

November 30, 2006

Dear Investor or Interested Party,

As of this writing we have \$37.2 million cash on hand. We will be making a distribution of approximately \$13 million before December the 15th. This will represent an additional 10% distribution which will bring the total amount distributed to 40% of the unsecured claims. Please remember that this is the holiday season and that the mails are quite heavy at this time of year so allow for more mail time before becoming concerned about your check.

Despite a slowdown in collections which was not fully anticipated, November still was a productive month. We continue to make progress in our collection efforts and while we still have a few major credits outstanding, at this time we have only four borrowers who owe us in excess of \$1 million. Overall, we're at a point where we have fewer than 40 loans outstanding. These loans have unpaid balances totaling slightly less than \$15 million.

Unfortunately of these 40 borrowers, only 10 are current and the balance owing on these current loans is less than \$1 million in total. Most of these loans mature in 2008 and beyond, Accordingly, we will be looking for purchasers of these loans and hope that we will not need to take too much of a discount

In the "nonperforming" and/or delinquent categories, we have approximately 30 borrowers who owe approximately \$14 million. Of these, 11 borrowers are currently in litigation. The principal amount of the loans to these borrowers total slightly in excess of \$5 million.

Essentially, all of the "low hanging fruit" has been picked and then some. The portions of the loan portfolio that are still outstanding and that we're currently working on contain difficult collection issues. It goes without saying that the continued downturn in the real estate market has caused problems for our borrowers in obtaining any refinancing and at the same time has contributed to a general devaluation of the underlying collateral for our loans.

As covered in last month's newsletter, the largest single loan remaining outstanding is the loan to Hidden Hills Equestrian Center and a related entity, Team Awesome. The principal amount outstanding on this loan is slightly in excess of \$3.2 million. When we began foreclosure proceedings, the borrowers filed for bankruptcy. They attempted to sell the property in an auction which was unsuccessful. We are proceeding forward in our attempt to gain title and control of this property. Currently we have a motion for summary judgment ("MSJ") scheduled to be heard in the Hidden Hills bankruptcy case on Monday, December 11. If we are successful in the MSJ we will move forward to complete our foreclosure sale on this property hopefully in January. If a bid in excess of \$3.2 million is not received at that sale, we will be taking title to the property and then marketing the property on our own.

If we are not successful in the MSJ, we plan to request a trial in January so that we will not be further delayed.

We had originally intended to acquire the delinquent mortgage on the contiguous property which is also owned by the Hidden Hills entities. The continuing downturn in the real estate market has caused us to temporarily reevaluate that position. We will be carefully watching those foreclosure proceedings as that lender moves forward on foreclosing that particular mortgage.

We recently sent a letter to the attorney for Mrs. Morrison regarding settlement in the probate estate and of our claims against her. This letter was crafted only after diligent review was done, with the cooperation of Mrs. Morrison. As of this writing we have not received a response to our letter. Hopefully, matters can be resolved without additional litigation. We should know within the next 30 days what steps if any might be required going forward.

Mrs. Morrison has already turned over to the estate the 36 foot sport fisherman which was owned by Mr. Morrison. Additionally, interests in three time-share properties have also been relinquished to the estate. Although the amounts involved are minor, it is indicative that some progress is being made on estate administration. A personal representative has not yet been named for the estate and we are anticipating that, with the cooperation of Mrs. Morrison, such a representative can be in place before year end.

Some investors have called regarding the deductibility of their losses and the appropriate timing for deductions. We give no tax advice and suggest that individual investors with specific tax questions contact their tax advisors. At this time it is reasonable to conclude that the total recovery in the Brasota matter will not exceed 67% of the amounts invested.

While we continue our collections and sales efforts, we are also monitoring the costs of administration. At some point it will become more viable to sell assets, even if at a loss, if it means that the estate can be brought to a conclusion more rapidly.

I do wish all of you a happy and joyful holiday season and hope that a substantial resolution to the Brasota saga can be achieved in the first half of the new year.

Best regards,
Brasota Mortgage Company, Inc.

Gerard A. McHale, Jr.

Gerard A. McHale Jr.
Chapter 11 Bankruptcy Trustee