

Newsletter #17 dated September 30, 2006

Dear Investor or Interested Party,

The single most important event for the month of September was our opening of the William J. Morrison Estate in Manatee County. It was necessary to get this estate open so that assets which were titled in Mr. Morrison's name could be subject to the jurisdiction of the probate court and that further, these assets could begin to be accumulated in a efficient manner. This was a cooperative effort with Mrs. Morrison, wife of the deceased.

Many have questioned, for example, why the boat had not been taken back by Brasota. I think all would likely conclude that the boat was in fact purchased with Brasota monies and accordingly belonged to Brasota, however without action of the probate court, taking of the title of that boat could have been troublesome and costly. For those of you not aware of it, the boat is a 36 foot sport fisherman with a value in the \$100,000 range.

Currently, I have been appointed curator of that estate and in that capacity have begun to attempt to list such assets. Since, in addition to being curator, I represent the bankruptcy estate in the claim against the Morrison Estate for at least \$40 million, it would not be appropriate for me to be Personal Representative of that estate. We anticipate that within the next few weeks a Personal Representative will be appointed.

Additionally, I will have claims against the Morrison estate resulting from the assignment of certain investor interests against that estate for various alleged corporate wrongdoings done by Mr. Morrison when he operated Brasota. I also hope to acquire more assignments through the plan to be filed in the bankruptcy case.

It is definitely my intent to have the bankruptcy estate (and you as creditors of that estate) become the single largest creditor of the Morrison Estate so that it would be the least costly and efficient means to recover assets from the Morrison estate .

During the month, the overall liquidity position of the Brasota estate improved by almost \$2.3 million -- the majority of this was through loan payoffs. As of September 29, I'm hopeful that we still have the possibility of bringing in an additional \$17 million either through collections or the sale of assets. This being the case, we will bring the total recovery up to almost \$95 million after all fees and expenses.

In the fees and expense area, the law firm of Able, Band in Sarasota has been our primary law firm for the collection / foreclosure of delinquent accounts. During the month, they filed a fee application for approximately \$468,000. This application rightfully raised the eyes of more than a few investors. Let me explain the application and how it fits into the overall Brasota recovery scenario.

I'll start by saying that the \$468,000 represents 15 months of work and that this is the first fee application filed by Abel, Band. I had requested that Abel, Band put together this fee application for some time and certainly was disappointed that their first application covered the first full 15 months of their employment. I would have preferred more timely billings from them.

Be that as it may, in this period Abel, Band handled 81 files and, so far, has aided in the collection of approximately \$7,500,000 in problem accounts. Additionally, of the \$468,000 in fees, \$260,000 was actually paid by our borrowers in conjunction with the litigation against them. This brings the net fees for the 15 months to approximately \$208,000.

During the month we also entered into a settlement with Mr. Coey. The settlement calls for Mr. Coey paying Brasota \$30,000 and giving up claims for investor notes for his personal investments in the company totaling approximately \$67,500. This is not a settlement that I'm overly happy with -- however, continued pursuit would cost additional funds and would not necessarily lead to additional recoveries.

We are currently working on getting the Bankruptcy Plan and Disclosure Statement filed. These two documents are among the last documents required to be filed with the court to achieve the confirmation of the bankruptcy plan, which would in turn allow further distributions, and continue to wind down of the Brasota operations.

We should be filing the Plan and Disclosure Statement this coming week. The court will then set a hearing date for the approval of disclosure statement. After that approval, we should be able to circulate the Plan for voting upon by all the creditors. The actual procedures for circularization and voting will be worked out and posted on the website as soon as they become available. Both documents are quite lengthy and, if I must say so, burdened with enough legalese to insure that all but the most hardened insomniacs will enjoy a good night sleep after attempting to read them.

Despite the length and technical jargon, the Plan and Disclosure Statement are in fact well thought out documents, the preparation of which has been done jointly with the creditors' committee and their attorneys. Because of any of the unusual circumstances surrounding the Brasota collapse, they are in fact complex. For those of you who have not been through this, the essential requirements of a plan and disclosure statement are set out to allow various classes of creditors to determine how they will be treated in the plan as well as how other creditors will be treated in the plan. Bankruptcy court procedures require the court review the disclosure statement before it is circulated to creditors for their consideration in voting for or against the bankruptcy plan.

Again, we will post the procedures and court schedules pertaining to this as soon as they become available.

As we work our way through the rigors of the plan and disclosure statement it is becoming more and more obvious that it might be extremely difficult to make a major

distribution during the month of December. I'm still committed to attempting to get a good distribution out during that month, but calendaring and legal notice timing requirements may force a postponement.

During October, we will be foreclosing on the Try-Mor mobile home park. At the same time, we are working on an attempt to sell the park to a mobile home developer who might allow the current residents to stay in place. Although I anticipate a loss in the \$500,000 range, this was a loan which never should have been made and one which was uncollectible virtually on the day that it was made. Unfortunately, many of the loans we are currently attempting to collect fall into this type of category.

Lastly, the highlight of the month of October should be auction sale of the Hidden Hills Equestrian Center which is now scheduled to occur on October 30 at the Hidden Hills site. The auction is being conducted by Higginbotham Auctioneers and Realtors. Information on that auction can be found at <http://www.higginbotham.com/flyer.asp?AuctionID=534>. The auction is being conducted in the Hidden Hills Equestrian Center bankruptcy. This asset is the largest asset remaining in our portfolio. A successful sale would hopefully yield in excess of \$4.2 million. If the sale is not successful, we will be foreclosing on the property and at that point controlling the marketing of the property ourselves.

As always, if you have any questions please feel free to contact me at jerry@brastota.com.

Best regards,

Brasota Mortgage Co. Inc.

Gerard A. McHale Jr.

Chapter 11 Bankruptcy Trustee