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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF MARICOPA

VICTIMS RECOVERY, L.L.C., an Arizona limited liability company,

Plaintiff,

vs.

GREENBERG TRAURIG LLP, a New York limited liability partnership; MAYER HOFFMAN MCCANN P.C., a Missouri professional corporation; CBIZ, INC. (fka Century Business Services, Inc.), a Delaware corporation; CBIZ MHM, LLC (fka CBIZ Accounting, Tax & Advisory Services, LLC), a Delaware limited liability company; ROBERT S. KANT and ELLEN P. KANT, husband and wife, individually and as Trustees of the Kant Revocable Trust; JEFFREY H. VERBIN and JAQUELINE R. VERBIN, husband and wife; CHARLES A. McLANE and EILEEN M. McLANE, husband and wife; JOEL B. KRAMER and DONNA L. KRAMER, husband and wife; MICHAEL M. DENNING and DONNA J. DENNING, husband and wife; CHRISTOPHER J. OLSON and RACHEL L. SCHWARTZ-OLSON, husband and wife; JEFFREY A. NEWMAN and KATHLEEN N. NEWMAN, husband and wife,

Defendants.

CV2010-052188

No. _____

COMPLAINT

Contract, Tort Non-Motor Vehicle

For its Complaint against Defendants, Plaintiff alleges the following:

I. What this Case is About

1. This action is about the more than $52 million that eighteen investors, who comprise the Plaintiff, lost as the result of the almost $1 billion fraud that Mortgages Ltd. ("MLtd"), an Arizona mortgage banker, its solely owned subsidiary, Mortgages Ltd. Securities, LLC ("MLS"), and their officers, lawyers, accountants and auditors perpetrated on investors between 2004 and 2008.

2. To paraphrase that nursery rhyme of old: "*[MLtd] sat on a wall [in this case a proverbial 'Chinese Wall']; [MLtd] had a great fall! All the [Company's accountants] and all the [Company's lawyers and auditors] couldn't put [MLtd] back together again!*" In fact, as described herein, the Company's lawyers, accountants and auditors made sure that MLtd would fall, leaving investors "holding the bag" of worthless paper.

II. Parties, Standing, Jurisdiction and Venue

3. Plaintiff Victims Recovery, L.L.C. ("VR"), is an Arizona limited liability company ("LLC") with its principal place of business in Maricopa County, Arizona. VR's managers are William L. Hawkins and Louis B. Murphey, and its member is L.L.J. Investments, LLC ("LLJ"), which is an Arizona LLC, whose member-managers are Louis B. Murphey and Lonnie J. Krueger, who are Arizona citizens and residents, and James C. Schneck, who is a Wisconsin citizen and resident.

4. For the sake of economy of time and money, eighteen individuals and entities (collectively, "the VR Investors"), have assigned their claims arising out of their separate investments, totaling more than $52 million, in the Revolving Opportunity ("RevOp") Loan Program described herein, which was created and marketed by MLtd and MLS.

5. The names of the VR Investors who have assigned to VR their claims arising out of their investments in MLtd's RevOp Loan Program and the amounts of unredeemed investments are listed in the following table in alphabetical order:

Table of VR'S ReVop Loan Program Investors

Investor's Name	Unredeemed Amt. of RevOp Investments
AJ Chandler 25 Acres, L.L.C., an Arizona LLC	$ 5,243,336.88
Bear Tooth Mountain Holdings Limited Partnership, an Arizona limited liability partnership ("LLP")	5,578,906.39
Yuval and Mirit Caine, husband and wife, Arizona citizens and residents	750,000.00
Cornerstone Realty & Development, Inc. , an Arizona corporation	75,000.00
Cornerstone Realty & Development, Inc. Defined Benefit Plan and Trust, an Arizona trust	525,000.00
Evertson Oil Company, Inc., a Utah corporation	1,000,000.00
James C. Schneck Revocable Trust dated October 1, 1999, a Wisconsin trust, James C. Schneck, trustee[1]	6,820,000.00
Ronald Kohner, an unmarried Arizona citizen and resident	1,077,338.70
Lonnie Joel Krueger Family Trust, an Arizona trust, Lonnie J. Krueger, trustee[1]	2,180,000.00
Brett Michael McFadden, an Arizona citizen and resident	1,000,000.00
Michael Johnson Investments II, L.L.C. , an Arizona LLC	1,000,000.00
Louis B. Murphey, an unmarried Arizona citizen and resident[1]	6,000,000.00
Morley Rosenfield, M.D. P.C. Restated Profit Sharing Plan, an Arizona trust, Morley Rosenfield, trustee	1,639,550.00
Pueblo Sereno Mobile Home Park L.L.C., an Arizona LLC	6,907,963.58
Queen Creek XVIII, L.L.C., an Arizona LLC	6,546,458.49
Trine Holdings, L.L.C., an Arizona LLC	2,372,445.06
Weksler-Casselman Investments, an Arizona general partnership	500,000.00
William L. Hawkins Family L.L.P. , an Arizona LLP	3,165,922.43
Total Amount of Unredeemed RevOp Investments	**$52,381,921.53**

6. VR's claims and the amount of damages suffered by the VR Investors as a result of Defendants' wrongful acts alleged herein are comprised solely of and based on

[1] These investors (collectively, "the LLJ Investors") assigned their RevOp investments to LLJ in 2005, and LLJ subsequently assigned its claims arising out of these RevOp investments to VR. *See* ¶ 2, *supra*.

the VR Investors' purchases of MLtd's RevOp Loan Program. By virtue of the VR Investors' assignments of their claims to VR, VR has full authority to pursue the claims alleged herein and to recover compensatory damages from Defendants on behalf of the VR Investors for their unredeemed investments in MLtd's RevOp Loan Program, plus punitive damages and interest, and attorneys' fees and costs incurred herein.

7. Defendant Greenberg Traurig LLP ("GT") is, and at the times herein was, a New York LLP registered as a foreign LLP in Arizona, whose partners named herein are, and at the times herein were, licensed to practice law in Arizona and citizens and residents of Arizona. GT has, and at the times herein had, offices doing business, and between 2006 and 2008 committed, participated in, enabled or aided and abetted, the acts, and provided the legal services, including the preparation of the various legal documents, described herein, in Maricopa County, Arizona, by and through its employees, who are, and at the times herein were, attorneys licensed to practice law in Arizona, for and on behalf of MLtd, MLS and their CEO, Scott M. Coles ("Coles"), who were its clients from 2006 to 2008.

8. Defendant Mayer Hoffman McCann P.C. ("MHM") is, and at the times herein was, a Missouri professional corporation ("PC") registered as a foreign PC in Arizona with offices doing business, and between 2004 and 2008 committed, participated in, enabled or aided and abetted, the acts, and provided the auditing and accounting consulting services, including the preparation of various reports, documents and accounting reviews, described herein, in Maricopa County, Arizona, by and through its employees, who are, and at the times herein were, licensed as certified public accountants in Arizona, for and on behalf of MLtd, MLS and Coles, who were its clients from 1998 to 2008.

9. Defendant CBIZ, Inc. (fka Century Business Services, Inc.) ("CBIZ"), is a publicly traded (NYSE: CBZ) professional-services firm. CBIZ is, and at the times herein was, a Delaware corporation with offices doing business in Maricopa County, Arizona. CBIZ controls or is otherwise affiliated with CBIZ-MHM and MHM, and it

committed and performed services, participated in, enabled or aided and abetted, the acts and services performed by MHM and CBIZ-MHM, for MLtd, MLS and Coles described herein, in Maricopa County, Arizona.

10. Defendant CBIZ MHM, LLC (fka CBIZ Accounting, Tax & Advisory Services, LLC) ("CBIZ-MHM"), is, and at the times herein since September 11, 2006, was, a Delaware LLC, which has been registered as a foreign LLC, doing business, in Arizona, since January 9, 2007. CBIZ-MHM is, and at the times herein was, affiliated with CBIZ and MHM or controlled MHM and committed and performed services, or participated in, enabled or aided and abetted, the acts and performance of the services by MHM and CBIZ, described herein for MHM, CBIZ, MLtd, MLS and Coles since that date in Maricopa County, Arizona.

11. Defendants Robert S. Kant ("Kant") and Ellen P. Kant are husband and wife, who are, and at the times herein were, Arizona citizens residing in Maricopa County, Arizona, and trustees of the Kant Revocable Trust. Kant is, and at the times herein was, licensed to practice law in Arizona, subject to the Arizona Rules of Professional Conduct described herein, and a GT employee, partner or shareholder. Kant, who professes to specialize in securities law and public offerings in Arizona with approximately 40 years experience in those areas, was the primary person who committed, participated in, enabled or aided and abetted, the acts and performance of the services described herein since April 2006 for GT, MLtd, MLS and Coles, and for his own separate benefit and for the benefit of his marital community.

12. Defendants Jeffrey H. Verbin ("Verbin") and Jaqueline R. Verbin are husband and wife, who are, and at the times herein were, Arizona citizens residing in Maricopa County, Arizona. Verbin is, and at the times herein was, licensed to practice law in Arizona, subject to the Arizona Rules of Professional Conduct described herein, and a GT employee, managing partner, director or shareholder. Verbin worked with or supervised Kant in committing, participating in, enabling or aiding and abetting, the acts and the performance of the services described herein since April 2006 for GT,

MLtd, MLS and Coles, and his own separate benefit and for the benefit of his marital community.

13. Defendants Charles A. McLane ("McLane") and Eileen M. McLane are husband and wife, who are, and at the times herein were, Arizona citizens residing in Maricopa County, Arizona. McLane is, and at the times herein was, licensed as a certified public accountant in Arizona and an employee, shareholder, member or director of MHM, CBIZ and CBIZ-MHM. McLane was the primary person who committed, participated in, enabled or aided and abetted, the acts and performance of the services described herein for MHM, CBIZ, CBIZ-MHM, MLtd, MLS and Coles, and for his own separate benefit and for the benefit of his marital community.

14. Defendants Joel B. Kramer ("Kramer") and Donna L. Kramer are husband and wife, who are, and at the times herein were, Arizona citizens residing in Maricopa County, Arizona. Kramer is, and at the times herein was, licensed as a certified public accountant in Arizona, an employee, shareholder, partner or member of MHM, CBIZ and CBIZ-MHM, and president of CBIZ-MHM and managing director of the Phoenix offices of MHM, CBIZ or CBIZ-MHM. Kramer worked with or supervised McLane in committing, participating in, enabling or aiding and abetting, the acts and performance of the services described herein for MHM, CBIZ, CBIZ-MHM, MLtd, MLS and Coles, and for his own separate benefit and for the benefit of his marital community.

15. Defendants Michael M. Denning ("Denning") and Donna J. Denning are husband and wife, who are, and at the times herein were, Arizona citizens residing in Maricopa County, Arizona. From early 2006 through December 31, 2007, Denning was MLtd's president, and prior to that that time he was MLS's president. Denning committed, participated in, enabled or aided and abetted, the acts described herein for MLtd, MLS and Coles, and for his own separate benefit and for the benefit of his marital community.

16. Defendants Christopher J. Olson ("Olson") and Rachel L. Schwartz-Olson are husband and wife, who are, and at the times herein were, Arizona citizens residing

in Maricopa County Arizona. Olson is, and at the times herein was, licensed as a certified public accountant in Arizona. At the times herein, Olson intermittently was MLtd's CFO and a vice president from late 2000 until June 2008, and he was also MLS's CFO from about June 2003 to June 2008. Olson committed, participated in, enabled or aided and abetted, the acts described herein for MLtd, MLS and Coles, and for his own separate benefit and for the benefit of his marital community.

17. Defendants Jeffrey A. Newman ("Newman") and Kathleen N. Newman are husband and wife, who are, and at the times herein were, Arizona citizens residing in Maricopa County Arizona. Newman was MLS's president and MLtd's vice president from December 2006 through June 2007. Newman committed, participated in, enabled or aided and abetted, the acts described herein for MLtd, MLS and Coles, and for his own separate benefit and for the benefit of his marital community.

18. GT and MHM entered into binding "Tolling Agreements" on December 15, 2009, and December 22, 2009, respectively, with the VR Investors whereby GT and MHM agreed to suspend the applicable statutory time limits for the VR Investors to file any causes of action against them, including its affiliates and partners, from December 15, 2009, until December 15, 2010. The Tolling Agreements also provided that any investor could terminate the agreements upon 30 days' written notice to GT and MHM, respectively, which notice the VR Investors gave to GT and MHM on April 21, 2010.

19. Therefore, jurisdiction over all parties and the subject matter of the claims alleged herein, venue are proper in this Court, the claims alleged herein have been timely brought, and VR has standing to bring those claims against all Defendants.

III. MLtd's Business and its "RevOp" Mortgage Loan Program

20. MLtd, which was founded in 1963 and was licensed as an Arizona mortgage banker, operated as a private real estate mortgage lender in Arizona until 2008. Since 1998, including the times herein, MLtd was solely owned by the SMC Revocable Trust dated December 22, 1994 ("the SMC Trust"), which is or was a family trust that Coles created and managed as its sole trustee.

21. Coles, who was the son of MLtd's founder, was MLtd's chairman, sole director, CEO and chief underwriter, and he ran MLtd from 1992 and MLS from 2001 until he committed suicide on June 2, 2008, after bankrupting and virtually running MLtd into the ground, which GT, Kant and Verbin (collectively, "the GT Defendants"), MHM, CBIZ, CBIZ-MHM, Kramer and McLane (collectively, "the MHM Defendants"), and Denning, Olson and Newman (collectively, "the MLtd/MLS Defendants) participated in, enabled or aided and abetted, as described herein.

22. During the times herein while Coles ran MLtd, the company made, negotiated, or offered to make or negotiate, short-term bridge loans, which were evidenced by promissory notes and deeds of trust, to real estate developers and builders for projects such as multifamily residential complexes, office buildings and undeveloped mixed-use properties in Arizona.

23. MLtd, under the direction of Coles and the MLtd/MLS Defendants, packaged these loans into various programs, including its RevOp Loan Program, and sold investments in those programs through MLS to investors, including the VR Investors, as unregistered securities. Under the RevOp Loan Program, each VR Investor received a fractional interest in the loans' underlying promissory notes and deeds of trust.

24. For the most part, MLtd raised the bulk of the money to make these loans from investors, like the VR Investors through the sales of its various loan programs, including the RevOp Loan Program. From 2004 until it filed for bankruptcy in late June 2008, MLtd raised close to a billion dollars from these sales of loans on approximately 66 real estate projects.

25. MLtd made its money from both its mortgagors and its investors by collecting a virtual airline-like laundry list of fees, including property inspection fees, loan commitment fees, loan origination points and fees, servicing fees, rollover and reinvestment fees, late payment fees and other fees, in addition to receiving the interest "spread," the difference between the interest received from its borrowers and the interest it paid to its investors, on the loans.

26. With the advice, participation, enablement and substantial assistance of the GT, MHM and the MLtd/MLS Defendants, MLtd and MLS provided prospective investors, including the VR Investors, with legal and financial documents, which are described in more detail below, that contained intentionally misleading and false information to induce them to invest in the RevOp Loan Program.

27. MLS, which was established in 2001 and also solely owned by the SMC Trust and controlled by Coles, and which was registered with the U.S. Securities and Exchange Commission ("SEC") as a securities broker-dealer beginning in 2004, employed eight to ten registered representatives, including Coles, who sold MLtd's RevOp Loan Program to investors utilizing the private placement offering and other documents described below, which the GT Defendants prepared, auditors' reports, which the MHM Defendants prepared, and financial statements, which Olson prepared although in some cases the MHM Defendants actually prepared or assisted Olson in preparing them.

28. In addition to these misleading and false legal and financial materials, MLtd's and MLS's representatives, including Coles and the MLtd/MLS Defendants, made numerous misleading and false statements to the VR Investors with the GT and MHM Defendants' knowledge and consent, along five common themes:

a. MLtd had never failed to pay back principal to its investors in its 40-plus year history;

b. the risk was low or minimal, but certainly not "high";

c. the rate of return was consistently above average or "higher than normal";

d. the VR Investors' investments in the RevOp Loan Program were "secured" because (1) they would get their money (both interest and return of principal) before any other investors in any of MLtd's other loan programs got their money, and (2) a first deed of trust provided them with security for the money they invested—the notes to MLtd's financial statements stated that the RevOp Loan Program was actually a "secured bor-

rowing transaction"; and

e. MLtd and MLS were regulated by such watchdog agencies as the ADFI, SEC and FINRA (Financial Industry Regulatory Authority, fka NASD (National Association of Securities Dealers)) so investors were assured that the investments they offered were legitimate and as represented.

29. Under various agreements entitled "Master Agency Agreement" (sample attached as Exhibit 1) or just "Agency Agreement" (sample attached as Exhibit 2) (collectively, "Agency Agreements"), "New Investor Subscription Agreement," "Investor Subscription Agreement" or "Existing Investor Account Agreement" (sample attached as Exhibit 3) (collectively, "Investor Agreements"), and "Revolving Opportunity Loan Program Purchase Agreement" ("RevOp Purchase Agreement") (sample attached as Exhibit 4), which MLtd required the VR Investors to enter into with it in order to invest in the RevOp Loan Program, MLtd had various powers and fiduciary duties to act as their attorney-in-fact and agent with full discretionary authority to act on their behalf for administering and servicing the mortgage loans that made up the RevOp Loan Program.

30. More specifically, these Agency Agreements, Investor Agreements and RevOp Purchase Agreements, which incorporated the Agency Agreements, allowed MLtd to:

a. receive and retain fees and charges from both the borrowers and investors for such services, including loan commitment and origination fees or points, late charges, administrative fees, property inspection fees, prepayment penalties or premiums, notice fees and service fees;

b. deduct from payments received by the investor a portion of the interest payments in an amount determined by MLtd at the time of the origination of the loan and a servicing fee; and

c. collect and retain any interest on the principal balance of any loan above the normal rate set in the promissory note, including the default interest

rate provided for in the applicable loan documents, any interest that accrued on impound accounts, any assumption fees and charges, and any extension fees and forbearance fees.

31. MLtd's RevOp Loan Program was different from its other loan programs in that (a) it was geared towards high net-worth investors requiring higher minimum investment amounts (initially $500,000.00 and later increased to $1 million) than its other loan programs, and (b) it was touted by MLtd and MLS, including the MLtd/MLS Defendants and Coles, both verbally and in written materials that the GT and MHM Defendants prepared, as offering investors preferred positions, higher rates of return, better security, and more liquidity than MLtd's other loan programs.

32. Specifically, under the RevOp Purchase Agreements that the GT Defendants prepared and the VR Investors signed, MLtd guaranteed that it would pay them interest monthly. In addition, the RevOp Loan Program purportedly afforded relatively good liquidity because under the RevOp Purchase Agreements, MLtd was required to, and, in fact, guaranteed that it would, repay each of the VR Investors the full amount each invested within 90 days (later unilaterally changed by MLtd to 120 days because of its cash flow problems).

33. Again, Coles, MLtd and MLS, including the MLtd/MLS Defendants represented to the VR Investors that they were "preferred" investors, *i.e.*, they understood from these representations that they would get their interest payments and money back before any other investors. In this regard, Coles agreed to consolidate the LLJ Investors' separate RevOp investments into a single $15 million RevOp investment and as further inducement for them to stay in the program, he also agreed to give LLJ UCC-1 Financing Statements to perfect its security interest, as described below.

34. In any event, at the end of 90 (or 120) days, MLtd had the obligation to repay or redeem all of the VR Investors' principal invested less any principal already paid back. In lieu of such repayments or redemptions, the VR Investors had the option to roll over their investment into other MLtd loans under the RevOp Loan Program,

which most of the VR Investors elected to exercise up until MLtd stopped making its interest payments to them and began denying their requests to return their investments.

IV. The Demise of MLtd, Its RevOp Loan Program and MLS

35. From 2001 through 2006, MLtd increasingly originated significantly larger but fewer loans, many of which had delayed-funding terms that obligated MLtd to fund substantial portions of principal in stages rather than the entire amount upfront.

36. The concentration of MLtd's loan portfolio in fewer but larger loans and the delayed-funding commitments magnified the effects of the deteriorating real estate market conditions in late 2006 that continued throughout 2007 and began to severely impact MLtd.

37. For example, in late 2006, MLtd agreed to make a series of loans to Osborn III Partners, LLC, 44th & Camelback Property, LLC, Central & Monroe, LLC, Portales Place Property, LLC, and 70th Street Property, LLC (collectively, "the Grace Entities"), totaling over $180 million. However, MLtd and MLS, including the MLtd/MLS Defendants, Coles, the GT and MHM Defendants knew or should have known that MLtd could not and would not have the financial ability to fully fund those loans. Nevertheless, neither Coles, MLtd, MLS, nor any of the MLtd/MLS, GT or MHM Defendants disclosed that fact to existing and prospective RevOp investors, including the VR Investors. Instead, Coles, MLtd, MLS and the MLtd/MLS Defendants continued soliciting new investments from the VR Investors or to move their existing investments into the Grace Entities' loans under the RevOp Loan Program without their knowledge or consent.

38. In late March 2007, MLtd made a loan commitment to Tempe Land Company ("TLC") for over $150 million to develop a project next to the Tempe Town Lake in Tempe, Arizona. Again, at that time, Coles, MLtd, MLS, the MLtd/MLS Defendants and the GT and MHM Defendants knew or should have known that MLtd could not fully fund that loan. However, again neither Coles, MLtd, MLS nor the MLtd/MLS, GT or MHM Defendants disclosed that fact to existing and prospective RevOp investors,

including the VR Investors. Instead, Coles, MLtd, MLS and the MLtd/MLS Defendants still continued to solicit new investments from the VR Investors or to roll over their existing investments into the TLC loan under the RevOp Loan Program without their knowledge or consent.

39. At about the same time, MLtd also agreed to fund a $130 million loan to University & Ash, LLC ("U&A"), and a $121 million loan to Rightpath Limited Development Group, LLC, and others ("Rightpath") for the development of the Los Angeles Dodgers training facility in Glendale, Arizona. Again, Coles, MLtd, MLS, the MLtd/MLS, GT and MHM Defendants knew or should have known that MLtd could not fully fund those loans, particularly in light of the fact that it had already made the other loan commitments described above. However, neither Coles, MLtd, MLS, nor the MLtd/MLS, GT or MHM Defendants disclosed that fact to existing and prospective VR Investors, and Coles, MLtd, MLS and the MLtd/MLS Defendants continued soliciting new investments from the VR Investors or to roll over their existing investments into the U&A loan under the RevOp Loan Program without their knowledge or consent.

40. As a result of being so grossly overextended, MLtd and MLS pursued various Ponzi schemes of selling even more loan programs to existing and new investors, including the VR Investors, to raise the money MLtd needed to pay the interest due investors on earlier investments and to keep the company afloat. However, these strategies only increased the risks to the VR Investors. By mid-2007 MLtd stopped writing new loans. Not too long after that MLtd dissolved the RevOp program altogether and it offered the RevOp Investors the option of terminating their RevOp Purchase Agreements by "transferring" their RevOp investments into other MLtd loan programs. Needless to say, none of the VR Investors accepted that offer—"*fool me once, shame on you; fool me twice, shame on me!*"

41. Beginning in 2007 and 2008, many of MLtd's borrowers defaulted on their large multi-million dollar loans and by January 2008, developers had defaulted on more than $100 million in MLtd loans. That, in turn, coupled with the impact of having to

meet delayed-funding obligations, resulted in MLtd's not having the money, or the ability to raise more money, to pay the VR Investors their monthly interest or to honor their principal redemption requests as it was required to do under the terms of the RevOp Purchase Agreements.

42. As a result, MLtd defaulted on all of its RevOp Loan Program interest and principal payments to the VR Investors, and MLtd's house of cards came crashing down when Coles died on June 2, 2008. Just three weeks later, MLtd was forced into bankruptcy.

43. Two days after Coles' suicide, the ADFI began an investigation into MLtd's mortgage banking business. The ADFI found that in June 2008, MLtd was unable to pay interest in the amount of almost $1.2 million on $197 million of notes payable and found that MLtd had made false promises or misrepresentations to, or concealed essential or material facts from, investors in the course of its mortgage banking business in violation of A.R.S. § 6-947(L).[2]

44. The SEC also began an investigation into MLtd's and MLS's illegal securities activities, including how MLS marketed MLtd's loan programs as unregistered securities and its relationship with Radical Bunny, LLC ("RB"), which was a joint venturer with MLtd and their principals, including the MLtd/MLS Defendants, which was used to perpetrate MLtd's fraud on its investors, including the VR Investors.

45. The ADFI permanently revoked MLtd's mortgage banker license (license number BK-0007577) on July 28, 2009, as the result of its investigation into MLtd's fraudulent and illegal activities and its findings, which are discussed in more detail below.

46. After completing its investigation into MLS's involvement with MLtd's and RB's fraudulent and illegal activities, based on its findings discussed below, the SEC

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[2]The ADFI's findings were promulgated in its Consent Order issued on July 28, 2009, in Case No. No.09F-BD058-BNK, and are incorporated herein by reference.

revoked MLS's broker-dealer registration on January 19, 2010, because of its willful violations of federal securities laws.[3]

47. The SEC also ordered MLS to pay disgorgement of $6,973,785 and prejudgment interest of $331,048, but the SEC waived payment of those amounts and did not impose a penalty against MLS since it was insolvent.

V. GT's Legal Documents and Advice

48. As an inducement for each of the VR Investors to invest in MLtd's RevOp Loan Program or to allow MLtd to roll over their investments into other loans under the RevOp Loan Program, some or all of them were provided some or all of the following documents by MLtd or MLS, including the MLtd/MLS Defendants, which the GT Defendants prepared and which the VR Investors relied on to make their investments in the RevOp Loan Program. The GT and MLtd/ MLS Defendants knew or should have known that these documents contained false or misleading information or omissions about MLtd, MLS and MLtd's RevOp Loan Program:

a. "Private Offering Memorandum for Pass-Through Loan Participations in Loans Originated or Acquired by Mortgages Ltd." ("POM"), dated July 10, 2006;

b. any other POMs relating to the RevOp Loan Program and other MLtd loan programs;

c. RevOp Purchase Agreements, provided either separately or included in one or more of the POMs described above;

d. Existing Investor Account Agreements, provided either separately or included in one or more of the POMs described above;

e. Investor Subscription Agreements, provided either separately or included in one or more of the POMs described above;

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[3]The SEC's findings were promulgated in Securities Exchange Act Release No. 61377 issued on January 19, 2010, and are incorporated herein by reference.

f. New Investor Subscription Agreements, provided either separately or included in one or more of the POMs described above;

g. Subscription for Additional Interests for Existing Members Only, provided either separately or included in one or more of the above POMs;

h. Confirmations of Direction to Extend Investment Period;

i. "Mortgages Ltd. Securities, L.L.C. Business Continuity Plan (BCP)," dated December 2006;

j. various letters to investors, some of which included what Coles referred to as MLtd's "Opportunity Portfolio matrix," which was a summary of the features of MLtd's different loan programs, and a sheet entitled "Frequently Asked Questions" ("FAQs"), which provided information about MLtd's and MLS's corporate structure, their regulation by regulatory and licensing agencies, the independent audits of their financial statements, appraisals of MLtd's loans, and the current status of its loan portfolio, which upon information and belief, the GT Defendants drafted themselves or in collaboration with the MHM and MLtd/MLS Defendants; and

k. various other documents that the GT Defendants prepared either themselves or in collaboration with the MHM and MLtd/MLS Defendants.

49. As described in more detail below, all 11 POMs that the GT Defendants prepared, except for the POM dated February 11, 2008, one or more of which the VR Investors received, including the one listed above, were materially false or misleading, which both the GT and MLtd/MLS Defendants knew or should have known at the time.

50. For example, the July 10, 2006, POM that the GT Defendants prepared, which adopted and incorporated MHM's December 9, 2005, Independent Auditors' Report of MLtd's 2004 and 2005 financial statements, which Olson prepared, misrepresented or failed to disclose, material facts, including, but not limited to, the following, which the GT and MLtd/MLS Defendants knew or should have known about:

a. By September 2005, MLtd was actually insolvent and, therefore, unable to fund its loan commitments and to honor requests from investors, including the VR Investors, to redeem their investments as required under the terms of the RevOp Purchase Agreements.

b. By September 2005, MLtd's ability to continue its business operations depended on its continuing to receive funds from RB through illegal sales of unregistered securities—the Arizona Corporation Commission ("ACC"), SEC and a federal court later shut RB and MLS down for engaging in those sales, which violated both state and federal securities laws.[4]

c. Kant even admitted in testimony before the SEC that he knew such sales were illegal and that the relationship between MLtd and RB and their involvement in such illegal sales would probably land both Coles and RB's principals in jail.

d. Because MLtd, MLS and RB had been involved in illegal sales of unregistered securities, millions of dollars in ever-increasing contingent liabilities existed regarding potential lawsuits by investors and proceedings by federal and state securities regulators and criminal authorities.

e. MLtd's operating capital, debt service and ability to honor redemption requests from investors, including the VR Investors, were being funded or paid in substantial part with proceeds received from new investors—a classic Ponzi scheme whereby the perpetrators (in this case, MLtd, MLS, the MLtd/MLS Defendants and Coles) con new investors into putting in new money to pay off old investors.

f. MLtd's real estate assets were not booked at fair market value because to

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[4] *See In re Radical Bunny, L.L.C.*, ACC Decision No. 71682; *In re Mortgages Ltd. Securities, LLC*, SEC Administrative Proceeding No. 3-13752; *SEC v. Radical Bunny, LLC, et al.*, U.S. Dist. (D. Ariz.), Case No. CIV-09-01560-PHX-SRB. The charges, findings and orders filed in those cases are incorporated herein by reference.

do so would have required millions of dollars in write-downs. Instead, to systematically avoid disclosing defaults by borrowers, loans on such properties were rewritten to extend their maturity dates and other terms.

g. MLtd, including the MLtd/MLS Defendants, did not conduct the requisite due diligence relating to each loan and underlying property before committing to fund it.

h. MLtd had never made a principal payment on the money it borrowed from RB.

51. Rather than including disclosures about any of the above and other adverse facts, according to the SEC, the POMs, which the GT Defendants prepared, that were provided to MLtd's investors, including the VR Investors, contained only inadequate, broad, general statements regarding MLtd's loan-origination business and the risks associated with investing in its loan programs, including its RevOp Loan Program—according to the SEC, "the POMs did not address the specific practices employed by MLtd and related risks, and were never amended or updated to reflect these facts."

52. The risk disclosures in the POMs that the GT Defendants prepared were actually so generic and standardized that the language used in each POM was repeated almost verbatim for all of the POMs they prepared for MLtd and MLS even though the GT and MLtd/MLS Defendants knew or should have known that MLtd's lending practices had substantially changed as the result of its loan amounts and concentrations. However, as the SEC concluded, the GT Defendants never did anything to amend, update or make any changes to the POMs to reflect the increased risks to the VR Investors associated with that, and they continued to incorporate and adopt the MHM-audited financial statements, which also were not updated to reflect those increased risks.

53. Moreover, according to the SEC, Coles knew that MLtd's borrowers were experiencing difficulties in obtaining permanent or takeout financing from other lenders to repay MLtd so that it could repay its investors. The MLtd/MLS Defendants also knew or should have known that fact. However, the GT Defendants, who also knew or

should have known that fact, did not include any disclosures about that in the POMs they prepared, so this heightened risk of loss to the VR Investors remained undisclosed.

54. Furthermore, none of the POMs that the GT Defendants prepared disclosed RB's critical role in providing capital to MLtd, which was absolutely necessary for it to continue its lending operations, and which ultimately impacted adversely on MLtd's ability to repay the VR Investors' money.

55. Because that information was not disclosed in the POMs, including in particular the July 10, 2006, POM, which under the terms of the Agency Agreements or Investor Agreements that the GT Defendants drafted MLtd and MLS required the VR Investors to acknowledge they were relying on to invest in the RevOp Loan Program, or in the MHM-audited financial statements described below, which the GT Defendants adopted and incorporated in the POMs they prepared, the VR Investors had no way of knowing about that undisclosed information. If they had, they certainly would not have invested or continued investing in MLtd's RevOp Loan Program, which would have been "*throwing good money after bad*," or have allowed MLtd to roll over their investments into other loans, which would have just been putting off their inevitable losses.

56. Again, none of the GT-prepared POMs, including in particular, the July 10, 2006 POM, disclosed or were updated to disclose MLtd's, MLS's and RB's history of past and ongoing securities violations or its ongoing illegal sales, which the GT and MLtd/MLS Defendants knew about, enabled, participated in or aided and abetted. Again, in his testimony to the SEC Kant admitted that he knew that these illegal sales "had been going on for a long period of time" and that he had even warned Coles, Denning and other MLtd, MLS and RB officers about it in at least two meetings he had with them at MLtd's offices throughout 2007.

57. The GT Defendants also knowingly and intentionally omitted from the POMs, including the July 10, 2006, POM, disclosures about other matters that had been included in MLtd's earlier POMs that predated the GT Defendants' involvement with Coles, MLtd and MLS. The fact that the 2006 and later POMs, which the GT Defen-

dants prepared, no longer included certain disclosures contained in the pre-2006 POMs, which MLtd or MLS had also provided to all or some of the VR Investors, would reasonably have led those investors to believe that the adverse matters previously disclosed no longer existed or had been satisfactorily resolved by MLtd as of 2006.

58. The GT and MHM Defendants and Olson also knew or should have known about the requirement for the disclosure of contingent liabilities from potential litigation and criminal prosecution associated with MLtd's, RB's and MLS's securities violations. However, the GT Defendants continued to draft and put together POMs that adopted and incorporated financial statements prepared by Olson and auditors' reports prepared by the MHM Defendants that did not contain such disclosures.

59. Because the POMs that the GT Defendants prepared, which incorporated and adopted the MHM-auditors' reports and the Olson-prepared financial statements were so general, it was impossible for the VR Investors to know or understand facts about any of the following:

a. the millions of dollars in interest expense that MLtd needed to sustain its business;
b. the hundreds of millions of dollars in loans that MLtd rewrote or sold to hide borrower defaults;
c. MLtd's increasing concentration in fewer loans of larger amounts;
d. the concerns of MLtd's senior management, including the MLtd/MLS Defendants, about that and the delayed-funding problems involved;
e. the debt burden that forced MLtd to end new loan originations and the RevOp Loan Program in 2007; and
f. MLtd's and MLS's Ponzi schemes to get money from new investors to pay interest to, and to cover redemption requests from, old investors.

60. As a further example of the false or misleading statements made to the VR Investors, in his letter to investors, dated February 21, 2008, Coles falsely stated, "our predictable investments are providing income streams," when in fact, as noted herein, if

MLtd's financial statements had been properly prepared and audited, those so-called "income streams" would have been streams of red ink, but, of course, MLtd, including Coles and the MLtd/MLS Defendants, would never have wanted to and never did, disclose that to investors.

61. In addition, the FAQs included with Coles' February 21, 2008, letter falsely stated the following, among other things: "At the present time, all of our loans are current[,] [and] in our 45 years of business, none of our investors have lost any of their principal invested with us." As noted herein, both of those statements were bald-faced lies because Coles and, upon information and belief, the GT, MHM and MLtd/ MLS Defendants knew the following:

a. All of MLtd's loans were not current as many were substantially delinquent. In fact, MLtd's Opportunity Funds Quarterly Report for the first quarter of 2008, which upon information and belief, Olson or the MHM Defendants prepared or assisted in preparing, showed there were some 26 loans in foreclosure during that period.

b. Investors began losing their principal several months earlier when MLtd refused to redeem their investments.

62. In addition, when asked by MLtd whether it needed to disclose to its investors, including the VR Investors, its increasing difficulty in meeting its financial obligations to them, the GT Defendants advised MLtd that it did not have to disclose such information, and as a result, Coles, MLtd, MLS and the MLtd/MLS Defendants did not disclose such information to the VR Investors. By giving MLtd such advice, the GT Defendants further participated in, enabled or aided and abetted, MLtd's, MLS's and the MLtd/MLS Defendants' perpetration of fraud on MLtd's investors.

63. Upon information and belief, the GT Defendants had also made or caused or advised MLtd to make changes without the VR Investors' knowledge and consent to various agreements they had with MLtd in order to further protect MLtd from potential recourse by them for borrower defaults, including but not limited to, changing the

redemption period from 90 to 120 days under the RevOp Purchase Agreements.

64. In addition, as mentioned above, Coles agreed to execute UCC-1 Financing Statements listing LLJ as a creditor to provide the LLJ Investors with more security. Those UCC-1s were recorded in both Maricopa County and with the Arizona Secretary of State in August and September 2005 to give LLJ perfected security interests in "all assets held by Mortgages Ltd. from time to time."

65. However, when RB subsequently found out and objected to Coles about LLJ's UCC-1s the next year, upon information and belief, the GT Defendants advised Coles, MLtd and one or more of the MLtd/ MLS Defendants to subordinate LLJ's UCC-1s to RB's later-filed September and October 2005 UCC-1s on the same collateral to facilitate MLtd's obtaining more money from RB.

66. Based on that advice, Coles, MLtd, or one or more of the MLtd/MLS Defendants prepared and caused terminations of LLJ's UCC-1s to be recorded in Maricopa County and with the Arizona Secretary of State in October 2006. The effect of that was that RB's previously recorded UCC-1s on MLtd's assets remained in place and RB had the senior perfected security interests in those assets.

67. Coles, MLtd, and the MLtd/MLS and GT Defendants knew or should have known that the terminations of LLJ's UCC-1s violated the agreement Coles had with the LLJ Investors, but none of these Defendants, or Coles told the LLJ Investors about those terminations.

68. Nevertheless, as the result of their own subsequent search of UCC-1 recordings, the LLJ members found out that its UCC-1s had been terminated, so they confronted Coles or one or more of MLtd's officers, including the MLtd/MLS Defendants, about it and demanded that LLJ's UCC-1s be reinstated. As a result, in the latter part of 2006, new UCC-1s were executed and recorded in LLJ's favor, but RB's previously recorded UCC-1s still remained in effect, so RB's security interests were still superior to LLJ's.

69. The LLJ investors confronted MLtd again about this. At first, MLtd's offi-

cers, including Denning and one or more other MLtd/MLS Defendants, refused to do anything about that because MLtd needed a lot more money from RB to stay afloat. However, between March 19 and 22, 2007, MLtd finally prepared and recorded terminations of RB's prior UCC-1s and prepared and recorded new UCC-1s for LLJ.

70. Further misrepresentations included the fact that throughout the course of their business with the VR Investors, Coles, MLS's brokers and one or more of the MLtd/MLS Defendants continually represented to these investors that MLtd and MLS were in complete compliance with all securities laws because all of the documents and information that MLtd and MLS gave them had been cleared with GT first and all sales were "overseen" by GT. In fact, the POMs that the GT Defendants prepared for MLtd even stated: "The legality of the [investments] offered hereby will be passed on for [MLtd] by Greenberg Traurig, LLP, Phoenix, Arizona."

71. Through the incomplete, false or misleading POMs, other documents and statements described herein, the GT Defendants participated with, enabled or aided and abetted MLtd, MLS, Coles and the MLtd/MLS and MHM Defendants in not disclosing and concealing MLtd's mounting deficits and other wrongful acts described herein. These incomplete, false or misleading documents and statements also covered up the GT Defendants' own involvement in MLtd's, MLS's, Coles' and the MLtd/ MLS and MHM Defendants' wrongful acts described herein.

72. As the result of their knowledge and conduct, the GT, MLtd/MLS and MHM Defendants intentionally and willfully acted in concert with or participated in all or some of their wrongful acts and the wrongful acts of MLtd and MLS alleged herein pursuant to a common plan or scheme and were MLtd's and MLS's agents and servants in the performance of those acts and services.

VI. MHM's Audits and Olson's Financial Statements

73. Because of its long history with MLtd, the MHM Defendants were intimately familiar with MLtd's business methodology, employees, and loan programs. Moreover, in conducting its audits, the MHM Defendants had full access to MLtd's and

MLS's inside confidential information, which was not available to any investors, for the review and audit of MLtd's financial statements that Olson prepared.

74. According to the SEC, the MHM Defendants knew that the primary reason for its audits was to provide independent assurances of MLtd's financial stability and accuracy of its financial statements to its investors.

75. In this regard, in addition to the legal documents that the GT Defendants prepared for MLtd and MLS, described above, including those containing financial information audited by the MHM Defendants and prepared by Olson, the VR Investors also received as further inducement for investing, or rolling over their investments, in MLtd's RevOp Loan Program various other documents that contained false, misleading or incomplete information. Those documents include but not limited to the following:

a. MHM's December 23, 2003, Independent Auditors' Report of MLtd's 2002 and 2003 Financial Statements, and those financial statements, which Olson prepared and which accompanied that report;

b. MHM's December 2, 2004, Independent Auditors' Report of MLtd's 2003 and 2004 Financial Statements, and those financial statements, which Olson prepared and which accompanied that report;

c. MHM's Dec. 9, 2005, Independent Auditors' Report of MLtd's 2004 and 2005 Financial Statements, and those financial statements, which Olson prepared and which accompanied that report;

d. MHM's Mar. 26, 2007, Independent Auditors' Report of MLtd's 2005 and 2006 Financial Statements, and those financial statements, which Olson prepared and which accompanied that report;

e. MHM's March 28, 2008, Independent Auditors' Report of MLtd's 2007 Financial Statements, and those financial statements, which Olson prepared and which accompanied that report;

f. MLtd's May 31, 2008, unaudited Financial Statements, which upon information and belief, Olson prepared;

g. MLtd's Quarterly Reports for the RevOp Funds, which upon information and belief, Olson or the MHM Defendants prepared;

h. various letters to investors, some of which included what Coles referred to as an "Opportunity Portfolio matrix," which was a summary of the features of MLtd's different loan programs, and MLtd's Quarterly Reports for its different loan programs; and

i. various other financial documents that the MHM Defendants and Olson prepared.

76. For example, the MHM Defendants stated in their December 9, 2005, Independent Auditors' Report about MLtd's 2004 and 2005 financial statements, which report and financial statements were included in MLtd's July 10, 2006, POM, which the GT Defendants prepared and which is the most recent POM that MLtd or MLS provided to the VR Investors to induce them to invest, or rollover their investments, in MLtd's RevOp Loan Program:

> We have audited the accompanying balance sheets of Mortgages, Ltd. … and the related statements of income and retained earnings and cash flows …. **These financial statements are the responsibility of the management of *Mortgages, Ltd.* Our responsibility is to express an opinion on these financial statements based on our audits**.
>
> **We conducted our audits in accordance with U.S. generally accepted auditing standards** ["GAAS"]. Those standards require that we plan and perform the audits to obtain **reasonable assurance about whether the financial statements are free of material misstatement**. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes **assessing the accounting principles used and significant estimates made by management**, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
>
> **In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Mortgages, Ltd.*** … , and the results of its operations and its cash flows … in conformity with U.S. generally accepted accounting principles ["GAAP"].

(Emphasis added).

77. The MHM Defendants made essentially the same, if not identical, statements and opinions in all of their other Independent Auditors' Reports listed above.

78. However, the MHM Defendants, Olson and the other MLtd/MLS Defendants knew at the time that such statements and opinions were false or misleading for the following reasons:

a. those financial statements did **not** present fairly in all material respects the results of MLtd's financial position for the years identified;

b. those financial statements were **not** prepared in conformity with GAAP; and

c. MHM's audits were **not** performed in conformity with GAAS.

79. In addition, in those Independent Auditors' Reports, the MHM Defendants approved of the following statements from the "Notes to Financial Statements" to MLtd's 2004 and 2005 Financial Statements, which Olson prepared, regarding MLtd's accounting policies, revenue sources, accounts receivable, asset impairment, mortgages held for investment, contingencies and Coles' personal guarantee of a bank loan:

a. "The presentation of financial statements **[is] in conformity with U.S. generally accepted accounting principles [GAAP]**…." (Emphasis added).

b. "The Company has three primary sources of income, loan origination fees, servicing fees and processing fees." (In later years a fourth source of income was listed, "mortgage interest income.").

c. "Management considers accounts receivable … **to be collectible in full** and, accordingly, an allowance for doubtful accounts is not considered necessary." (Emphasis added).

d. If [long-lived] assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to

sell. "**Management does not believe impairment indicators are present** …." (Emphasis added).

e. "Mortgages held for investment represent mortgages originated by the Company … [and] are collateralized by real property and carried at book value, **which management considers to approximate market value**. The **estimated fair market values are typically in excess of the loan balances** on the mortgages held for investment." (Emphasis added).

f. Referring to the $3.4 million note that Coles personally guaranteed, "No amount has been recorded in the financial statements for the value of the personal guarantee as management has determined that **such an amount, if any, is not material to the financial statements** taken as a whole." (Emphasis added).

g. "The Company is subject to various proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, **management does not believe that the outcome of any of these matters will have adverse effects** on the Company's financial position, results of operations or cash flows." (Emphasis added).

80. Except as noted below, Olson made essentially the same, if not identical, statements in the notes to all of MLtd's other financial statements listed above, which he prepared and the MHM Defendants reviewed, audited and approved.

81. However, Olson knew at the time he prepared those financial statements, and the MHM Defendants knew at the time they reviewed and audited those financial statements, that such statements were false or misleading for the following reasons:

a. Olson did not prepare MLtd's financial statements in conformity with GAAP. In fact, the MHM Defendants noted after their 2006 audit, that Olson lacked familiarity with GAAP and audit standards because his initial draft of financial statements did not include all required disclosures,

certain transactions were not properly classified or presented and he needed to improve his understanding of GAAP.

b. MLtd's primary source of income was capital borrowed from RB.

c. MLtd's loans were not collectible in full (or even in part for some loans). It was not until the March 28, 2008, audit report of MLtd's 2007 Financial Statements that it was finally recognized that the collection of certain notes and accounts receivable were in doubt, but even then MLtd established an allowance of less than $1 million for such "doubtful" accounts. Otherwise, it still falsely maintained that all of its other loans were collectible in full.

d. Impairment indicators clearly were present because the fair market values of long-lived assets were less than the values that MLtd and Defendant Olson recorded—in many cases MLtd's borrowers were substantially upside down on their loans from MLtd. Moreover, the fact that there was a deep decline in real estate prices was ignored, and therefore, the values for loans underwritten by MLtd were impaired and the asset book values reported on MLtd's balance sheet, which exceeded the fair market value of those properties, were substantially overstated.

e. Coles' personal guarantee of a $3.4 million note (later increased to two notes totaling $8.45 million according to MLtd's 2007 Financial Statements), should have been recorded and that amount (particularly the increased amount) clearly was material to MLtd's financial statements.

f. the very likely outcome of the potential claims against MLtd and MLS, as well as RB, regarding their separate and collective securities violations and Ponzi schemes clearly would have substantial adverse effects on MLtd's financial position, operations and cash flows. Moreover, the MHM and MLtd/MLS Defendants, particularly McLane and Olson, knew and failed to disclose in any of the auditors' reports and financial state-

ments the facts surrounding MLtd's, MLS's and RB's violations of state and federal securities laws and that if federal authorities found out about that, MLtd would be shut down with no ability to honor its commitments to the VR Investors.

82. MLtd's 2005 financial statements and MHM's December 9, 2005, audit of those financial statements also failed to disclose that MLtd improperly accounted for a $58 million transfer of loans under its RevOp Loan Program that occurred prior to November 1, 2006. That resulted in a huge misstatement of the values of mortgages MLtd held for investment and sale and the beneficial interests in mortgage investments.

83. As a further example of such lies and nondisclosures, Coles' letter to investors, dated February 21, 2008, referred to above, which upon information and belief, the MHM Defendants or Olson drafted or assisted drafting, stated as previously noted, that "our predictable investments are providing income streams," "[a]t the present time, all of our loans are current[,] [and] in our 45 years of business, none of our investors have lost any of their principal invested with us." Again, both of those statements were false for the reasons previously stated.

84. In addition, the MHM Defendants and Olson knew or should have known that MLtd's internal controls were deficient. For example, Olson and the MHM Defendants knew or should have known that MLtd's loan files and records demonstrated that it did not have any commonly recognized procedure for periodic valuation reviews of its mortgage assets, that MLtd's extrapolating real property values from loan collections was not a recognized valuation methodology, and that MLtd carelessly evaluated the creditworthiness of its borrowers and guarantors and did not follow industry standards in making its loan underwriting decisions.

85. In short, MHM's auditors' reports and financial statements prepared by Olson, in some cases with help from the MHM Defendants, provided incomplete, misleading or false information about MLtd's financial position or condition, market risk and loan funding practices. Such information obviously became increasingly

important to the VR Investors, as MLtd resorted to purchasing non-performing loans to maintain the illusion that its loans were all "performing."

86. According to the SEC, MLtd's "impound accounts [also] masked nonperforming loans because interest payments continued to be made to investors from these prefunded accounts." Upon information and belief, the MHM Defendants also advised MLtd to change its fiscal year end and to change how it recorded its assets and liabilities to further mask and downplay its deteriorating financial condition.

87. In its 2005, 2006 and 2007 auditors' reports and MLtd's financial statements MHM and Olson also misrepresented to the VR Investors that those financial statements complied with GAAP even though they did not consolidate statements of the LLCs through which MLtd securitized and sold its loan participations and for which MLtd was their manager. Under GAAP, the fact that MLtd was the manager of those LLCs and had control over various business decisions of those LLCs required that MLtd's and those LLCs' financial statements be prepared as consolidated statements.

88. As a result of not being consolidated, MLtd's financial statements and MHM's auditors' reports substantially misrepresented MLtd's debt, leverage of assets and equity, interest expense, and lack of liquidity because if the financial statements had been consolidated to include the LLCs, MLtd would have been insolvent—a fact that a reasonable auditor and accountant should have disclosed.

89. Moreover, in spite of MLtd's financial problems discussed above regarding its operations, none of the auditors' reports that the MHM Defendants prepared or MLtd's financial statements that Olson prepared for 2005 through 2008 included GAAP-required "going-concern" qualifications or disclosures. Even MHM's 2007 auditors' report, which was issued after MLtd had stopped originating new loans, failed to include such a disclosure despite the fact that Olson knew and had informed the MHM Defendants that MLtd's core business had ended, that because of liquidity issues, MLtd had ended its profit-sharing plan and had stopped honoring investors' redemption requests, and that MLtd was experiencing delays in meeting its loan com-

mitments, which exceeded $130 million for 2008.

90. As auditors, the MHM Defendants were required to evaluate and disclose that there was substantial doubt about MLtd's ability to continue as a going concern for a reasonable period of time based on its deficient working capital, negative cash flows, adverse financial ratios and other indications of its financial difficulties.

91. MLtd's other adverse capitalization, debt-service and cash ratios also required going-concern qualifications or disclosures, but none were made in the audit reports that Olson and the MHM Defendants knew would be used by investors to evaluate MLtd's financial condition.

92. The lack of such qualifications or disclosures not only made MHM's representation that it had audited MLtd in accordance with GAAS false, but also misled investors about MLtd's financial stability.

93. According to the ADFI, MLtd's May 31, 2008, unaudited financial statements, which upon information and belief, Olson prepared and knew or should have known were also false, misleading and inaccurate because MLtd did not:

a. accrue and record various items;

b. record reserves for loan impairment or the decline in value of its owned real estate portfolio;

c. accrue a reserve for a $6 million loan from RB to the SMC Trust, whose collectability was uncertain;

d. disclose that it had guaranteed a $12 million loan from RB to SM Coles LLC; and

e. MLtd's equity on May 31, 2008, should have been minus $47.7 million instead of $9.8 million because relevant adjustments had been improperly recorded in violation of A.R.S. § 6-946(A), and the MHM Defendants should have disclosed the lack of those adjustments.

94. Further, according to the ADFI, MLtd's May 31, 2008, unaudited financial statements, which upon information belief, Olson prepared, showed that MLtd violated

A.R.S. § 6-946(B) and A.A.C. R20-4-102, because:

a. mortgages held for investment and sale were not recorded at the lower of cost or fair market value;

b. the collectability of the $6 million note receivable from a related party was not assessed, and an allowance against the note was not recorded; and

c. a $900,000 demand made for the $12 million dollar loan guaranteed for another related party was not recorded.

95. With the MHM Defendants' and Olson's knowledge and consent, MLtd's and MLS's representatives, including the MLtd/MLS Defendants, used the above false or misleading auditors' reports and financial statements to recommend investments in MLtd's RevOp Loan Program to the VR Investors.

96. The MHM Defendants also violated their duties to remain independent in performing their audits as required under GAAS by actively assisting Olson in the preparation of MLtd's 2006 financial statements as the result of the deficiencies they found in his preparation of MLtd's 2005 financial statements described above, which required restatements of those statements.

97. MHM's auditing, and assisting in the preparation, of MLtd's 2006 financial statements also clearly contradicted its statement in its auditors' report about the separation of responsibilities between MHM and MLtd.

98. Through the incomplete, false or misleading accounting, financial and other documents and statements described herein, the MHM Defendants participated with, enabled or aided and abetted MLtd, MLS, Coles and the MLtd/MLS and GT Defendants in not disclosing and concealing MLtd's mounting deficits and other wrongful acts described herein. These incomplete, false or misleading documents and statements also covered up the MHM Defendants' own involvement in MLtd's, MLS's, Coles' and the MLtd/MLS and GT Defendants' wrongful acts described herein.

99. As the result of their knowledge and conduct, the MHM, GT and MLtd/MLS Defendants intentionally and willfully acted in concert with or participated in all

or some of their wrongful acts and MLtd's and MLS's wrongful acts alleged herein pursuant to a common plan or scheme and were MLtd's and MLS's agents and servants in the performance of those acts and services.

VII. Causes of Action

COUNT ONE

(Common Law and Statutory Fraud)

100. The preceding paragraphs are incorporated by reference.

101. As set forth above, the GT, MHM and MLtd/MLS Defendants acting separately or in concert with each other, Coles or other MLtd and MLS principals and representatives, knowingly, intentionally, maliciously, wantonly and with reckless disregard of the rights of the VR Investors, made, failed to disclose, or aided and abetted the making of, or failure to disclose, the material, false representations described herein to the VR Investors.

102. When these Defendants made or failed to disclose, or participated in, or aided and abetted the making or failure to disclose such representations, they knew they were false, and they intended for the VR Investors to rely thereon to invest in or to continue rolling over their investments in MLtd's RevOp Loan Program. However, at that time, the VR Investors did not know those representations and nondisclosures were false, and they did not learn the truth about those representations and nondisclosures until sometime after Coles' death during the course of MLtd's bankruptcy proceedings.

103. As set forth above, the VR Investors reasonably believed that those representations and nondisclosures were true and correct, and they reasonably relied thereon to their detriment, including the loss of the money they invested in MLtd's RevOp Loan Purchase Program.

104. These Defendants' separate or collective false pretenses, fraudulent misrepresentations and omissions, or participation in or aiding and abetting such false pretenses, fraudulent misrepresentations and omissions constitute common law fraud or aiding and abetting MLtd's, MLS's and Coles' common law fraud.

105. These Defendants' separate or collective false pretenses, fraudulent misrepresentations and omissions described above, or participating in, facilitating, enabling or aiding and abetting such false pretenses, fraudulent misrepresentations and omissions also constitute statutory fraud or aiding and abetting statutory fraud as (a) schemes or artifices to defraud in violation of A.R.S. § 13-2310, and/or (b) consumer fraud in violation of A.R.S. §§ 44-1521 and 44-1522, regardless of whether or not the VR Investors' reliance on any of these Defendants' making or aiding and abetting false pretenses, fraudulent misrepresentations and omissions was reasonable.

106. As a proximate result of these Defendants' intentional, willful, malicious, wanton and reckless disregard of the rights of the VR Investors, common law and/or statutory fraud described above, the VR Investors collectively suffered damages in an amounts to be proven at trial, but not less than $52,381,921.53, plus consequential and incidental damages, which VR is entitled to recover, plus punitive damages.

COUNT TWO

(**The GT, MHM and MLtd/MLS Defendants' Negligence**)

107. The preceding paragraphs are incorporated by reference.

108. Under Restatement (Second) of Torts § 552(1) (1979), which has been adopted as the law in Arizona:

a. "One who, in the course of his business, profession or employment, or in any other transaction in which he has a pecuniary interest, supplies false information for the guidance of others in their business transactions, is subject to liability for pecuniary loss caused to them by their justifiable reliance upon the information, if he fails to exercise reasonable care or competence in obtaining or communicating the information."

b. "[I]t is not required that the person [to whom the information is communicated] be identified or known to the defendant as an individual when the information is supplied. It is enough that the maker of the representation intends it to reach and influence either a particular person or per-

sons, known to him, or a group or class of persons …." *Id.*, cmt. h.

109. Accordingly, the GT, MHM and MLtd/MLS Defendants owed the following duties to the VR Investors, as members of the class of persons these Defendants intended the representations and information described above to reach and influence:

a. to not supply false information for the VR Investors' guidance for their investment decisions and transactions; and

b. to exercise reasonable care in making those representations and providing the VR Investors with that information.

110. Regarding the acts and omissions of the GT Defendants, the Arizona Rules of Professional Conduct for lawyers further provide:

a. "A lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent …." Rule 42, Ariz. Sup. Ct. Rules, E.R. 1.2(d), 17A A.R.S.

b. "In the course of representing a client a lawyer shall not knowingly: (a) make a false statement of material fact or law to a third person; or (b) fail to disclose a material fact when disclosure is necessary to avoid assisting a criminal or fraudulent act by a client …." *Id.* E.R. 4.1

c. "It is professional misconduct for a lawyer to: (a) violate or attempt to violate the Rules of Professional Conduct, knowingly assist or induce another to do so, or do so through the acts of another; (b) commit a criminal act that reflects adversely on the lawyer's honesty, trustworthiness or fitness as a lawyer in other respects; (c) engage in conduct involving dishonesty, fraud, deceit or misrepresentation." *Id.* E.R. 8.4.

111. As licensed attorneys, although the GT Defendants did not have an attorney-client or fiduciary relationship with the VR Investors, they did owe certain duties to them as third-party non-clients, in addition to those described under Restatement § 552, which include, but are not limited to, the following:

a. to adhere to and comply with the Rules of Professional Conduct stated

above in regard to the documents they prepared for and advice given to Coles, MLtd and MLS described above, which were relied on by, and which adversely impacted, the VR Investors;

b. to properly and adequately advise Coles, MLtd and MLS about the adverse consequences of preparing legal documents that contained false or misleading information or omissions, as described above;

c. to act with scrupulous care, honesty and diligence in connection with their respective dealings with Coles, MLtd and MLS that directly or indirectly affected the rights and interests of the VR Investors; and

d. to otherwise properly and adequately protect the rights and interests of the VR Investors from the wrongful acts of their clients.

112. Regarding the acts and omissions of Olson and the MHM Defendants, as licensed accountants and auditors, respectively, they had the additional duty to exercise the professional care and skill required and expected of such professionals to the VR Investors as third-party non-clients, including, but not limited to, the following:

a. to properly prepare MLtd's financial statements in conformity with GAAP and to conduct reviews and audits of MLtd's financial statements in conformity with GAAS;

b. to perform the necessary due diligence to insure that MLtd's financial statements fairly represented its financial condition; and

c. to properly and adequately protect the interests of the VR Investors, particularly because they knew their audits and financial statements would form the basis for the POMs that the GT Defendants prepared for the offerings of MLtd's RevOp Loan Program and that such would be relied upon by the VR Investors to make their investments.

113. The GT, MHM and MLtd/MLS Defendants, respectively, breached the duties described above by failing to exercise reasonable care in the performance of the acts described herein for, and providing the services, incomplete, false or misleading

documents, information and advice described herein to, Coles, MLtd and MLS, knowing that those acts, services, documents, information and advice would adversely affect, and be directed towards, the VR Investors and reasonably relied on by them for their RevOp investment decisions and transactions.

114. By their respective separate or collective acts and omissions or aiding and abetting such acts and omissions described herein, these Defendants, acting separately or in concert with others negligently or intentionally, willfully, maliciously, wantonly and recklessly disregarded the rights of the VR Investors, committed, enabled, participated in or aided and abetted, the acts and omissions described herein.

115. As a proximate result of these Defendants' breaches of duties to the VR Investors, they collectively suffered damages in amounts to be proven at trial, but not less than $52,381,921.53, plus consequential and incidental damages, which VR is entitled to recover, plus punitive damages.

COUNT THREE

(**Aiding and Abetting Coles' and MLtd's Breaches of Contract**)

116. The preceding paragraphs are incorporated by reference.

117. The RevOp Purchase, Agency and Investor Agreements that the VR Investors entered into with MLtd constituted enforceable contracts up until the time that MLtd and MLS defrauded the VR Investors as described above and breached those agreements as described in ¶ 119.

118. As described above, under the terms of the RevOp Program Purchase, Agency or Investor Agreements, MLtd was required and obligated to collect and pay interest monthly to the VR Investors on their RevOp Loan Program investments, and to return or redeem the principal amounts of those investments to the VR Investors upon their requests within 90 (or 120) days.

119. By not collecting and paying the VR Investors the monthly interest due and by not paying back to them the moneys they invested in MLtd's RevOp Loan Program, MLtd breached the RevOp Purchase, Agency and Investor Agreements.

120. By their acts, conduct or omissions described above, the GT, MHM and MLtd/MLS Defendants facilitated, enabled or aided and abetted MLtd's breaches of its RevOp Purchase, Agency and Investor Agreements with the VR Investors.

121. As a proximate result of these Defendants' facilitating, enabling or aiding and abetting MLtd's breaches of contract described above, the VR Investors collectively suffered damages in amounts to be proven at trial, but not less than $52,381,921.53, plus consequential and incidental damages, which VR is entitled to recover plus attorneys' fees and costs.

COUNT FOUR

(**Aiding and Abetting MLtd's Bad Faith**)

122. The preceding paragraphs are incorporated by reference.

123. The RevOp Purchase, Agency and Investor Agreements contained the implied covenants of fair dealing and good faith.

124. By its conduct described above, MLtd breached its implied covenants of fair dealing and good faith to the VR and LLJ Investors.

125. By their conduct described above, the GT, MHM and MLtd/MLS Defendants intentionally, willfully, maliciously, wantonly and recklessly disregarded the rights of the VR Investors, participated in, facilitated, enabled or aided and abetted MLtd's breaches of its implied covenants of fair dealing and good faith.

126. As a proximate result of these Defendants' participation in, facilitating, enabling or aiding and abetting MLtd's breaches of its implied covenants of fair dealing and good faith described above, the VR Investors collectively suffered damages in amounts to be proven at trial, but not less than $52,381,921.53, plus consequential and incidental damages, which VR is entitled to recover, plus attorneys' fees and costs.

COUNT FIVE

(**Aiding and Abetting MLtd's Breaches of Fiduciary Duty**)

127. The preceding paragraphs are incorporated by reference.

128. Under the POMs, in particular the July 10, 2006, POM, and the RevOp

Purchase, Agency and Investor Agreements that MLtd entered into with the VR Investors, MLtd owed the VR Investors certain fiduciary duties arising out of its acting as their attorney-in-fact and agent and in exercising discretion on their behalf in regard to the RevOp Loan Program. Such fiduciary duties, included without limitation MLtd's duties of disclosure, loyalty, good faith and fairness.

129. MLtd breached those fiduciary duties by breaching those agreements and duties of good faith and fair dealing and by committing the fraudulent and unlawful acts described herein, including conducting a Ponzi scheme and failing to disclose to the VR Investors, among other things, the materially adverse, deceptive and unfair acts and course of business described herein.

130. By their wrongful conduct described herein, the GT, MHM and MLtd/MLS Defendants intentionally, willfully, maliciously, wantonly and recklessly disregarded the rights of the VR Investors, participated in, facilitated, enabled or aided and abetted MLtd's breaches of its fiduciary duties.

131. As a proximate result of these Defendants' participating in, facilitating, enabling or aiding and abetting MLtd's breaches of its fiduciary duties, the VR Investors collectively suffered damages in amounts to be proven at trial, but not less than $52,381,921.53, plus consequential and incidental damages, which VR is entitled to recover, plus punitive damages, attorneys' fees and costs incurred herein.

COUNT SIX

(Civil Conspiracy)

132. The preceding paragraphs are incorporated by reference.

133. Upon information and belief, for their own individual benefit and purpose, each of the GT, MHM and MLtd/MLS Defendants intentionally, willfully, maliciously, wantonly and with reckless disregard of the rights of the VR Investors, conspired and acted in concert with two or more persons or entities, or they participated in, facilitated, enabled or aided and abetted such conspiracies, to commit all or some of the fraudulent, unlawful and wrongful acts described above pursuant to a common plan or scheme, and

they were MLtd's, MLS's and Coles' agent and servant regarding those acts.

134. Therefore, each of these Defendants are responsible for, and jointly and severally liable with all Defendants to VR, for conspiring to enter into an agreement or agreements, or participating in, facilitating, enabling or aiding and abetting such agreement(s), with two or more persons or entities to accomplish one or more of the unlawful purposes described above or to accomplish a lawful object by any of the unlawful means described above.

135. As the proximate result of these Defendants' civil conspiracy or conspiracies, the VR Defendants suffered damages in amounts to be proven at trial, but not less than $52,381,921.53, plus consequential and incidental damages, which VR is entitled to recover, plus punitive damages.

VIII. Prayer for Damages, Interest, Fees, Costs, and other Relief

WHEREFORE, Plaintiff Victims Recovery, L.L.C., asks for judgment against Defendants, jointly and severally:

A. For compensatory damages in an amount to be determined at trial, but not less than $52,381,921.53, plus consequential and incidental damages;

B. For punitive damages in an amount to be determined at trial;

C. For interest as allowed by law;

D. For attorneys' fees and costs as allowed by law and as determined at trial; and

E. For any other relief the Court deems appropriate.

XIX. Certificate Re Expert Testimony

Expert opinion will be necessary to prove the respective standards of care and liability of the GT and MHM Defendants and Defendant Olson regarding the claims alleged against them as licensed professionals.

DATED this 18 day of June, 2010.

William A. Miller
Attorney for Plaintiff

Exhibit 1

MASTER AGENCY AGREEMENT

Effective: December 16, 2004

"Beneficiary": **Bear Tooth Mountain Holdings Limited Partnership, an Arizona limited liability partnership**

"Agent": **Mortgages Ltd.**, an Arizona corporation.

In consideration of the reciprocal promises contained herein, Beneficiary and Agent (collectively, the "Parties") hereby agree to the following.

1. APPOINTMENT AND AUTHORITY OF AGENT

Beneficiary hereby appoints Mortgages Ltd. to act as Beneficiary's Agent with regard to the Loans. Beneficiary authorizes Agent to perform any and all of the following tasks on Beneficiary's behalf at Agent's sole discretion.

a. Account Servicing. In order to facilitate Agent's management of Beneficiary's investment in the Loans, Agent may:

(1) Request from Beneficiary, Beneficiary's percentage ratio of any delayed fundings or Equity-Flex™ Advances to Trustor under the Loan Documents, which funds Beneficiary shall deliver to Agent within 3 business days to be held or disbursed by Agent pursuant to the Loan Documents. In the event Beneficiary fails to transmit such funds to Agent within the time period set forth, Agent may, at its option, do the following:

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

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

(2) Receive and hold the original Promissory Notes, Deeds of Trust and all other documents executed by the Trustor in connection with the Loans (collectively, the "Loan Documents");

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

(4) Receive and process any and all Loan payments from Trustors or other payers ("Trustor payment") as follows:

(a) Upon receipt of a Trustor payment, deposit that payment in an account held by Agent, and transmit or deposit the appropriate check to Beneficiary.

(b) At Agent's discretion, Agent may delay disbursing funds to Beneficiary from payments received by Trustor until Trustor's funds are collected by Agent's depository institution.

(c) If a Trustor payment is returned for any reason by the drawee financial institution, Agent may send a notice to Trustor requesting payment of the past due amount at the default interest rate.

(5) Assess, receive and process all fees and charges set forth in the Loan Documents including, but not limited to, administrative fees, notice fees and late charges;

(6) Apply any sums received by Agent to the fees, costs and expenses incurred or assessed by Agent before applying to the balance of the Loan account. These fees, costs and expenses include, but are not limited to, notice fees, service fees, administrative fees, inspection fees, appraisal fees, expert fees, attorneys' fees, litigation costs, force placed insurance premiums, late charges and guarantor collection expenses (as described herein);

(7) Receive and retain deposits under the Loan Documents as impounds for the payment of the following:

(a) Future payments due;
(b) Taxes and assessments;
(c) Construction;
(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 Mortgages Ltd. and the Trustor for the benefit of Beneficiary, and Agent may apply and/or disburse any such deposits in accordance with the Loan Documents;

(8) Evaluate, effectuate and process an assumption of the Loans, and assess and receive an assumption fee and/or an interest increase, as provided in A.R.S. § 33-806.01 or any successor statute; **and**

(9) Execute, file and record any and all documents which, at Agent's discretion, are necessary to facilitate Loan servicing, including, but not limited to, deeds of release and reconveyance (full and partial); indorsements and assignments of Loan Documents; corrections, amendments, modifications and extensions of Loan Documents; disclaimers; financing statements; assumptions and various certifications.

(10) Upon Beneficiary's request, hold funds from the full or partial payoff of the loans in Agent's Trust account pending Beneficiary's written direction as to use of such funds.

b. Collection. In order to protect Beneficiary's interests in the Loans, Agent may:

(1) Correspond directly with Trustors at any time on any matter regarding the Loan Documents including, but not limited to, sending notices of delinquency and default, and demands for payment and compliance.

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

(3) Incur all fees, costs and expenses deemed necessary by Agent to protect the property securing the Loans (the "Trust Property"), including, but not limited to, 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 Beneficiary a request to deposit sufficient funds for delinquent real estate taxes and insurance premiums (including force placed insurance) relating to the Trust Property;

(6) Obtain force placed insurance on any portion of the Trust Property in the event the Trustor fails to maintain insurance as required by the Loan Documents;

(7) Execute, file and record any and all documents Agent deems necessary to protect Beneficiary's interests and/or pursue Beneficiary's remedies upon default, including, but not limited to, 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 and at Agent's discretion, commence foreclosure of the Trust Property, initiate a trustee's sale and/or institute any proceeding necessary to collect the sums due under the Loan Documents or to enforce any provision therein (including, but not limited to, pursuing an action against any borrower or guarantor of the Loans; pursuing injunctive relief, the appointment of a receiver, provisional remedies and a deficiency judgment; pursuing claims in bankruptcy court; pursuing an appeal; collecting rents; and taking possession or operating the Trust Property;

(9) Negotiate and enter into extensions, modifications and/or forbearances of the Loan Document provisions;

(10) Negotiate and facilitate the sale of Beneficiary's interests in the Loan Documents by communicating with potential purchasers and their agents and by providing information regarding the Loans to third parties, such as, but not limited to, copies of the Loan Documents and Loan accounting information;

(11) Retain attorneys, trustees and other agents necessary to collect the sums due under the Loan Documents, to protect the Trust Property and/or to proceed with foreclosure of the 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, but not limited to, attorneys' fees, receiver fees, trustee fees, expert fees and any fees, costs and expenses incurred in an effort to collect against guarantors of the Loans; **and**

(13) Request and receive payments from Beneficiary 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:

(1) Retain any and all fees and charges assessed under the Loan Documents and collected by Agent, including, but not limited to, late charges, maturity late charges, administrative fees, prepayment penalties or premiums, notice fees and services;

(2) Deduct from payments received by Beneficiary an interest participation **or** minimum service charge equal to the amount set forth in the Direction to Purchase for each Loan to be paid from each monthly payment until paid in full;

(3) Collect and retain any interest on the principal balance of the Loans which is over and above the normal rate set forth in the Promissory Note (the "Note Rate"), including, but not limited to, the Default Interest provided for in the Loan Documents; however, any and all interest, including, but not limited to, Default Interest, collected on any advances (excluding Equity-Flex Advances) made by Beneficiary shall be payable to Beneficiary;

(4) Collect and retain any interest that accrues on any impound accounts;

(5) Collect and retain any assumption fees and charges; **and**

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

d. Sale of Interest. In the event Beneficiary owns less than 100% interest in any loan being serviced by Mortgages Ltd., Agent, in its sole discretion, may liquidate Beneficiary's interest. Upon payment to Beneficiary, Agent will, upon direction of Beneficiary, use its best efforts to reinvest any funds received by Beneficiary 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, but not limited to, Trustor and Beneficiary, for nonfeasance or malfeasance, misfeasance and nonfeasance.

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 Beneficiary of such assignment or resignation in writing.

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

b. In the event that the ownership of the Trust Property becomes vested in the Beneficiary, either in whole or in part, by trustee sale, judicial foreclosure or otherwise, Agent may enter into a real estate broker's agreement on Beneficiary's behalf for the sale of the Trust Property, enter into a management and/or maintenance agreements for management or maintenance of the Trust Property, if applicable, may acquire insurance for the Trust Property,

and may take such other actions and enter into such other agreements for the protection and sale of the Trust Property, all as Agent deems appropriate. Beneficiary may terminate this Agreement after it becomes the 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, **Beneficiary shall immediately reimburse Agent for any and all fees, costs and expenses incurred hereunder and pay Agent all compensation due.** After such reimbursement and payment, Beneficiary shall have no further duties, except indemnification of Agent.

4. INDEMNITY

a. Beneficiary shall immediately indemnify and hold Agent harmless against any and all liabilities incurred by Agent in performing under the terms of this Agreement or otherwise arising, directly or indirectly, from the Loans or Loan Documents, including, but not limited to, all attorneys' fees, insurance premiums, expenses, costs, damages and expenses.

b. In the event that Agent requests that Beneficiary pay any amount owed hereunder, Beneficiary shall remit that amount to Agent within 5 business days of Agent's request.

5. BENEFICIARY'S OBLIGATIONS

a. **Execution of Documents.** As previously set forth herein, Agent is authorized to execute any and all documents Agent deems necessary to facilitate loan servicing or collection. However, in the event that it is necessary, Beneficiary shall execute any and all documents Agent deems necessary to facilitate loan servicing or collection, including, but not limited to, deeds of release and reconveyance (full and partial), indorsements and assignments. If Agent requests Beneficiary execute such a document, then Beneficiary shall execute and deliver that document to Agent within 5 business days of Agent's request.

b. **Failure to Execute Documents.** In the event that Beneficiary fails to execute one of the documents described in paragraph 5.a. above, Agent shall be authorized to execute that document. In the event that Agent is prevented from executing a document due to circumstances beyond Agent's control, then Agent shall be entitled to seek indemnification from Beneficiary for any liabilities Agent may incur as a result.

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

d. Breach. In the event that Beneficiary breaches this Agreement, by failing to perform or by interfering with the Agent's ability to perform under this Agreement, then Beneficiary 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 Agency Agreement, the term "Confidential Information" as used herein shall include any and all written and verbal information provided by Agent to Beneficiary in connection with the Loans, whether marked or designated as confidential or not, including without limitation any 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 Beneficiary; or (ii) is already known to Beneficiary prior to its receipt from Agent as shown by prior written records; or (iii) becomes known to Beneficiary by disclosure from a third party who has a lawful right to disclose the information.

b. Beneficiary 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 Beneficiary of the Confidential Information and of the services to be performed by Agent on behalf of Beneficiary hereunder, Beneficiary 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 entity, individual, corporation, partnership, sole proprietorship, customer or client, without the prior express written consent of Agent.

(iv) To return all Confidential Information to Agent upon request therefor 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 Beneficiary in the performance of its obligations set forth herein shall be the standard of care utilized by Beneficiary in treating Beneficiary'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 Beneficiary 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 Beneficiary, its employees, agents, officers, directors and any others to whom any Confidential Information may be disclosed as part of or in connection with the Loan transactions. Beneficiary 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 Agent Agreement and shall continue to bind Beneficiary, its successors and assigns.

g. Beneficiary 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 in the event of failure of Beneficiary or anyone acting on Beneficiary's behalf or for whom Beneficiary acted 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 Agent, in the event of a breach by Beneficiary of its agreements contained in this Section 6, shall have the right, among other rights, to obtain an injunction or decree of specific performance to restrain Beneficiary or anyone acting on Beneficiary's behalf or for whom Beneficiary is acting from continuing such breach, in addition to damages sustained as a result of such breach. Nothing herein contained shall in any way limit or exclude any and all other rights granted by law or equity to either party.

7. GENERAL PROVISIONS

a. This Agreement is binding on the Parties and their agents, representatives, 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. The Parties hereby submit 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. The Parties hereby waive the defense of an inconvenient forum.

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

d. This Agreement sets forth the entire agreement and understanding of the Parties and is to be read in consistency and accordance with the other Loan Documents.

e. This Agreement replaces and supersedes any and all prior agency agreements between Beneficiary and Mortgages Ltd. including, but not limited to, the Supplemental Collection Instructions and Agent Authorizations and the Beneficiary's Supplemental Agreement with Collection Agent (collectively, "Prior Agency Agreements"). As to all existing Loans, any and all Prior Agency Agreements are hereby null and void, and the terms of this Agreement govern the relationship of the Parties.

f. 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 Agent and Beneficiary. Agent's failure, at any time, to require performance of any provision of this Agreement shall in no manner affect the right of Agent or Beneficiary 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 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.

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

i. If there is any arbitration or litigation by or among the parties to enforce or interpret any provisions of this Agency 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 without limitation 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.

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

BENEFICIARY:

Bear Tooth Mountain Holdings Limited Partnership, an Arizona limited liability partnership

By: William L. Hawkins and Orrie N. Hawkins, Trustees of the William and Orrie Hawkins Family Trust U/T/A dated July 27, 1998
Its: General Partner

By: William L. Hawkins
Its: Trustee

By: Orrie N. Hawkins
Its: Trustee

AGENT:
MORTGAGES LTD.

James J. Cordello, Executive Vice President

MORTGAGES LTD.
"We See Things Differently"

Exhibit 2

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 3

For Mortgages Ltd. Securities .L.L.C use only
MLS Account Number HA46
Managing Director HSE
Other active account numbers established by this investor, and account group:
HAWKZ

MORTGAGES LTD.

EXISTING INVESTOR ACCOUNT AGREEMENT

This Agreement relates to Pass-Through Loan Participations ("Participations") in loans ("Loan") originated or acquired by Mortgages Ltd. with respect to the Capital Opportunity® Loan Program, the Annual Opportunity™ Loan Program, the Opportunity Plus® Loan Program, the Revolving Opportunity™ Loan Program, and the Performance Plus™ Loan Program. Participations in Loans with respect to the various programs are being offered from time to time pursuant to that certain Private Placement Memorandum dated July 10, 2006, which describes the Participations, the loans, the programs, investments risks, and related matters. This Agreement should be returned to:

MORTGAGES LTD. SECURITIES, L.L.C.
55 East Thomas Road
Phoenix, Arizona 85012
Telephone: (602) 443-3888

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. If you have any questions concerning the completion of this Agreement, please contact Mortgages Ltd. Securities, L.L.C. at (602) 443-3888.

Mortgages Ltd., which is the issuer of the Participations, 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.
EXISTING INVESTOR ACCOUNT AGREEMENT

1. **Programs Covered.** This Agreement relates to Pass-Through Loan Participations ("Participations") in loans originated or acquired by Mortgages Ltd. with respect to the Programs set forth below described in that certain Private Offering Memorandum dated July 10, 2006. The offering of Participations is being made through Mortgages Ltd. Securities, L.L.C. ("MLS").

The undersigned is participating in the Program or Programs set forth below:

_____	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.
___X___	Revolving Opportunity™ Loan Program - minimum investment of $500,000.
_____	Performance Plus™ Loan Program - minimum investment of $500,000.

2. **Representations and Warranties.** By executing this 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 Private Offering Memorandum dated July 10, 2006 or an earlier private offering memorandum provided by Mortgages Ltd. and MLS (together 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 and will rely 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 owned by the undersigned have been, and any Participations acquired by the undersigned in the future will be, acquired for the undersigned's own account

without a view to public distribution or resale and that the undersigned with 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 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 Mortgages Ltd. Securities, L.L.C. 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 at the address provided to Mortgages Ltd. and MLS; (vi) all investments in and commitments to non-liquid investments including Participations currently owned are, and after any further acquisitions 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 of Participations, or made any finding or determination as to the fairness of the Participations for investment.

(r) Understands that the Participations are 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 of the undersigned in order to determine the suitability of the undersigned to acquire Participations.

(s) Represents, warrants, and agrees that, if the undersigned has acquired in the past or acquires in the future 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.

(t) 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.

(u) 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 the 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.

(v) 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.

(w) 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 Subscription Agreement, the undersigned accepts and agrees to be bound by the Agency Agreement provided to the undersigned, which is an exhibit to the Memorandum. 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 Mortgages Ltd. or 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 Mortgages Ltd. Securities, L.L.C. is unable to contact the undersigned following the payoff of a Loan with respect to which the undersigned owns Participations, the undersigned authorizes Mortgages Ltd. Securities, L.L.C. to apply such proceeds to the Capital Opportunity Loan Program for its 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.

M. K. Hall
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 of Participations, the Loans, the Agency Agreement, or 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 Agreement, the undersigned is executing this Agreement on the date indicated.

Dated: _____, _____

For Mortgages Ltd. Securities .L.L.C use only

_____
Signature of Managing Director

_____
Signature of Chief Compliance Officer

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

AJ Chandler 25 Acres, L.L.C., an Arizona limited liability company

By: **William L. Hawkins**

Its: Manager
(Name of first executing party)

By: _____
(Signature of first executing party)

ACCEPTED:

MORTGAGES LTD.

By: _____

Its: _____

09/06/2006

Exhibit 4

November 8, 2006
HA46

MORTGAGES LTD.
SECURITIES, L.L.C.
Member NASD

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 90 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	0.500%
$3,000,000 - $4,999,000	0.625%
$5,000,000 - $7,499,000	0.750%
$7,500,000 +	1.000%

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 +	12.00%

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 $5,500,000.00 ($7.5mm Rate) as of the Effective Date of November 8, 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

AJ Chandler 25 Acres, L.L.C., an Arizona limited liability company

By:_____
William L. Hawkins
Its: Manager

Address: 7317 E. Greenway Rd.
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