

IN THE CIRCUIT COURT OF THE TWELFTH JUDICIAL CIRCUIT
OF THE STATE OF FLORIDA, IN AND FOR MANATEE COUNTY
CIVIL DIVISION

GLORIA MORRISON, individually,
And ROBERT COEY, individually,

Petitioners,

CASE NUMBER:

v.

BRASOTA MORTGAGE COMPANY,
a general Florida partnership; BRASOTA
MORTGAGE COMPANY, INC., a Florida
profit corporation; and FUNDING MANAGEMENT
CORPORATION, a Florida profit corporation,

Respondents.

AFFIDAVIT OF RENE J. ZARATE

STATE OF FLORIDA

COUNTY OF HILLSBOROUGH

BEFORE ME, the undersigned authority, personally appeared Rene Zarate, who,
being first duly sworn upon oath, deposes and says:

1. My name is Rene J. Zarate. I am over the age of eighteen years and I have personal knowledge of the matters contained in this affidavit. I am a certified public accountant, licensed to practice in the state of Florida.
2. On Friday February 4, 2005, my firm, Rivero Gordimer & Company, P.A., was retained to perform certain agreed upon procedures for Brasota Mortgage Company, a Florida general partnership ("BMC"). In general, our firm's engagement was to perform

testing of key accounting records to verify the material assets and liabilities of Brasota Mortgage Company.

3. Specifically, we tested those records by comparing accounting entries to source documents evidencing the respective asset and liability accounts of BMC or its affiliated entities as described below. Our procedures disclosed the following:

(a) That BMC liabilities exceeded BMC assets in excess of \$20 million dollars. In other words, management of BMC could not produce evidence of assets that would match outstanding liabilities of the Company at or around January 31, 2005. Therefore, we have concluded that assets are insufficient to meet obligations of the Company in excess of \$20 million.

(b) Funding for BMC was primarily provided by individuals or entities that loaned money to BMC for a fixed rate of return and a collateral assignment of a mortgage. Therefore, the true stakeholders in BMC are the individual note holders who are largely unrelated to partners of the partnership.

(c) We were not provided any evidence that BMC has provided the note holders with an accounting of the partnership, nor notified the note holders of its financial condition.

(d) We are unable to conclude that any assets have been misappropriated, but it appears that new note holders have been paying the agreed upon return for existing note holders. In other words, it appears new note holders have been funding the operating deficits on a monthly basis for an indeterminate amount of time.

4. During our engagement, we concluded Brasota Mortgage Company is inextricably tied to two other entities, Brasota Mortgage Company, Inc. ("Brasota") and

Funding Management Corporation ("Funding"). Based on interviews of existing management and a review of business records it appears: (A) Brasota invested BMC monies in residential and commercial mortgages without booking appropriate liabilities to BMC; and (B) non-performing BMC mortgages were transferred to Funding for foreclosure proceedings without booking appropriate liabilities to BMC. Therefore, any effort to garner the assets and liabilities of BMC, would necessarily involve garnering the assets of Brasota Mortgage Company, Inc. and Funding Management Corporation.

5. Further affiant sayeth naught.



Rene Zarate

Sworn to and subscribed before me the 8th day of February, 2005, by
Rene Zarate, who is personally known to me or has produced _____
as identification.



Notary Public, State of Florida

Printed Name

My Commission Expires:  Marcy M Turano
My Commission D1336197
Expires August 24 2008

IN THE CIRCUIT COURT OF THE TWELFTH JUDICIAL CIRCUIT
OF THE STATE OF FLORIDA, IN AND FOR MANATEE COUNTY
CIVIL DIVISION

ROBERT COEY, individually, and
GLORIA MORRISON, individually,

Petitioners,

CASE NUMBER: 2005 CA 723

v.

BRASOTA MORTGAGE COMPANY,
a registered Florida partnership; BRASOTA
MORTGAGE COMPANY, INC., a Florida
profit corporation; and FUNDING MANAGEMENT
CORPORATION, a Florida profit corporation,

Respondents.

AGREED ORDER APPOINTING RECEIVER

This matter came on before me, the undersigned, this _____ day of February, 2005, on the application of Petitioners, Robert Coey and Gloria Morrison, for the appointment of a Receiver for Brasota Mortgage Company, Brasota Mortgage Company, Inc., and Funding Management Corporation (hereafter the "Receivership Respondents"). It appears that this Agreed Order Appointing Receiver is both necessary and appropriate in order to prevent waste and dissipation of the assets of the Respondents to the detriment of investors.

It is, therefore, ORDERED:

1. This Court hereby takes exclusive jurisdiction and possession of the assets, monies, securities, choses in action, and properties, real and personal, tangible and intangible, of whatever kind and description, wherever situated (the "Receivership Assets"), of each of the Receivership Respondents.

2. John J. Ray, III, 280 Shuman Blvd., Ste. 170, Naperville, Illinois 60563, with the phone number of (630) 305-7400, facsimile number of (630) 305-6900, is appointed Receiver for the Receivership Assets. The Receiver is hereby authorized to take and have possession of the Receivership Assets. Until further order of this Court, the Receiver shall have complete and exclusive control, possession and custody of all Receivership Assets.

3. All persons, including the Receivership Respondents, all of their partners, directors, officers, agents, servants, employees, stockholders, attorneys, as applicable, and all persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, and specifically including any bank, brokerage company, or other financial or depository institution holding accounts for or on behalf of Respondents, Brasota Mortgage Company, Brasota Mortgage Company, Inc., or Funding Management Corporation, shall promptly deliver to the Receiver all Receivership Assets in the possession or under the control of any one or more of them and shall promptly surrender all books and records of any kind pertaining to Respondents, Brasota Mortgage Company, Brasota Mortgage Company, Inc., or Funding Management Corporation. This paragraph shall specifically apply to any and all depository and/or brokerage accounts including, but not limited to, those accounts maintained at:

A.G. Edwards, Account No. 60-380600;
Manatee River Community Bank, Account No. 6842;
Coast Bank, Account No. 10003039;
First National Bank & Trust in Manatee, Account No. 615-060-100; and
H & R Block Financial Advisors, Account No. 17437686 BR 13.

for accounts held on behalf of any or all of the Receivership Respondents.

4. All persons, including the Receivership Respondents, and all of their partners, directors, officers, agents, servants, employees, stockholders, attorneys, as applicable, and all

persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise, are stayed from:

(i) Commencing, continuing or enforcing any suit or proceeding against the Receiver or the Receivership Assets, except with the prior permission of the Court;

(ii) Using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any property owned by or in the possession of the Receivership Assets or the Receiver, wherever situated;

(iii) Attempting to modify, cancel, terminate, call, extinguish, revoke, or accelerate (the due date), of any lease, loan, mortgage, indebtedness, security agreement or other agreement with any of the Receivership Assets or any entity controlled by them;

(iv) Doing any act or thing whatsoever to interfere with the taking control, possession, or management, by the Receiver of the Receivership Assets and assets owned, controlled or in the possession of the entities in receivership, or to in any way interfere with or harass the Receiver, or to interfere in any manner with the exclusive jurisdiction of this Court over the Receivership Assets; and

(v) Causing the issuance of a subpoena on the Receiver except with the prior permission of the Court.

5. The Receiver is hereby authorized to make appropriate notification to the United States Postal Service to forward delivery of any mail addressed to Respondents, Brasota Mortgage Company, Brasota Mortgage Company, Inc., or Funding Management Corporation, or any company or entity under the direction or control of the Receivership Respondents, to the Receiver. Further, the Receiver is hereby authorized to open and inspect all such mail, to determine the location or identity of assets or the existence and amount of claims or any other purpose authorized by this Order.

6. The Receiver is hereby authorized to make such ordinary and necessary payments, distributions, and disbursements and execute, deliver, file and record such contracts, instruments, releases, indentures, certificates, and other agreements and documents, and to take

such action as he deems advisable or proper for the marshalling, maintenance or preservation of the Receivership Assets. From and after the date of entry of this Order, the Receiver shall have the authority to conduct the business operations of the Receivership Respondents and the entities any of them control.

7. Until further Order of the Court, this Order prohibits the prosecution of any civil action or other proceeding against the Respondents, Brasota Mortgage Company, Brasota Mortgage Company, Inc., or Funding Management Corporation, and the enforcement of any judgments against any of the aforementioned Respondents.

8. The Receiver is hereby authorized to employ, without further order of the Court, such employees, accountants, and attorneys, and other professionals, including the law firm of Broad and Cassel, as is necessary and proper for the collection, preservation, maintenance and operation of the Receivership Assets.

9. The Receiver is hereby authorized to receive and collect any and all sums of money due and owing to the Respondents, Brasota Mortgage Company, Brasota Mortgage Company, Inc., or Funding Management Corporation, whether the same are now due or shall hereafter become due and payable, and is authorized to incur such expenses, satisfy such liabilities, and make such disbursements as are deemed in his discretion necessary and proper for the collection, preservation, maintenance and operation of the Receivership Assets.

10. The Receiver is hereby authorized to institute, defend, compromise or adjust such actions or proceedings in state or federal courts now pending and hereafter instituted, as may in his discretion be advisable or proper for the protection of the Receivership Assets or proceeds there from, and to institute, prosecute, compromise or adjust such actions or proceedings in state or federal courts as may in his judgment be necessary or proper for the collection, preservation

and maintenance of the Receivership Assets and/or on behalf of any of the Receivership Respondents.

11. All officers and directors, their agents and employees and other persons representing the companies in connection with the conduct of their business shall remain employed until the receiver directs otherwise.

12. Any attorney handling any matter for the respondents shall cooperate with the receiver and deliver all files, including attorney/client privileged communications and documents and all work product to the receiver at his direction, notwithstanding any claim of a retaining lien which, if valid, is not extinguished by the delivery of the documents.

13. The Receiver (through Avidity Partners, LLC) and his retained personnel or professionals are entitled to reasonable compensation and expense reimbursement out of the Receivership Assets.

14. The Receiver and his attorneys and his agents are entitled to rely on all outstanding rules of law and court orders, and shall not be liable to anyone for their own good faith compliance with any order, rule, law, judgment, or decree. In no event shall the Receiver or his attorneys or his agents be liable to anyone for their good faith compliance with their duties and responsibilities as Receiver, attorney, or agent for Receiver, nor shall the Receiver or his attorneys or his agents be liable to anyone for any actions taken or omitted by them except upon a finding by this Court that they acted or failed to act as a result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties. The Receiver and his attorneys and his agents shall be indemnified and held harmless out of the Receivership Assets for all costs and expenses, including reasonable attorney's fees, incurred as a result of such actions. The Receiver and his attorneys and his agents may rely on, and shall be protected in acting upon, any resolution,

certificate, statement, opinion, report, notice, consent, order, or other paper or documents believed to be genuine and to have been signed or presented by the proper party or parties. The Receiver may consult with legal, financial, or accounting advisors for any action taken or omitted to be taken by it in accordance with the advice thereof. Persons dealing with the Receiver shall only look to the Receivership Assets to satisfy any liability, and neither the Receiver nor his attorneys or his agents or professionals shall have any personal liability to satisfy any such obligation.

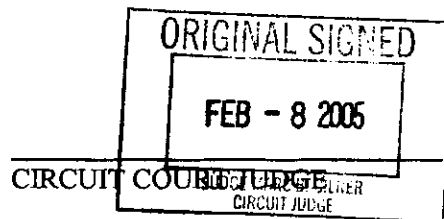
15. From time to time, upon the application of the Receiver, the Court may amend or reissue this Order.

16. The Receiver shall be required to post bond in the amount of \$ 250,000. in connection with his fiduciary duties and obligations in this matter, the cost of which shall be reimbursable expense. Any collateral required by the bonding company shall be provided from the assets of the receivership.

It is further ORDERED that this Court shall retain jurisdiction of this action for all purposes. The Receiver is hereby authorized, empowered, and directed to apply to this Court, with notice to the Receivership Respondents named in this action for issuance of such other orders as may be necessary and appropriate in order to carry out the mandate of this Order.

It is further ORDERED that this Order will remain in effect until modified by further Order of this Court.

DONE AND ORDERED in Chambers, in Bradenton, Manatee County, Florida, on this _____ day of February, 2005.



AGREED AS TO FORM AND CONTENT:

(1) FOR PETITIONER ROBERT COEY:

Robert Coey

Date: 2-8-05

FOR PETITIONER GLORIA MORRISON

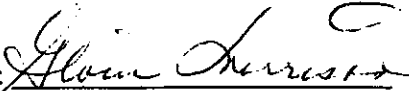
Gloria Morrison

Date: 2-8-05


(2) FOR RESPONDENT, BRASOTA MORTGAGE COMPANY

By: 
GLORIA MORRISON, Partner

(3) FOR RESPONDENT, BRASOTA MORTGAGE COMPANY, INC.

By: 
GLORIA MORRISON, President

(4) FOR RESPONDENT, FUNDING MANAGEMENT CORPORATION

By: 
~~GLORIA MORRISON, President~~
Robert Coey, Vice President

cc: Joseph B. Donnelly, Esq.
Ms. Gloria Morrison
Mr. Robert Coey

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profit corporation; and FUNDING MANAGEMENT
CORPORATION, a Florida profit corporation,

Respondents.

**RESPONSE TO PETITION AND
REQUEST FOR APPOINTMENT OF RECEIVER**

Respondents, BRASOTA MORTGAGE COMPANY, BRASOTA MORTGAGE
COMPANY, INC., and FUNDING MANAGEMENT CORPORATION, answer the
Petition and Request for Appointment of Receiver as follows:

1. Respondents, Brasota Mortgage Company, Brasota Mortgage Company, Inc., and Funding Management Corporation hereby waive service of process as it relates to the Petition and Request for Appointment of Receiver.
2. Respondents admit that a receivership is necessary to protect the assets of all investors/creditors and that without the appointment of a Receiver, there is a risk that investors/creditors funds will be put in jeopardy.
3. Respondents, to the extent permissible by law, join the Petitioners in their petition to have a Receiver appointed.

4. Respondents hereby stipulate to the entry of an order appointing John J. Ray, III as Receiver in this proceeding and to the form of the order appointing Mr. Ray attached hereto.

RESPONDENT, BRASOTA MORTGAGE COMPANY

By: *Gloria Morrison* Date: 2/8/05
GLORIA MORRISON, Partner

RESPONDENT, BRASOTA MORTGAGE COMPANY, INC.

By: *Gloria Morrison* Date: 2/8/05
GLORIA MORRISON, President

RESPONDENT, FUNDING MANAGEMENT CORPORATION

By: *Robert Coey* Date: 2/8/05
~~GLORIA MORRISON, President~~
Robert Coey,
Vice President

IN THE CIRCUIT COURT OF THE TWELFTH JUDICIAL CIRCUIT
OF THE STATE OF FLORIDA, IN AND FOR MANATEE COUNTY
CIVIL DIVISION

GLORIA MORRISON, individually
And ROBERT COEY, individually,

Petitioners,

CASE NUMBER: 2005-CA-723

v.

BRASOTA MORTGAGE COMPANY,
a Florida general partnership; BRASOTA
MORTGAGE COMPANY, INC., a Florida
profit corporation; and FUNDING MANAGEMENT
CORPORATION, a Florida profit corporation,

Respondents.

VERIFIED PETITION AND REQUEST FOR APPOINTMENT OF RECEIVER

Petitioners, GLORIA MORRISON and ROBERT COEY hereby petition for an accounting of the assets and obligations of Respondents, BRASOTA MORTGAGE COMPANY, a Florida general partnership; BRASOTA MORTGAGE COMPANY, INC., a Florida profit corporation; and FUNDING MANAGEMENT CORPORATION, a Florida profit corporation, and petitions:

GENERAL ALLEGATIONS

1. This is an action in equity for an accounting of the assets and obligations of Respondents.
2. Petitioners, Gloria Morrison and Robert Coey, are each residents of Manatee County, Florida. At all times pertinent to this Petition, Gloria Morrison and Robert Coey were and continue to be investors/note holders in the Brasota Mortgage Company.

3. Respondent Brasota Mortgage Company (hereinafter the "Partnership") is a Florida general partnership. The Partnership's principal business address is 820 43rd Street West, Bradenton, Florida 34209. The current partner, Gloria Morrison, was previously a non-managing/non-participatory partner and now holds all partnership interests due to the recent death of the active managing partner, William J. Morrison. The Partnership is an entity that accepts funds from investors/note holders and provides funds to Brasota Mortgage Company, Inc. to finance mortgages.

4. Respondent Brasota Mortgage Company, Inc. (hereinafter the "Corporation") is a Florida profit corporation. The Corporation's principal address is 820 43rd Street West, Bradenton, Florida 34209. The President/Treasurer of the Corporation was the decedent, William J. Morrison. Mr. Morrison was the sole shareholder of the Corporation. The Corporation is a duly licensed mortgage broker and mortgage lender in Florida. Gloria Morrison is the current President, and Robert Coey is the current Executive Vice President.

5. Respondent Funding Management Corporation (hereinafter "Funding") is a Florida profit corporation. Funding's principal address is 820 43rd Street West, Bradenton, Florida 34209. Petitioner Robert Coey is Vice President of Funding. Funding is an entity that accepts the reassignment of mortgages originally collaterally assigned to investors/note holders by the Corporation. The purpose of such a reassignment is to accelerate promissory notes and foreclose on mortgages in default. Proceeds from the mortgage foreclosures were provided to Funding and subsequently endorsed to the Corporation. Investors/note holders were collaterally assigned different mortgages as security for their earlier investments.

6. The Court has jurisdiction pursuant to Art. V § 5, Fla. Const. (1968), as Petitioners seek the determination of the status of accounts between Respondents and

investors/note holders.

7. Venue is proper in Manatee County, Florida, pursuant to § 47.011, Fla. Stat., because that is where the Partnership, the Corporation, and Funding have their principal places of business, and all actions giving rise to Petitioners' claims occurred in Manatee County, Florida.

8. Petitioners and other investors/note holders contracted with the Partnership to provide a fixed percentage rate of return in exchange for a predetermined minimum investment amount.

9. Petitioners and other investors/note holders were informed that any funds invested/loaned with the Partnership would be loaned to third parties in return for a note and a collateral assignment of a mortgage on real property (hereinafter "Mortgage").

10. Once the reinvestment of funds was complete through the Corporation, each Mortgage was to be collaterally assigned by the Corporation to investors/note holders, who would receive the promised rate of return.

11. Since the death of Mr. Morrison in the last quarter of 2004, Robert Coey assisted Gloria Morrison in the Partnership in the normal course of business and they discovered in late January 2005 that the Partnership financial condition appeared to be out of balance.

12. Because the Partnership the Corporation and Funding is under a continuing fiduciary obligation to investors/note holders, an accounting of their assets and obligations is necessary to ensure that the investment/note holder accounts are properly established and fairly stated. See Affidavit of Rene J. Zarate.

13. Petitioners have requested, but Respondents are unable, to reconcile the records of the Partnership.

14. Due to the relationship of the Partnership, the Corporation, and Funding with

investors/note holders, Petitioners assert that an accounting of the assets and obligations of all three entities is necessary to determine whether investor/note holder funds are fairly stated and secured.

15. The subject of this accounting is any and all accounts through which the Partnership, the Corporation, and Funding have deposited, invested, transferred, or retained funds from any and all investors/note holders, including those funds received as payments from the mortgagors, as well as the Partnership, Corporate and Funding assets.

16. Petitioners' remedy at law is inadequate due to the Respondents' fiduciary duty to the investors/note holders. See *Cushman v. Schubert*, 110 So. 2d 703 (Fla. 2d DCA 1959).

COUNT I ACCOUNTING

17. Petitioners hereby reallege and reincorporate the allegations contained in Paragraphs 1 through 16 as though more fully set forth herein.

18. Petitioners each maintain a vested interest in the funds at issue in this demand for accounting as individual investors/note holders in the Partnership, with agreements from the Partnership to make specified incremental interest payments to Petitioners.

19. Neither Petitioner has sufficient control or knowledge of the funds at issue in all three entities.

20. An accounting is necessary for the Partnership, the Corporation and Funding to properly perform their duties under the terms of the investor/ note holder agreements.

21. Petitioners request that the Partnership, the Corporation, and Funding be ordered to provide complete accountings of all funds which they handled on behalf of investors/note holders and their contractual interests, and the Mortgages to which those interests relate.

COUNT II
REQUEST FOR APPOINTMENT OF RECEIVER

22. Petitioners hereby reallege and reincorporate the allegations contained in Paragraphs 1 through 21 as though more fully set forth herein

23. This is an action for the appointment of a Receiver, to receive and preserve property, assets and income, and to manage the business affairs of the Partnership, the Corporation, and Funding under the power and supervision of the Court based upon the foregoing acts and omissions regarding the Partnership's current financial condition and the integral relationship of the three entities to the investor/ note holder funds.

24. The lack of clear financial information regarding the Partnership's assets and obligations clearly establishes that Petitioners and other investors/note holders have an interest in contracts and collaterally assigned mortgages which need to be conserved.

25. The appointment of a Receiver is necessary to prevent financial harm to Petitioners and all other investors/note holders in the Partnership. A less drastic remedy is not available, and the appointment of a Receiver will do more good than harm in these circumstances.

26. Petitioners request John J. Ray, III be appointed as Receiver for the Partnership, the Corporation, and Funding for the purpose of conserving the Partnership investor interests, and to manage the affairs of the Partnership, the Corporation, and Funding to ensure that those interests are conserved and not lost. Mr. Ray, and his affiliated company, Avidity Partners, LLC have substantial experience as a receiver in complex and contested matters. Mr. Ray has recently been involved in receiverships, bankruptcies or liquidation trusts for the following business entities: Chairman of the Board of Directors for Enron Corporation (appointed to oversee the liquidation of the Enron Estate); Chapter 11 Liquidation Trustee of Burlington

Industries, Inc.; Fruit of the Loom Liquidation Trust (distribution of over \$900 million of cash and assets to creditors). A true and correct copy of Mr. Ray's C.V. has been attached hereto and incorporated herein as Exhibit "A."

27. The Respondents consent to the appointment of John J. Ray, III as Receiver.

28. A Receiver is entitled to recover fees, attorney's fees and expenses, and costs of Court.

WHEREFORE, Petitioners request that this Court:

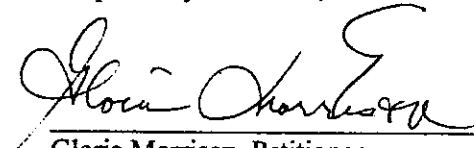
- A. Appoint John J. Ray, III to act as Receiver to take charge of the Partnership's, the Corporation's, and Funding's assets, to collect the debts due to, and pay the debts owed by, the three entities, and to otherwise conduct the business of the three entities during the pendency of this proceeding;
- B. Enjoin the Partnership, The Corporation, and Funding, their partners, officers, directors, agents, servants, employees, and stockholders, as applicable, and those persons in active concert or participation with them who receive actual notice of the Order from interfering in any way with an appointed Receiver or with any property ordered to be delivered to said Receiver; and
- C. Grant such other relief as this Honorable Court deems just and proper.

VERIFICATION

Petitioners Gloria Morrison and Robert Coey have personal knowledge of the matters stated in this petition and hereby swear and subscribe that the allegations contained herein are true and correct.

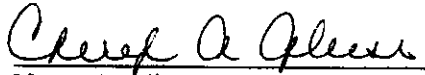
Dated: this 8 day of February 2005.

Respectfully submitted,


Gloria Morrison, Petitioner

Sworn and Subscribed before me this 8 day of February 2005 by Gloria Morrison who is personally known to me or has produced Fla. driver license as identification.




Notary Public

Printed Name

My Commission Expires:

Robert Coey
Robert Coey, Petitioner

Sworn and Subscribed before me this 8 day of February 2005 by Robert Coey who is personally known to me, or has produced _____ as identification.



Cheryl A. Geluso
Notary Public

Printed Name

My Commission Expires: