

Dear Investor or Interested Party,

We continue to make progress towards collecting amounts due Brasota in an effort to bring the matters to a conclusion. It had been our objective to make a major distribution in December; however, it appears that time constraints in dealing with the mechanics of: (1) getting the Disclosure Statement approved by the court and (2) having the Plan subsequently voted on and approved by the creditors will cause us to now move the major distribution to late January or early February. Note that the Disclosure Statement Approval hearing will be held by the court on November 21st. The draft of the Disclosure Statement and the Plan, neither of which has been approved by the court at this point can be found on our web site – www.brasota.com.

Three items that I would like to discuss this month are 1/ the abovementioned distribution; 2/ the Hidden Hills Equestrian Center Auction; 3/ the letter that many investors who have IRA or pension plan accounts with FiServ have received from that Company and 4/ the administration of the estate of William J. Morrison.

INTERIM DISTRIBUTION

Realizing that the Plan would have to be approved before a major distribution would be allowed, on November 1 we petitioned the court to allow a 10% interim distribution. The hearing on this is scheduled for November 21st and, if approved, we would be making the distribution in the second week in December. This would be done immediately after all time for any appeal of the proposed distribution had transpired.

Our sincere hope is to be able to ultimately distribute somewhere in the neighborhood of 65% of the original investment made by investors. To date, 30% has been returned and with the anticipated 10% December distribution, it will bring the return to that point to 40%. Even if everything went absolutely perfectly, in Mid-January we will still have about \$10 million dollars in recoverable assets not yet converted to cash (For example, mortgages which have not yet matured or are in litigation for collection, real estate owned which will be handled later in the “season” and matters remaining with the Morrison estate probate.)

That roughly \$10 Million in turn equates to an amount equal to about 7% per creditor which will not be available for distribution until the conversion of those items to cash occurs. Therefore in late January or early February, assuming the bankruptcy plan is accepted by the creditors a distribution will be made in 18 to 22% range to distribute substantially all of the major remaining funds on hand. After that point, distributions will be made when enough liquidity exists in the bankrupt estate to make those distributions feasible.

HIDDEN HILLS EQUESTRIAN CENTER

The next major item to discuss is the Hidden Hills Equestrian Center and Team Awesome loans. These two loans were made by Brasota in the fall of 2003. The loans totaled \$3.3 Million dollars and were secured by mortgages on 166 +/- acres of property in Parrish, Florida which was to have been utilized as an equestrian focused development. The only

payments that were ever received on the notes were interest payments and generally those payments were only received after the borrower requested and received funds from Brasota for construction draws on the property. No principal reductions were ever made and the loan was seriously in default at the time of the bankruptcy filing by Brasota. Brasota instituted foreclosure actions against the borrowing entities (both controlled by the same individuals). Again, no payments were made and on the eve of Brasota's foreclosure, the entities filed for their own bankruptcy in an effort to thwart the foreclosure action.

As a part of their bankruptcy proceedings, the borrower requested from the court and received the opportunity to sell the property at a sale conducted by them using the services of Higginbotham Associates, a nationally recognized auctioneer out of Lakeland, Florida. The auction was held at the property on October 30th and for a number of reasons was a failure. In order to pay us off and pay off other creditors, the minimum amount of the bid would have to have generated a minimum \$5.3 Million. The acreage was divided into a number of individual parcels for the auction, but the total amount bid was less than \$1.65 Million for ALL of the parcels in total. This being the case, none of the bids were accepted by Hidden Hills. Since the auction was a failure we will now be continuing with our foreclosure and will be requesting from the court on November 21st summary judgment to allow us to foreclose.

Certainly, we would have preferred if the auction were a success and we were paid out. While we are concerned by the extremely low prices indicated by the auction, we do not feel that the amounts bid at the auction were indicative of the true value of the property. Virtually all of the bidders were attending in the hopes of acquiring smaller parcels and when the attempt was made to "rebundle" the property and offer it as a whole unit (this is typical in these types of land auctions), not one bid was received.

While there is a chance that the prices bid may "poison the well" going forward, we think that temporarily taking the property off the market and repositioning it as a "developer oriented" property should make the property once again saleable at reasonable numbers. Also we are negotiating the acquisition of a mortgage that encumbers approximately 28 Hidden Hill Acres not covered by our mortgage but also delinquent and in foreclosure. This could bring the total acreage controlled by us up to 194 acres and more importantly that property sits closer to road frontage than our acreage and the value from those 28 acres would accrete to our property.

FISERV INVESTORS

During the month some investors who use a Denver Company named "FiServ" for their self directed retirement accounts received a form letter from that Company which was confusing in that it indicated that Brasota was being "removed" from its status of Financial Representative and requesting the investor to "reinstate" Brasota as Financial Representative, if the investor so desired, by executing a *Trading Limited Power of Attorney Form* or *Interested Party Authorization Form*. The letter also indicated that Brasota "does not meet our new criteria to be a Financial Representative on your account".

Generally a Financial Representative is someone who is a licensed securities Broker/Dealer who is authorized by the investor (account owner) to authorize stock trades on their behalf. This was not the case with Brasota and never was. Why this letter was sent is beyond us, but it has no effect on your Brasota investment held by FiServ. Some investors were concerned that whatever their investment was in Brasota being held by Fiserv was “lost” and was not recoverable. This is not the case; we will continue to pay any distributions to those account holders to Fiserv and the letter has no effect on their Brasota investment status.

ESTATE OF WILLIAM J. MORRISON

In the matter of the Morrison estate, we are still seeking the appointment of a Personal Representative of that estate so we can begin to extricate the assets that were titled in Mr. Morrison’s name, even though acquired with Brasota funds.

While we do not anticipate significant recovery from that estate, it is reasonable to expect that we are looking at recovery in the low million dollar ranges.

We finish the month having distributed a total of \$43 Million to investors to date and having \$36 Million in Cash on Hand and assets totaling approximately \$20 Million that we would estimate will be 75% collectible. We hope to have significant recoveries in November and hope to have the remaining assets decreased by as much as \$4 Million during the month.

As always, should you have any questions, I can be reached through my email address Jerry@Brasota.com.

Best Regards,
Brasota Mortgage Company, Inc.

Gerard A. McHale, Jr.

Chapter 11 Bankruptcy Trustee