue, Suite 204
Phoenix, AZ 85003

Séan P. O’Brien * spobrien@gustlaw.com
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Phoenix, AZ 85012-2913
Attorneys for Official Committee of Investors of Mortgages, Ltd., and Mortgages Ltd.

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Phoenix, AZ 85018
Trustee For The Sternberg Enterprises Profit Sharing Plan

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OXFORD INVESTMENT PARTNERS LLC
2390 E. Camelback Road, Suite 202
Phoenix, AZ 85016

By: /s/ Diane Ashworth

EXHIBIT A

AZB

B10 (Official Form 10) (12/07)

UNITED STATES BANKRUPTCY COURT DISTRICT OF ARIZONA		PROOF OF CLAIM
Name of Debtor: Mortgages, Ltd.		Case Number: 2:08-DK-07465-RJH
NOTE: <i>This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</i>		
Name of Creditor (the person or other entity to whom the debtor owes money or property): Foothills Plaza IV, LLC/Douglas Drago		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim.
Name and address where notices should be sent: P. O. Box 5061 Carefree, Arizona 85377		Court Claim Number: _____ (If known)
Telephone number: 480-488-0350		Filed on: _____
Name and address where payment should be sent (if different from above): Same as above		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
Telephone number: Same as above		<input type="checkbox"/> Check this box if you are the debtor or trustee in this case.
1. Amount of Claim as of Date Case Filed: \$ approx. \$4,740,000.00		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount. Specify the priority of the claim.
If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		
2. Basis for Claim: Mortgage Note, Breach of Contract, Misrepresentation (See instruction #2 on reverse side.)		<input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).
3. Last four digits of any number by which creditor identifies debtor: 3106		<input type="checkbox"/> Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier – 11 U.S.C. §507 (a)(4).
3a. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)		<input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. §507 (a)(5).
4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information. Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: Value of Property: \$ _____ Annual Interest Rate: % Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ _____ Basis for perfection: _____ Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____		<input type="checkbox"/> Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. §507 (a)(7).
6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.		<input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. §507 (a)(8).
7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See definition of "redacted" on reverse side.) DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING. If the documents are not available, please explain:		<input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. §507 (a)(). Amount entitled to priority: \$ _____ <i>*Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.</i>
Date: 10-6-08	Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any. Robert Spurlock, Esq., #009857, Bonnett, Fairbourn, Friedman & Balint, P.C., 2901 North Central Ave., #1000, Phoenix, AZ 85012 phone: 602-274-1100	FOR COURT USE ONLY

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

EXHIBIT A

EXHIBIT TO PROOF OF CLAIM

2:08-bk-07465-RJH

In re: Mortgages, Ltd.

Creditor: Foothills Plaza IV, LLC

Proof of Claim calculation:

Principal of Loan: \$25,740,000.00

Amount Required for
Payoff by Mortgages Ltd.
Representatives: \$21,000,000.00

Total now claimed: \$25,740,000.00

Damages: \$4,740,000.00

TOTAL CLAIM AMOUNT

\$4,740,000.00

EXHIBIT A

CONSTRUCTION LOAN AGREEMENT

Loan No. 853106

September 5, 2006

"Lender": Mortgage Ltd., an Arizona corporation, and its successors and assigns

"Borrower" (individually and collectively):

Foothills Plaza IV, L.L.C., an Arizona limited liability company

In consideration of Lender's commitment to make the above-referenced loan (the "Loan") secured by a deed of trust, Borrower agrees with Lender to the following.

1. LOAN DOCUMENTS

Borrower will execute and deliver to Lender on Lender's form a Promissory Note and Deed of Trust (the "Deed of Trust") on the same date as this Agreement, together with all other documents required by Lender in connection with the Loan (collectively, the "Loan Documents"), and if the Borrower is a corporation, limited liability company, partnership or trust, it will supply Lender with certified copies of all appropriate documents, such as corporate resolutions, partnership agreements and trust documents, which authorize the Loan and the execution of the Loan Documents.

2. PERMANENT COMMITMENT

At the option of Lender, Borrower shall assign the commitment from the permanent lender, if any, to Lender as additional collateral for the Loan and obtain the acceptance of the assignment by the permanent lender, if required. Borrower shall fully comply with and meet all of the requirements made by the permanent lender so that the commitment of the permanent lender will remain in full force and effect.

3. FIXTURES

All items which might be determined to be fixtures as defined in the Uniform Commercial Code and the laws of the State of Arizona will be fully paid for prior to installation so that no one has or will have a security interest therein. On demand, Borrower shall furnish Lender or Lender's agent with a waiver or release of security interest on all such fixtures executed by all persons who might have a security interest therein. If any financing statement or security agreement on fixtures is filed, Borrower shall immediately obtain a release of the same. At its discretion, Lender may, out of the loan proceeds in the construction account, apply any portion thereof to the direct payment of any security interest on any fixture installed or to be installed on the Property. In the event a fixture is removed or attempted to be removed from the Property either before the final disbursement of the Loan proceeds or at any time thereafter by anyone claiming a security interest prior and superior to the lien of the Deed of Trust to Lender, Borrower shall obtain a release of such security and will indemnify Lender from any and all losses and expenses arising therefrom, including Lender's attorney's fees and costs. On request of Lender or Lender's agent, Borrower shall furnish to Lender a list of all fixtures to be incorporated into the Property, the names of the fixture's installer, supplier, distributor and manufacturer, and the approximate cost of each fixture.

4. USE OF LOAN PROCEEDS

Unless otherwise specified in writing, the proceeds of the Loan and interest earned, if any, on Loan proceeds, will be used solely to pay actual costs of constructing the building and improvements and for no other purpose, except that after a default all Loan proceeds held in a Construction Loan Account, as defined herein, may be applied as set forth in the Loan Documents.

5. INSURANCE

Borrower shall carry such insurance on the building and improvements as required by Lender, which may include, *inter alia*, course of construction insurance, to be in an amount determined at Lender's sole discretion, with Lender's loss-payable endorsement attached.


initials



EXHIBIT A

6. PLANS AND SPECIFICATIONS

The building and improvements to be constructed on the Property shall be constructed and completed in accordance with the plans and specifications filed with Lender on or before 9 months from the date of this Agreement (the "Completion Date"), free and clear of all liens and in a manner satisfactory to Lender and all appropriate regulatory agencies, associations or other entities. No changes will be made in the plans or specifications without Borrower first obtaining Lender's written consent.

7. DEFAULTS AND REMEDIES

a. Among other things constituting default under the provisions of the Loan Documents, Borrower shall be deemed in default upon the occurrence of any of the following events:

- (1) The building and improvements are not completed by the Completion Date;
- (2) The construction work is abandoned or stopped for a period of 30 days (except for a temporary stoppage due to a strike or an act of God);
- (3) Borrower breaches any provisions of this Agreement or any other provisions contained in the Loan Documents;
- (4) The permanent lender withdraws or cancels its commitment, or Borrower fails to comply with that commitment;
- (5) The building or improvements on the Property are damaged or destroyed by fire or other casualty;
- (6) The death of any Borrower;
- (7) If Lender, in its judgment, determines that the remaining Loan funds are insufficient to pay the remaining costs of construction;
- (8) Borrower or Borrower's contractor abandons the construction job;
- (9) A petition in bankruptcy or any arrangement of composition with creditors for reorganization is filed by or against Borrower or any of Borrower's contractors;
- (10) A mechanic's or materialmen's lien or any other claim of lien is filed or recorded against the Property;
- (11) A stop notice is served upon Borrower, Lender or any of its agents;
- (12) Any suit or legal action is filed affecting the Property or Borrower; or
- (13) Borrower is delinquent on Borrower's payments or obligations under the Loan Documents.

b. In the event of default, Lender may, at its option and without notice, do one or more of the following:

- (1) Incur and assess such fees as set forth in the Loan Documents, such as, *inter alia*, stop notice fees, administrative fees and attorneys' fees;
- (2) Withhold making further disbursements;
- (3) Declare the amount of the Loan immediately due and payable;
- (4) Apply any amount of the Loan proceeds remaining in the construction loan account to the Loan balance;
- (5) Take possession of the Property, seize all personal property thereon (e.g., supplies, materials, inventory, etc.) and cause the building and/or improvements to be completed or secured at the expense of Borrower, which sums shall be secured by the Deed of Trust;
- (6) Immediately foreclose the Deed of Trust or cause the Trustee to exercise the power of sale granted therein;
- (7) Apply any remaining Loan funds to the direct payment of bills, claims, stop notices or liens of laborers or materialmen, which Lender, in its sole judgment, believes to be valid, without recourse against Lender in the event they are not valid;
- (8) File suit for any sums owing under the Loan Documents or for damages caused by Borrower's default; or
- (9) Take such other action as Lender may deem necessary to protect Lender's interests.

8. CONSTRUCTION LOAN ACCOUNT

a. The Loan proceeds and the interest earned, if any, thereon, shall be held by Lender in a Construction Loan Account. Progress payments may be disbursed by checks made payable, in Lender's sole discretion, to Borrower and/or any of Borrower's contractors, subcontractors and suppliers. Each of the progress payments shall be made by Lender only after a satisfactory progress inspection report is made by Lender's inspector and upon the furnishing to Lender of receipts, waivers, releases or other proof satisfactory to Lender that all prior disbursements have been applied to the cost of construction. In the event Lender's loan requires more than 5 inspections, Lender may charge an additional fee for each inspection.

b. The final disbursement of the Loan proceeds, after deducting all Loan expenses and fees, shall be disbursed by Lender when the construction work is 100% complete, occupancy is authorized by the appropriate regulatory entity and Lender has been furnished with such satisfactory inspections, reports, affidavits, receipts, waivers, releases, notices of completion or other documents as Lender may require for its protection. Borrower authorizes Lender to file a notice of completion on Borrower's behalf.


initials



EXHIBIT A

c. Any inspections or determinations made by Lender, or waivers, releases or other instruments obtained by Lender, are made or obtained solely for Lender's own benefit and not in any way for the benefit or protection of the undersigned Borrower. Lender may accept and rely on any statements, figures, or representations of any contractor, builder, architect and/or any Borrower regarding labor and materials furnished or incorporated in the work and the cost thereof and as to matters relating to the construction work without the necessity of verifying the same. Any statement or representation by Borrower shall bind all Borrowers, if more than one. At its discretion, Lender may waive any inspections and make disbursements of the Loan proceeds solely upon the statements and representations of any contractor, builder, architect and/or Borrower. Lender has no obligation to Borrower for the performance of any contractor, builder or architect in carrying out the construction or improvements on the Property. Borrower shall make Borrower's own contractual arrangements with any contractor he/she/it employs, shall make Borrower's own arrangements with such contractor for any bonds required and shall be responsible for furnishing any receipts, releases and/or waivers the Borrower may require for Borrower's protection. Lender, at its sole and absolute discretion, may require Borrower to post a bond of any nature and in any amount Lender deems necessary for its protection. Additionally, Lender shall approve and receive proof of any and all performance and/or completion bond coverage and be named as Additional Insured on such Bonding, to be determined at Lender's sole and absolute discretion.

d. In the event that the Lender's estimated cost of completing any construction line item exceeds the remaining amount budgeted for that line item or that the Lender's total estimated cost of completing the construction of the building and/or improvements exceeds the remaining amount of the Construction Loan Account (the "construction deficiency"), Borrower shall, on Lender's demand and at Lender's election, either:

(1) Deposit an amount equal to the construction deficiency with Lender; or

(2) Pay the construction deficiency towards the construction of the building and/or improvements prior to obtaining any further disbursements from Lender, and furnish Lender with proof, satisfactory to Lender, of Borrower's expenditure (i.e., paid invoices, receipts, lien waivers, releases, etc.)

9. BENEFIT

This Agreement is made for the sole protection of the Borrower, Lender, Beneficiary and Beneficiary's assignees, if any, and no other person shall have any right of action hereunder. Loan proceeds held in the Construction Loan Account are not held for the benefit of any of Borrower's laborers, materialmen, contractors or any other persons.

10. CONSTRUCTION DISBURSEMENT POLICY

a. When the Loan is closed, the balance of the Loan funds will be deposited in an adequately insured financial institution (the "Construction Loan Account"). Lender shall have the option of depositing said funds into either a savings account, which allows only six disbursements per month, or a regular, non-interest bearing, checking account with unlimited disbursements. If any interest is earned, it will accrue to Borrower to be applied in accordance with paragraph 4 of this Agreement.

b. The initial disbursement from the Construction Loan Account will not be available to Borrower until Lender has been informed by the selected financial institution that the Construction Loan Account is open and the funds deposited therein are available for withdrawal. (This may be up to one week after the Loan records.)

c. Funds will be disbursed according to the construction budget approved by Lender. Any changes affecting disbursements under the construction budget must have prior written approval from Lender.

d. Lien waivers must be obtained from all subcontractors, material suppliers and all casual labor. Lender will provide Borrower with blank lien waivers for all reimbursement items. Checks issued by Lender will have lien waivers attached.

e. Lender will require signed lien waivers for all casual labor for which reimbursement is requested and paid receipts for all material reimbursements. Subject to Lender's discretion, reimbursements will be made in the amount of \$400 or more.

f. To avoid any delay in processing the construction disbursement, Borrower must follow these procedures:

(1) Disbursement requests received in Lender's office by noon on Wednesday of any particular week will cause a disbursement to be available for Borrower to pick up after 3:00 p.m. on Friday of that week; or, if not picked up, then that disbursement will be mailed to Borrower. (Due to the large volume of disbursement requests, there will be no exceptions to this disbursement policy.)


initials



EXHIBIT A

(2) Borrower's request must include the following:

- (a) The name shown on Borrower's account;
- (b) Borrower's loan number;
- (c) Check amount, to whom check is payable and purpose of disbursement (e.g., electrical material, drywall labor, etc.);
- (d) All supporting documentation (e.g., invoices, proposals, estimates, lien waivers, etc.);
- (e) Legal description of Property and/or its address; and
- (f) Whether check is to be picked-up by Borrower or mailed.

g. Before additional disbursements will be made, Lender must have in its possession, all paid bills and lien waivers for all prior checks issued.

h. Anything charged on charge cards, credit lines or credit cards shall be Borrower's responsibility to pay; Lender will not reimburse for these expenditures. Lender will not issue checks to Borrower's credit card company.

i. Lender will erect a construction sign on the Property which must remain on display throughout the course of construction.

j. Disbursement checks issued by Lender are valid for 60 days from the date of issue. A stop payment will be issued on all lost or stolen checks and all checks which have not cleared the financial institution within 60 days from the date of issue. A stop payment fee will be charged against the Construction Loan Account for each applicable check.

11. GENERAL

a. This Agreement is binding on Lender and Borrower (collectively, the "Parties") and their agents, representatives, successors, permitted assigns, beneficiaries and trustees.

b. This Agreement and the benefits hereunder are not assignable or transferable by Borrower. However, Lender may assign its rights and obligations under this Agreement without prior notice to Borrower.

c. Borrower acknowledges that Mortgages Ltd. is Lender's Servicing Agent

d. Borrower specifically represents that there are no restrictions or zoning regulations which will restrict or prevent the proposed construction and intended use of the Property.

e. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Arizona. Borrower hereby submits to the 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. Borrower hereby waives the defense of an inconvenient forum.

f. This Agreement sets forth the entire agreement and understanding of the Parties and supercedes all prior agreements, arrangements and understandings, written or oral, between the Parties.

g. This Agreement may be amended, modified, superseded, canceled, renewed or extended and the terms or covenants hereof may be waived only by a written instrument executed by both Parties. The failure of Lender at any time or times to require performance of any provision of this Agreement shall in no manner affect the right of the Lender at a later time to enforce the same. No waiver by Lender 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 Lender of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

h. If any term or other provision of this Agreement or any other Loan Document 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.


initials



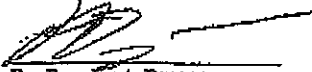
EXHIBIT A

This Agreement is effective on the date set forth on the first page.

BORROWER:

Foothills Plaza IV, L.L.C., an Arizona limited liability company

By: Apex Property Solutions, L.L.C., an Arizona limited liability company
Its: Manager



By: Douglas A. Drago
Its: Manager

LENDER:

Mortgages Ltd., an Arizona corporation

By: Phillip A. Solloni, Jr.
Its: Senior Vice President



EXHIBIT A

AFFIDAVIT OF BORROWER (APPLICABILITY OF STOP NOTICE)

Loan No. 853106

September 5, 2006

"Borrower" Foothills Plaza IV, L.L.C., an Arizona limited liability company

Douglas A. Drago, being duly sworn and upon oath states the following.

1. Yes No
I am the "Borrower" of a loan from the "Lender," Mortgages Ltd., an Arizona corporation for the construction, alteration, repair or improvement on real property (the "Property"). In connection with the loan, I have executed a Promissory Note, a Deed of Trust (securing the Property), a Construction Loan Agreement and numerous other supporting documents (collectively, the "Loan Documents").
2. Yes No
On the Property, there has been constructed or is to be constructed a building, structure or improvement ("Dwelling") which is designed for either single one-family or single two-family residential purposes or activities related thereto.
3. Yes No
I hold legal or equitable title to the Dwelling as a natural person by a deed or contract for the conveyance of the Property recorded with the county recorder of the county in which the Dwelling is located.
4. Yes No
I reside or intend to reside in the Dwelling at least 30 days during the 12 month period immediately following completion of the construction, alteration, repair or improvement.
5. Yes No
I do not intend to sell or lease the Dwelling to others.
6. Yes No
I shall not permit exclusive occupancy by persons other than members of my family for other than temporary purposes.

Foothills Plaza IV, L.L.C., an Arizona limited liability company

By: Apex Property Solutions, L.L.C., an Arizona limited liability company
Its: Manager


By: Douglas A. Drago
Its: Manager


STATE OF AZ)
)ss
COUNTY OF MARICOPA)



Date of acknowledgement 9-7-06

Acknowledgement of Douglas A. Drago

This instrument was acknowledged before me this date by the persons above subscribed and if subscribed in a representative capacity, then for the principal named and in the capacity indicated.


Notary Public

My commission expires 11-5-07



EXHIBIT A

Delay-Flex® Mortgage Line
PROMISSORY NOTE
Interest Only

Loan No. 853106

September 5, 2006

Loan Amount: \$25,740,000.00

"Maker" (individually and collectively):

Foothills Plaza IV, L.L.C., an Arizona limited liability company
7202 East Carefree Drive, Suite 200
Carefree, AZ 85377

"Holder": Mortgages Ltd., an Arizona corporation

1. PROMISE TO PAY

a. As consideration for the receipt of a loan and other value, Maker hereby promises to pay the outstanding balance of the Designated Loan Amount \$25,740,000.00 in United States currency (the "Principal"), plus interest, to the order of the Holder, Mortgages Ltd., an Arizona corporation, or any subsequent holder of this Note. Maker understands and agrees that Mortgages Ltd., an Arizona corporation, may subsequently transfer this Note, subject to the terms and conditions contained herein. Mortgages Ltd., an Arizona corporation, or anyone who takes this Note by transfer and who is entitled to receive payments under this Note, is referred to hereinafter as the "Holder."

b. In connection with this Note and on the same date, Maker executed a Deed of Trust securing this Note (the "Deed of Trust") and a Servicing Agent Agreement. The Note, the Deed of Trust, the Servicing Agent Agreement and any other agreement, document or instrument evidencing, governing or securing the payment of the indebtedness evidenced by the Note are collectively referred to herein as the "Loan Documents". Maker understands and agrees that the Servicing Agent Agreement, which is incorporated herein by reference, authorizes the Servicing Agent appointed thereunder to, among other things, act on the Holder's behalf in accordance with this Note.

2. INTEREST

Interest will be charged on that portion of the Principal which has been committed by Holder, beginning, at Holder's discretion, on the Loan Funding Date or the Commitment Termination Date (in the event that the Loan closing was delayed for any reason other than one caused by Holder) continuing until the Principal has been paid in full. The 'Loan Funding Date' is the date upon which Mortgages Ltd. allocates and designates sums sufficient to fund this Loan. The 'Commitment Termination Date' is the date upon which Mortgages Ltd.'s Loan commitment expires. Beginning on the Loan Funding Date or the Commitment Termination Date, as the case may be, and so long as no event of default exists, interest will accrue and be paid at the rate of 13% per annum. In the event of default, Maker agrees to pay the Default Interest Rate as set forth herein.

3. DELAY-FLEX® MORTGAGE LINE

a. Purpose. Under the Delay-Flex® Mortgage Line, Maker may, subject to the conditions set forth in the Loan Documents and described herein, obtain the Delay-Flex amount designated as such and in accordance to the portions set forth in the Delay-Flex Funding Schedule outlined in the Delay-Flex Disbursement Summary executed in connection with this Loan.

b. The Funding of each Delay-Flex portion is subject to Holder's discretionary approval and satisfaction of the following conditions:

- (1) There is no then-existing default under any of the Loan Documents and there exist no facts which, with the giving of notice or passage of time, would constitute a default under any of the Loan Documents;
- (2) Holder, or its agent, has conducted an inspection of the Trust Property and the present condition of the Trust Property has been approved;
- (3) The increased loan amount following the funding of each Delay-Flex portion, if made, will not exceed Holder's lending guidelines for the Trust Property;
- (4) Holder may further condition any delayed funding on endorsements to the Holders Title Policy insuring the continued validity and priority of the Deed of Trust, Holder's approval of Maker's proposed utilization of the Delay-Flex proceeds and any other reasonable assurances or conditions Holder may require or impose;
- (5) Beneficiary shall fund each Delay-Flex portion on a date set by Beneficiary at its sole and absolute discretion, which will occur no earlier than the thirtieth (30th) day prior to the Fund Date set forth in the Delay-Flex Funding Schedule and no later than the thirtieth (30th) consecutive day following the Fund Date set forth in the Delay-Flex Funding Schedule; and



EXHIBIT A

PROMISSORY NOTE

Delay-Flex[®] Mortgage Line

Loan No. 853106

September 5, 2006

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(6) Funding the total Delay-Flex portion of the loan is not to exceed nine (9) months from the date of Loan closing. The Delay-Flex Funding Schedule must be completed by Loan closing and included in the Disbursement Summary. Any modification to the Delay-Flex Funding Schedule requires written approval from Holder or Servicing Agent.

c. **Deed of Trust.** The Deed of Trust secures the entire Designated Loan Amount regardless of the amount of the Initial Funding or any subsequent findings on the Loan account. However, the payoff amount required to release the Deed of Trust shall be based on the actual outstanding balance of the Loan account at the time of payoff.

4. PAYMENTS

a. **Time and Place of Payments.** Maker will pay interest only by making monthly payments on the 7th day of each month beginning October 7, 2006. Maker will continue to make monthly payments until Maker has paid all of the Principal, interest and any other charges that Maker may owe under this Note or the other Loan Documents. Monthly payments received by Holder in advance will not be posted to Maker's account greater than 14 calendar days prior to the payment due date.

b. Maker's monthly payments will be applied to the following in such order as Holder, in its sole discretion, may determine

- (i) To the payment of any costs, fees or other charges incurred under this Note and the other Loan Documents;
- (ii) To the payment of accrued interest; and
- (iii) To the reduction of the Principal balance.

c. All remaining principal, together with accrued unpaid interest and any other amounts due hereunder or under the Loan Documents (collectively, the "Maker's Liabilities") shall be due and payable in full on March 7, 2008 (the "Maturity Date"), unless Maker's Liabilities become due and payable sooner because of acceleration, in which case Maker's Liabilities shall be due and payable in full on the date of such acceleration. Maker understands that the Maturity Date requires Maker to pay all Principal, interest and all other charges then due.

5. RIGHT TO PREPAY AND PREPAYMENT PREMIUM

a. Maker has the right to make payments of Principal at any time before they are due ("Prepayment") provided that:

- (1) All sums due under the Note are current;
- (2) Prepayment is made on a monthly payment due date;
- (3) Payment of a prepayment premium equal to 5% of the Principal balance of the Note before reduction, if Prepayment is made before September 7, 2006; and
- (4) At the time of making a Prepayment, Maker advises Servicing Agent, in writing that Maker is making a Prepayment.

b. Any payment of Principal only is considered a Prepayment. Holder will use all of Maker's Prepayments to reduce the amount of Principal that Maker owes under this Note. If Maker makes a partial Prepayment, there may be a change in the amount of Maker's monthly payment.

6. LOAN CHARGES

a. **Note Interest Rate.** If Holder charges or if Maker pays any fees, charges or other sums pursuant to this Note or any other Loan Documents which, under the law, may be deemed to be interest, then the interest rate set forth in Paragraph 2 above shall be deemed to be increased to include such additional interest. Therefore, if it is determined that the rate of interest applicable to this Note is greater than the rate of interest stated in Paragraph 2 above, then the actual rate thus determined shall become the agreed upon and contracted rate of interest for this Note.

b. **Interpretation and Remedy.** Notwithstanding any provision herein or in any of the Loan Documents, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of Arizona, if any. If a law, which applies to this Note and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this Note exceed the permitted limits, then: (i) loan charges shall be reduced by Holder in an amount sufficient to reduce the loan charges to the permitted limit; and (ii) any sums already collected from Maker which exceeded permitted limits will be refunded to Maker. Holder may choose to make this refund by reducing the Principal Maker owes under this Note or by making a direct payment to Maker. If a refund reduces Principal, then the reduction will be treated as a partial Prepayment and the provisions of Paragraph 4 will not apply.



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7. MAKER'S FAILURE TO PAY AS REQUIRED

a. **Late Charge for Overdue Payments.** If Servicing Agent has not received the full amount of any of Maker's monthly payments by the close of business on a date which is five (5) calendar days after the date it is due, Maker will pay a late charge to Servicing Agent. The amount of the late charge will be 35% of the monthly Principal and Interest payment. In the event that this Note is not paid in full by the Maturity Date, Maker acknowledges that a late charge will be assessed in the amount of 3% of the remaining Principal balance on the next day following the Maturity Date and on the same day each month thereafter until the Note is paid in full.

b. **Default.** Maker shall be in default of this Note if Maker does any of the following:

- (i) Fails to pay the full amount of each monthly payment on or before the date it is due;
- (ii) Fails to pay all sums due as of the Maturity Date;
- (iii) Fails to pay any and all sums required by any other Loan Documents; or
- (iv) Fails to perform or observe any covenants or obligations set forth herein or in any other Loan Documents.

c. **Cross Default.** In the event that Maker has secured or secures additional loans through Mortgages Ltd. (the "Additional Loans"), regardless as to whether Mortgages Ltd. has assigned its interests in the Additional Loans or this Loan, then a default in any Additional Loan shall constitute a default in this Loan and a default in this Loan shall constitute a default in the Additional Loans.

d. **Acceleration.** If Maker is in default, then Holder may accelerate the Maturity Date and declare that all sums owing under this Note and the other Loan Documents are immediately due and payable, without notice.

e. **No Waiver By Holder.** Failure of Holder, for any period of time or on more than one occasion, to exercise its option to accelerate the Maturity Date shall not constitute a waiver of the right to exercise the same at any time during the continued existence of an event of default or any subsequent event of default.

f. **Payment of Holder's Costs and Expenses.** If an event of default occurs, Maker shall pay all costs of enforcement, collection and preparation therefor, whether or not any action or proceeding is commenced in any court and, if commenced, during all appeals, including, but not limited to, attorneys' fees, guarantor collection expenses (as described in the Servicing Agent Agreement), appraisal fees, inspection fees, expert witness fees, foreclosure processing fees, litigation costs and all other related expenses (collectively, "Default Costs"). Maker, at the option of Holder, shall appear and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Holder and shall pay all costs and expenses of Holder, including the cost of evidence of title and attorneys' fees, in any such action or proceeding in which Holder may appear or be named, with interest thereon at the Default Interest Rate from the date incurred or expended until paid in full.

g. **Default Interest.** If Maker is in default, then (in addition to the late charge as stated in Paragraph 6(a) above) the interest rate on the unpaid Principal shall be increased to 27% per annum (the "Default Interest Rate") commencing on the date through which interest was last paid, and shall continue, at the option of the Holder, until all payments have been made current, all sums due under this Note and the other Loan Documents have been paid in full and/or all non-monetary defaults under the Loan Documents have been cured to the Holder's satisfaction. Any advances made by Holder, pursuant to the terms of the Loan Documents, and all Default Costs shall accrue interest at the Default Interest Rate. In the event Maker files or is involuntarily placed in bankruptcy, Maker hereby agrees that Holder shall be entitled to interest on all Loan arrearages of whatever nature at the Default Interest Rate.

8. NOTICES

Unless applicable law requires a different method, any notice that must be given to Maker under this Note will be given by mailing it by first class mail or by delivering it to Maker at the address stated above or at a different address if Maker gives Servicing Agent written notice of a different address. Any notice that must be given to Holder shall be given by mailing it by first class mail to the Servicing Agent, at 55 E. Thomas Rd., Phoenix, Arizona 85012, or at a different address if Servicing Agent has given Maker written notice of a different address.

9. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note in his/her individual capacity and/or on behalf of his/her marital community, and not on behalf of a corporate or partnership entity, each person and his/her marital community (if applicable) is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or indorser of this Note is also obligated to perform under the terms of this Note. Any subsequent person who takes over Maker's rights under this Note by whatever means, including the obligations of a guarantor, surety or indorser of this Note, is also bound by all of the promises and liabilities created by this Note and the other Loan Documents. Holder may enforce its rights under this Note against each Maker or successor, jointly and severally. This means that each signer may be required to pay all sums owed under this Note irrespective of the type, value or ownership of the property securing the Note.



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10. WAIVERS

Maker, for itself and all endorsers, guarantors and sureties of this Note, and their heirs, successors and assigns and legal representatives, hereby waives presentment for payment, demand, notice of nonpayment, notice of dishonor, protest of any dishonor, notice of protest and protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note, and agrees that their respective liability shall be unconditional and without regard to the liability of any other party and shall not be in any manner affected by any indulgence, extension of time, renewal, waiver or modification granted or consented to by Holder. Maker, for itself and all endorsers, guarantors and sureties of the Note, and their heirs, legal representatives, successors and assigns, hereby consents to every extension of time, renewal, waiver or modification that may be granted by Holder with respect to the payment or other provisions of this Note, and to the release of any makers, endorsers, guarantors or sureties, and of any collateral given to secure the payment hereof, or any part hereof, with or without substitution, and agrees that additional makers, endorsers, guarantors or sureties may become parties hereto without notice to Maker or to any endorser, guarantor or surety and without affecting the liability of any of them.

11. TIME

Time is of the essence in all aspects of this Note and the Loan Documents.

12. SECURITY

This Note and the other Loan Documents, including, among others, the Deed of Trust, were executed by Maker and, if necessary, various other parties to protect Holder from possible losses which might result if Maker does not perform the obligations set forth in this Note. The Loan Documents describe how, and under what conditions, Maker may be required to make immediate payment in full of all sums Maker owes under this Note. Some of those conditions, but not all, are described as follows:

a. If Maker or another party, such as a third party trustor of the Deed of Trust securing this Note, sells, conveys, transfers, assigns, contracts for sale, leases with option to purchase or further encumbers the property securing the Note (the "Secured Property") or any part thereof, including, but not limited to, any further assignment of the Secured Property's income, wraparound mortgage or purchase contract;

b. If Maker is a limited liability company and any ownership interest in Maker is sold, conveyed or transferred;

c. If Maker is a partnership and any general partnership interest in Maker is sold, conveyed or transferred, either voluntarily or involuntarily without the prior written consent of Holder; or

d. If Maker is a corporation and the controlling interest in Maker is sold, conveyed or transferred.

Upon the occurrence of any of the above or any other triggering events set forth in the Loan Documents, Holder, at its option, shall have the right to accelerate the sums owing under the Note and those sums shall become immediately due and payable to Holder. This provision shall apply to each and every such sale, conveyance, transfer, lease, encumbrance or assignment, regardless as to whether Holder has consented or waived its rights in connection with any such previous sale, conveyance, transfer, lease, encumbrance or assignment by Maker.

13. PROMOTION

Holder shall have the right to release information related to this Note and the Loan Documents ("Promotional Information"), including, but not limited to, photographs of the Secured Property, characteristics of the Secured Property, Loan characteristics, financing terms and aspects of underwriting, for advertising, marketing and other promotional purposes, such as commercials, advertising fliers, trade articles, Internet releases and public presentations. Holder shall not be held liable to Maker for the release of Promotional Information.

14. GENERAL

a. This Note is binding on Maker and Maker's agents, representatives, successors, assigns, beneficiaries and trustees.

b. This Note and the benefits hereunder are not assignable or transferable by Maker. However, Holder may assign its rights under this Note without prior notice to Maker.

c. Maker acknowledges that Mortgages Ltd. is Holder's Servicing Agent.

d. This Note shall be governed by, construed and enforced in accordance with the laws of the State of Arizona. Maker hereby submits to the 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 Note. Maker hereby waives the defense of an inconvenient forum.



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e. Maker, and Holder by its acceptance of this Note, hereby waive their respective rights to a trial by jury in any action or proceeding based upon, or related to, the subject matter of this Note and the business relationship that it being established. This waiver is knowingly, intentionally, voluntarily and irrevocably made by Maker and by Holder and Maker acknowledges that neither Holder nor any person acting on behalf of Holder has made any representations of fact to include this waiver of trial by jury or has taken any actions which in any way modify or nullify its effect. Maker and Holder acknowledge that this waiver is a material inducement to enter into a business relationship, that Maker and holder have already relied on this waiver in entering into this Note and that each of them will continue to rely on this waiver in their related future dealings.

f. This Note, along with the other Loan Documents, sets forth the entire agreement and understanding between Maker and Holder, and supersedes all prior agreements, arrangements and understandings, written or oral, between Maker and Holder.

g. This Note may be amended, modified, superseded, canceled, renewed or extended and the terms or covenants hereof may be waived only by a written instrument executed by Maker, Holder and the Servicing Agent. The failure of Servicing Agent, at any time or times, to require performance of any provision of this Note shall in no manner affect the right of the Holder or Servicing Agent at a later time to enforce the same. No waiver by Holder or Servicing Agent of the breach of any term or covenant contained in this Note, 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 Holder or Servicing Agent of any such breach, or a waiver of the breach of any other term or covenant contained in this Note.

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

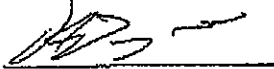
IN WITNESS WHEREOF, this Note has been executed as of the date set forth on the first page.

MAKER:

Foothills Plaza IV, L.L.C., an Arizona limited liability company

By: Apex Property Solutions, L.L.C., an Arizona limited liability company

Its: Manager



By: Douglas A. Drago
Its: Manager



STATE OF AZ

COUNTY OF MARICOPA

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Date of acknowledgement 9-7-06

Acknowledgement of Douglas A. Drago

This instrument was acknowledged before me this date by the persons above subscribed and if subscribed in a representative capacity, then for the principal named and in the capacity indicated.

Palmira Malone
Notary Public

My commission expires 11-5-07

