

Update Regarding Fiddler's Bankruptcy Proceedings

Since our first report as to the status of the bankruptcy proceedings, the Bankruptcy Court has entered the DIP Financing Order, which provides for payment of off roll O&M payments, as budgeted. We are awaiting confirmation from the Debtor's counsel as to when the CDDs can expect their first disbursement of funds. A payment is anticipated within a 13-week period.

We convened a telephone conference with counsel for the Trustee of the Bondholders to discuss objectives for the CDDs (and bondholders) in the bankruptcy proceedings, outlining potential short term and long term strategies. As a result of our conversations, we provide the following update as to matters to be undertaken at the present time (Please note that a material change in events may alter these strategies in the future):

1. **Filing a "Proof of Claim"**. Proofs of claim are uniform claim forms filed in the bankruptcy court setting forth the basis and amount of a creditor's claim. The Court has scheduled May 10, 2010 as the deadline to file a proof of claim. While governmental entities are given additional time to file their claims, we recommend filing the claims on or before May 10, 2010 to avoid any doubt.

Here, the CDDs liens are secured up to the value of the Property of the benefitted lands. We find it to be good practice to file a proof of claim whether the claim is secured (secured by a lien on property) or unsecured (not secured by a lien on property). By filing a proof of claim, the CDDs' confirm their position as to the amount and priority of its claims, both as to past due debt service, default interest, any past due or unpaid O&M payments, and attorneys' fees and costs.

We request that the CDDs' lien roll preparer assist us in compiling and calculating the amounts due the CDDs (on roll and off roll) for purposes of preparing the proofs of claim. To ensure we have time to review and revise a draft proof of claim, we request that such information be provided at least two weeks prior to the deadline. We will coordinate directly with Ms. Alice Carlson to secure the information needed.

2. **Hold on Obtaining a Competing Appraisal/Valuation of the Properties**. Counsel for the Trustee confirmed that, at this time, they are not seeking (and are not asking us to seek) a competing appraisal of the Debtors' Properties. As you may recall from the Debtors' press release, the Debtors' current appraisals estimate the value of the Properties to be \$320 million, in excess of the outstanding amounts due under the various series of bonds issued (The off roll outstanding amounts were approximately \$99 million as of November, 2009; the on roll amounts are estimated to exceed \$1 million). A competing appraisal with a lower value might assist if the strategy were to seek "stay relief" (i.e. relief from the bankruptcy "stay" which is automatic upon the filing of a petition) to pursue the foreclosure. If the Properties were shown to be worth less than the CDDs debt and the value eroding, it might enable the CDDs to get relief from the Bankruptcy Court to proceed to judgment or sale in a state court foreclosure. However, given the Debtors' valuation and the amount of the CDDs' debt, we appear to be secured, with an equity cushion providing protection of our lien position. We do not intend to seek stay relief at this time. We were advised that Judge Paskay has a favorable decision regarding the treatment of CDD liens in bankruptcy in Olde Florida, where the court held in that particular case (on the facts

before him) that, even if the CDDs claims were not fully secured by the value of the Debtors' Properties, the liens would remain on the Properties and ride through the bankruptcy. The court did not allow the liens to be "stripped off," as is sometimes permitted in other circumstances.

3. **Attempt to Negotiate Payment of On Roll O&M Assessments and Debt Payment Assessments, or Pursue Filing a Motion for Their Payment as a Priority "Administrative Expense" under Section 503 of the Bankruptcy Code.** The CDDs are to be paid the off roll O&M payments from the Debtors' DIP financing, for the term of the facility, which may be the term of the reorganization (estimated to take 20+ months). The Court is holding a hearing on April 14, 2010 to consider another interim or final approval of the DIP facility. We will seek to negotiate an increase in the budget for CDD payments, to include the on roll O&M Assessments. The Trustee for the Bondholders would also like the budget increased to provide for payment of the November, 2010 debt service payments. In the event these are not amicably negotiated, we may proceed to compel their payment as an "administrative" expense of the estate, which expenses may be ordered to the extent they are demonstrated to provide benefit to the estate and preservation of the collateral. This strategy may be particularly helpful regarding the O&M payments. The bondholders may also seek to limit the term of the DIP facility and reorganization to a shorter term, so that they more promptly seek recourse against the Properties through foreclosure, should the Debtors prove unable to successfully turn around sales.

4. **Hearing on April 14, 2010 (Tampa).** We will attend a court hearing in Tampa on April 14, 2010. A number of miscellaneous motions are scheduled, but our primary focus will be on securing better protection for the CDDs with regard to the DIP financing facility, particularly if the Court intends to enter a final order (as opposed to an interim) order) for a lengthy term.