

Dear Investor or Interested Party,

A new year has begun and we are in the process of confirming a plan of reorganization so that hopefully we can get the bulk of the remaining cash distributed. Typically, the plan confirmation process is one of the most significant events in a chapter 11 case. If you are a creditor or hold a filed allowed claim, you should have received a “ballot package,” which includes: (1) the approved amended disclosure statement – which explains the history of Brasota, how it ended up in bankruptcy, the major events that occurred in bankruptcy and how the plan works; (2) the plan – which is attached to the amended disclosure statement as an exhibit; (3) the Bankruptcy Court Order approving the amended disclosure statement; (4) a ballot (printed on yellow paper) and (5) a self-addressed stamped envelope to return the ballot to the Bankruptcy Court.

The Official Committee of Unsecured Creditors and I would strongly urge you to vote “yes” on the ballot and accept the plan. The plan allows us to continue to do what we have been doing that is, liquidating the assets in such a manner that gives you the best return of your investment. Voting against the plan will not get you any greater distributions and will likely result in further delays to future disbursements. Based on calls we have received so far, below are some items to keep in mind when preparing your ballot for submittal:

1. All investors are creditors in **class 3**.
2. The claim amount is the original claim amount you filed, **NOT** the remaining balance.
3. If you received two or more packages, that is because you filed two or more separate claims. In that situation, you should complete and submit each ballot you received.
4. Please fill in all blanks on the ballot and remember to indicate whether you accept or reject the plan.

If you did not receive a ballot, please contact Brasota at (941) 746-6119 and one will be sent to you, along with a self-addressed stamped envelope.

To have your ballot counted for the plan confirmation process, please have all ballots completed and returned so that they are received by the **Bankruptcy Court** *on or before* March 29, 2007. For a plan to be confirmed, it must be accepted by the holder of two-thirds (2/3) in amount and more than one-half (1/2) in number of claims in each Class voting on the Plan. The hearing on the confirmation of the plan will be held on **April 5, 2007 at 10:00 a.m.** It is not necessary to attend the hearing to have your vote counted, although you are most certainly welcome to attend.

Aside from the plan process, several other significant events occurred.

Hidden Hills and Team Awesome. This was converted from a Chapter 11 to a Chapter 7 case. A Chapter 7 Trustee was appointed, who is in the process of evaluating the assets

of Hidden Hills / Team Awesome. We are still awaiting a decision by the judge in our foreclosure case against these borrowers.

Morrison Estate and Gloria Morrison. There has been no resolution and negotiations continue.

Broad & Cassel. We have filed a state court malpractice lawsuit against the Receiver's former attorneys law firm on behalf of the bankruptcy estate, which was "removed" to the bankruptcy court – attorneys for the firm "moved" the suit to bankruptcy court from the state court in Manatee County. We have also separately objected to Broad & Cassel's fee applications, which they had filed in the bankruptcy court.

McMullen Creek Property and the Balance of the REO Portfolio. We are still in the process of selling the land, just as we continue to liquidate the real estate owned portfolio. As mentioned in my previous newsletter, the slow down in the real estate market is a factor which we face. We anticipate that we will also be selling the headquarters and its contents in the second quarter of the year.

Remaining Developer Loans. We are now down to the last three developers (who are not currently in active litigation) and their loans. While we are hoping to amicably resolve these remaining loans with them, we may be facing the prospect of litigation and/or foreclosure

Other Remaining Loans. Finally, we are also reviewing alternate means of resolving Brasota's remaining loan portfolio.

As always, I'm reachable via e-mail at Jerry@brasota.com. PLEASE SUBMIT YOUR BALLOTS AND VOTE IN FAVOR OF THE PLAN.

Brasota Mortgage Company, Inc.,

Gerard A. McHale, Jr.

Chapter 11 Bankruptcy Trustee