

**Brasota Mortgage Company
Liquidation Analysis
At Inception of Bankruptcy**

Liquidate as of February, 2005		
Book Value	Rate	Liquidated Value
Sell Residential Loans	\$ 21,199,042 \$ 0.50	\$ 10,599,521
Sell Developer Loans	\$ 48,859,032 \$ 0.20	\$ 9,771,806
Sell REO	\$ 6,360,000 \$ 0.70	\$ 4,452,000
Portfolio Liquidations	\$ 76,418,074 \$ 0.32	\$ 24,823,327
Distributions Made	\$ -	\$ -
Cash on Hand	\$ 22,252,929	\$ 22,252,929
Total Liquidation	\$ 98,671,003	\$ 47,076,256
Less: Avidity Expenses		\$ (1,349,603)
Trustee Operating Expense and Professional Fees		\$ (3,000,000)
McHale Prof Fees		\$ (2,500,000)
Plus: 3 Months of Interest and Rent through Liquidation		\$ 600,000
Net Liquidated Value	\$ 0.30	\$ 40,826,653



Brasota Mortgage Company

Liquidation Analysis

As of August 4, 2006

Maintain Current Program (Thru March 2007)			
	Book Value	Collect Rate	Liquidated Value
Residential: Current Loans	\$ 1,079,514	\$ 0.95	\$ 1,025,538
Delinquent Loans	\$ 3,209,009	\$ 0.80	\$ 2,567,207
Litigation w/AB	\$ 3,572,903	\$ 0.75	\$ 2,679,677
Litigation w/JP	\$ 3,766,148	\$ 0.74	\$ 2,779,318
Developer Loans: Manfull	\$ 4,373,251	\$ 0.63	\$ 2,750,000
All Other	\$ 3,767,105	\$ 0.95	\$ 3,578,750
Investment Loans	\$ 2,590,191	\$ 0.50	\$ 1,300,000
REO	\$ 4,509,236	\$ 0.80	\$ 3,607,389
Portfolio Liquidations	\$ 26,867,357	\$ 0.76	\$ 20,287,879
Distributions Made	\$ 16,835,881		\$ 16,835,881
Cash on Hand	\$ 58,108,134		\$ 58,108,134
Total Liquidation	\$ 101,811,372		\$ 95,231,894
Less: Operating Expenses			\$ (400,000)
Professional Fees			\$ (1,920,000)
Plus: Interest & Rent			\$ 500,000
Net Liquidated Value		0.69	\$ 93,411,894

Note that at inception of the bankruptcy book value was estimated at \$98,671,003 (See schedule of February 2005 liquidation) The improvement in book value is primarily caused by operating income during the Trusteeship exceeding operating expenses.

Brasota Mortgage Company, Inc.

**Total Cash Receipts and Disbursements
February 8, 2005 Through August 4, 2006**

	2/18/05 - 7/31/06	8/1/06 - 8/4/06	Grand Total Total 2/18/05 - 8/4/06	Avidity Partners 2/18/05 - 4/30/05	McHale, Jr, P.A. 5/1/05 - 8/4/06
Funds at Beginning of Period	22,252,929	0	22,252,929	22,252,929	25,601,700
Funds Generated from Operating Activities					
Receipts					
Interest Earned From Payoffs & Prin Reds	5,137,495	-6,138	5,131,357	409,417	4,721,940
Interest Earned From Monthly Payments	2,250,863	7,955	2,258,818	531,822	1,726,996
Investment Interest	2,424,345	18,029	2,442,374	88,677	2,353,697
Other Receipts	2,157,314	2,893	2,160,207	252,687	1,907,520
Total Operating Receipts	11,970,017	22,739	11,992,756	1,282,603	10,710,153
Disbursements:					
Bank Charges	5,251	0	5,251	1,065	4,186
Insurance	91,559	0	91,559	2,957	88,602
Office Supplies	74,820	532	75,352	19,512	55,840
Payroll	640,257	0	640,257	170,938	469,319
Professional Fees (Accounting & Legal)	4,075,839	0	4,075,839	777,178	3,298,661
Repairs & Maintenance	114,019	1,531	115,550	26,399	89,151
Secured Creditor Payments	20,119	0	20,119	4,642	15,477
Taxes paid-Other	163,873	0	163,873	62,741	101,132
U.S. Trustee Bond Fees	550,760	0	550,760	0	550,760
U.S. Trustee Quarterly Fees	30,000	0	30,000	0	30,000
Utilities	60,223	598	60,821	13,007	47,814
Other Operating Expenses	542,659	0	542,659	151,676	390,983
Total Operating Disbursements	6,369,379	2,661	6,372,040	1,230,115	5,141,925
Total Funds Available Generated from Operator	5,600,638	20,078	5,620,716	52,488	5,568,228
Funds Generated from Borrowing Activities					
Reduction in Principal Balances	46,840,969	261,547	47,102,516	3,613,988	43,488,528
Contractor Draws	429,955	0	429,955	317,705	112,250
Total Funds Generated from Borrowing Activities	46,411,014	261,547	46,672,561	3,296,283	43,376,278
Total Funds Available	74,264,581	281,625	74,546,206	25,601,700	74,546,206
Less: Distributions to Investors	16,438,072	0	16,438,072	0	16,438,072
Total Funds Remaining	57,826,509	281,625	58,108,134	25,601,700	58,108,134

Brasota Mortgage Company, Inc.						
Total Operating Income & Expenses						
February 8, 2005 Through August 4, 2006						
	2/18/05 - 7/31/06	8/1/06 - 8/4/06	Grand Total Total 2/18/05 - 8/4/06	Avidity Partners 2/18/05 - 4/30/05	McHale, Jr, P.A. 5/1/05 - 8/4/06	
RECEIPTS:						
Interest Earned From Payoffs & Prin Reds	\$ 5,137,495	\$ (6,138)	\$ 5,131,357	\$ 409,417	\$ 4,721,940	
Interest Earned From Monthly Payments	\$ 2,250,863	\$ 7,955	\$ 2,258,818	\$ 531,822	\$ 1,726,996	
Investment Interest	\$ 2,424,345	\$ 18,029	\$ 2,442,374	\$ 88,677	\$ 2,353,697	
Other Receipts	\$ 2,157,314	\$ 2,893	\$ 2,160,207	\$ 252,687	\$ 1,907,520	
TOTAL RECEIPTS	\$ 11,970,017	\$ 22,739	\$ 11,992,756	\$ 1,282,603	\$ 10,710,153	
DISBURSEMENTS						
Advertising				\$ 8,684	\$ (8,684)	
Bank Charges	\$ 5,251	\$ -	\$ 5,251	\$ 1,065	\$ 4,186	
Insurance	\$ 91,559	\$ -	\$ 91,559	\$ 2,957	\$ 88,602	
Office Supplies	\$ 74,820	\$ 532	\$ 75,352	\$ 10,828	\$ 64,524	
Payroll	\$ 640,257	\$ -	\$ 640,257	\$ 170,938	\$ 469,319	
Professional Fees (Accounting & Legal)	\$ 4,075,839	\$ -	\$ 4,075,839	\$ 777,178	\$ 3,298,661	
Repairs & Maintenance	\$ 114,019	\$ 1,531	\$ 115,550	\$ 26,399	\$ 89,151	
Secured Creditor Payments	\$ 20,119	\$ -	\$ 20,119	\$ 4,642	\$ 15,477	
Taxes paid-Other	\$ 163,873	\$ -	\$ 163,873	\$ 62,741	\$ 101,132	
U.S. Trustee Bond Fees	\$ 550,760	\$ -	\$ 550,760	\$ -	\$ 550,760	
U.S. Trustee Quarterly Fees	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ 30,000	
Utilities	\$ 60,223	\$ 598	\$ 60,821	\$ 13,007	\$ 47,814	
Other Operating Expenses	\$ 542,659	\$ -	\$ 542,659	\$ 151,676	\$ 390,983	
TOTAL DISBURSEMENTS	\$ 6,369,379	\$ 2,661	\$ 6,372,040	\$ 1,230,115	\$ 5,141,925	
OPERATING GAIN OR LOSS	\$ 5,600,638	\$ 20,078	\$ 5,620,716	\$ 52,488	\$ 5,568,228	

**Basis for Estimated Liquidated Value
May 2005 Liquidation**

<u>Item</u>	<u>Basis</u>
Residential Loans	<p>This consisted of 201 outstanding mortgages or about one third of the total portfolio balance. A sample profile was selected and pricing analyses were performed. Then three quotes were solicited. Several mitigating factors were:</p> <ul style="list-style-type: none"> • The files were in a significant disorganized state. • The DOS system was found to be unreliable. Staff had to spend considerable time cleaning up and organizing the records. • Several of the files sampled did not contain the signed notes and other key documents. • In several instances, there was a high LTV and no DSCR's. • Overall, there seemed to be lack of coordinated collection efforts over the previous 12-24 month period. This resulted in a high concentration of seriously delinquent loans. • There was found to be no systematic review of borrower tax and insurance compliance. Therefore, it could not be determined how many borrowers were in compliance. <p>As a result of the above mitigating factors, the quotes ranged from 50-55% of Principal balance. Alternatively, this would have resulted in an additional \$8.7 million loss of principal plus unpaid interest, a figure that would have easily exceeded \$10 million. It should be noted that this loss is in addition to the \$40-45 million estimated loss that is expected.</p>
Developer Loans	<p>This consisted of 146 loans that records indicated were still outstanding, about two thirds of the total portfolio balance. Mitigating factors were:</p> <ul style="list-style-type: none"> • These files were in a seriously disorganized state (worse than the residential loan files). • The DOS system was not designed to handle Developer loans nor was able to handle them. After Brasota was placed into Receivership, spreadsheet tracking of these loans was initiated. • An overall lack of guidelines resulted in loans being made to developers who had little or no prior experience. • Developers were NOT required to pay interest on outstanding balance until the loans were closed. As a result, interest was not being collected on two thirds of the total loan portfolio. • No site inspections were made prior to issuance of draws. • The files contained little or no information on progress of the development project. There was no documentation as to the financial viability of the developers or the feasibility of the properties and/or

<u>Item</u>	<u>Basis</u>
	<p>repayment prospects.</p> <ul style="list-style-type: none"> • Several of these loans contained improper partial releases resulting in loan values exceeding remaining collateral value. • Several million in loans were listed as outstanding when in fact; they were paid in full, collateral released and satisfactions issued. (Approximately \$5 million in loans listed as being receivable had in fact been paid off). • There was no evidence of any collection efforts. It appeared that collections were made on any schedule the Developers chose. • There was a high concentration, about 50% with one developer, William Manfull. Although we have had great success in collecting the Manfull portion of the portfolio, anyone purchasing this portion would have demanded (and received) a substantial discount because of lack of documentation, underlying collateral values and lack of borrower documentation to any real underwriting standards. <p>As a result of the above mitigating factors, no one was willing to quote these loans. An estimate of 20% was assumed. Although there had been discussions of this portion of the portfolio being 10 cents on the dollar loans, it is still felt that someone would have paid between 10-25 cents on the dollar hoping that some portion of the portfolio, none of which could be defined at the inception of the bankruptcy would prove either collectible or could be foreclosed and underlying collateral sold. At the 20% rate this would have resulted in an additional \$36.7 million loss of principal plus unpaid interest, a figure that would have easily exceeded \$40 million. It should be noted that this loss is in addition to the \$40-45 million estimated loss that is expected.</p>
REO	<p>Lack of proper accounting treatment resulted in an overstatement of the book value of REO. Several of the properties were in Brasota's possession for several years. Furthermore, some of the properties had sales contracts for amounts significantly less than current market value. No quotes were solicited. An estimate of 75% of recorded value was used to allow for marketing and disposition costs, allowance for write-downs and fix up costs where appropriate.</p>

**Basis for Estimated Liquidated Value
Maintain Current Program (Liquidate by March 2007)**

<u>Item</u>	<u>Basis</u>
Residential Loans	<p>This consists of 60 remaining loans that are stratified into four categories:</p> <ul style="list-style-type: none"> • <u>Current</u> – This consists of 12 loans that have a consistent, on-time payment history. Little or no loss is expected here other than a potential discount if they are sold in bulk. Estimate is that an orderly liquidation will result in a realization of 95% of the balances. • <u>Delinquent</u> – This consists of 23 loans that are currently paying on a monthly basis but have an inconsistent payment history. In addition, 6 of these loans have past due real estate taxes and have been notified by Brasota of their default status. There is a potential that some of these could wind up in litigation. The risk for a larger loss is inherent as well as a greater discount if sold in bulk. Estimate is that an orderly liquidation will result in a realization of 80% of the balances • <u>Litigation A/B</u> – Historical rate of recovery during the trustee’s tenure has been good. Of the 74 actions taken, there were 39 payoffs, 10 reinstatements, 4 foreclosures and one write-off. Total collections to-date of \$4.5 million has exceeded the \$3.7 million principal balance. Of the foreclosures, one has sold and the others are expected to be sold for amounts greater than the principal balance. In order to be conservative, a 75% remaining collection rate is assumed. • <u>Litigation JP</u> – The more difficult cases are litigated here. One loan is expected to be a total loss. The recovery rate of 80% is entirely dependent on any success achieved in the Hidden Hills recovery.
Developer Loans	<p>This consists of 23 remaining loans that are stratified into two categories:</p> <ul style="list-style-type: none"> • <u>Manfull Related</u> – This consists of 15 loans made to William Manfull and are further broken down into three sub-categories. Category one are loans that are fully documented and full collection is expected. Category two are loans currently in dispute due to poor Brasota documentation and a negotiated settlement at less than full value is expected. Legal action may be required here. Category three are loans in dispute where collateral has been released, the borrower claims full payment and Brasota documentation is very poor. No settlement is expected for this category without pursuing legal action. Further analysis is required to determine if these loans are worth litigating. It is anticipated that between \$2 million and \$2,750,000 can be realized from this portion of the portfolio.

<u>Item</u>	<u>Basis</u>
	<ul style="list-style-type: none"> • Other – This consists of 8 loans to three different developers. Full payout is expected for all of these loans. In order to be conservative for this analysis, an overall 95% collection rate is assumed.
Investment	This consists of 7 “Investment” projects undertaken by the former owners. Of these projects, collection is currently expected for three of them, i.e., Bridgeport, CT, McMullen Creek and an annuity. At this point no collection is expected from the others. The other “investment” items are of questionable or no value.
REO	The majority in dollar value of these properties represent known quantities such as the Brasota office building, the Westside Funeral Home, the Long Boat Key lots and the Hattaway residence and commercial property foreclosure properties. The remaining 20 properties in REO will be sold through an auction process at the wind down of operations
Operating Expenses	Operating expenses are currently running around \$50k per month, not including professional fees. Although actual August through March expenses should be less, to be conservative, \$50k per month for eight months was used.
Professional Fees	These are expected to continue at the current rate of \$240k per month through March 2007 due to current and planned litigation.
Interest & Rent	Average monthly interest from regular payments should be \$25-\$50k. \$200k is assumed here. Total interest from payoff of developer loans is expected to be \$250k and other loans \$50k. Total expected interest is \$500k.