

Dear Investor or Interested party

Although it was relatively short month, a good deal of progress has been made in bringing the Brasota matters towards conclusion.

A. Plan Confirmation

The most important area is the balloting for the acceptance of the bankruptcy plan.

The ballot must be received by the Bankruptcy Court **by no later than Thursday, March 29**. We would really hope that you would cast your ballot **immediately** to make certain the confirmation process go much more smoothly.

Again the official Unsecured Creditors Committee and I, as Trustee, strongly urge that you vote "yes" to accept the Plan. A "yes" vote will allow us to continue to liquidate the remaining assets in such a manner that gives you the best return on your investment.

As you complete your ballot please remember the following:

- All non-insider investors are in Class Three.
- The claim amount is the original claim you filed which was approved, not in the remaining balance.
- Please fill in the blanks on the ballot and check the box for accepting or rejecting the plan.
- If you have received more than one ballot because you have multiple accounts please fill in each ballot and mail each ballot separately.
- You will not get any greater distribution if you reject the plan.

The final court hearing for the confirmation of the Plan is currently scheduled for Thursday, April 5, 2007, at 10 A.M. You do not have to be in attendance at the hearing to have your vote counted. However, it is necessary that you **mail in your ballot before March 29, 2007**.

B. Distributions

It is tax preparation time of year, and I would like to remind you that any distributions you have received from the bankruptcy estate are not interest, but rather return of principal. I suggest you consult your personal tax advisor as to how this and the possible deductibility of any losses should be handled on your personal tax return.

Many have asked when the next distribution is scheduled. Assuming the Bankruptcy Court approves a Bankruptcy Plan at the April 5 hearing, we will be able to make another distribution sometime after April 15. The amount of the distribution is highly dependent on collection of the amounts from the two major borrowers covered below, the potential sales of any property, and the closing of the sale of the loan package.

At this point it would appear that the absolute minimum distribution would be \$0.10 on the dollar, with the possibility of \$0.15 cents on the dollar, depending on how the cards play out on the collection matters above.

C. Mortgage Issues

You may have read in the newspapers that we have mailed letters to approximately 50 homeowners in the Manatee County area advising them that there is a "cloud on title" on their

properties. Brasota had a mortgage lien filed prior to a title closing. For some reason the title closers or issuers may have missed the mortgage lien filing. This is an issue because Brasota Mortgage Company currently has outstanding loans which remain unpaid. Consequently, Brasota may be forced to foreclose upon its mortgage.

The purchasers and/or subsequent homeowners of the properties are caught in the middle of the problem. We have suggested that these property owners contact their closing agents or underwriters of the title policies in an effort to correct the problem. Meanwhile, Brasota will continue to exert every effort to maximize collections of all monies owed on its mortgages. The bulk of these loans total approximately \$2 million in principal and interest and we are expecting to collect in full.

#### D. Loan Sales

On a very positive note - we have completed an agreement to sell a package of loans to a third-party investor. This package consisted of virtually all of the remaining portfolio which is not in litigation or deemed severely impaired. In order to accomplish this, we have spent the last three months contacting approximately 50 nationally-known purchasers of mortgage loans, financial institutions and local investors. After an extensive qualifying process, we solicited bids. The highest bidder reviewed the portfolio and is fully prepared to close on the transaction. The transaction is subject to final court approval and we still anticipate being able to close this sale during the month of March.

At this point we still have two borrowers with outstanding balances in excess of \$1 million and are working on getting those closed out as quickly as possible. It may be that further litigation will be required to resolve the collection on these two borrowers.

#### E. Other Issues

1. The other major items left to be resolved are the collection of assets from the Morrison estate, the settlement of amounts due from Mrs. Morrison, and the sale of the remaining real estate owned. In the real estate owned portfolio there are three assets which carry the most significance and value.

2. Hidden Hills Equestrian Center, the acquisition of which was delayed by a bankruptcy filing by the Brasota borrower, is now "back on track" and moving towards a foreclosure. After the foreclosure is complete we will begin to remarket this property.

3. The McMullin Creek property, which is in the Rubonia area, is currently being marketed, however, to date the offers that we have received have been unacceptable, generally because of timing of closing or contingencies in the purchase contracts which were not acceptable.

4. The Brasota office building - From all of the above you can see that the "operational" end of the bankruptcy is drawing to a close. Upon the sale of the mortgages and a few other matters, we will be left with the ministerial tasks involved in the litigation and "wrap up" processes. This being the case we will no longer need the office building in Bradenton. For those of you not familiar with the property, it is well located and should be readily marketable.

5. The Broad and Cassel litigation regarding fees has been moved to the Bankruptcy Court and we will continue to pursue that matter.

Best regards,

**BRASOTA MORTGAGE COMPANY**

*Gerard A. McHale, Jr.*  
Chapter 11 Bankruptcy Trustee