

leaves a deficit to the investors \$20,213,416. These balances reflect the distributions on March 28, 2008 of \$24,977,869 and August 5, 2008 of \$3,898,497 pursuant to the Court's authorization of the First and Second Interim Partial Distributions to Investors ("Distributions"). Seventeen investors were excluded from the First Distribution because their investments had yet to be verified. The investments for eight of these investors were subsequently verified and totaled \$876,245. Included in the August 5, 2008 distribution was the amount these eight investors would have received under the March 28, 2008 Distribution. The real estate is carried at Tax Appraisal District values which the Receiver believes are lower than market value; it does not include the Roatan, Honduras property. The Receiver is presently evaluating the funds needed for operating the Estate, including contingencies, and the amount and timing to be recommended to the Court for the Third Interim Partial Distribution to Investors.

The Used Car Business

3. The Receiver's staff continues to collect car payments and sell repossessed cars from defaulted notes. As of September 30, 2008, the Estate held 359 car notes of which 164 were current and 44 were 30 days or less past due. The borrowers with past due notes are subject to continued collection efforts and many have been making payments since the Receivership was formed. The total unpaid principal balance for notes that are current or less than 30 days past due is \$1,485,615. This amount reflects the actual balance of these two categories where the car notes receivable (net) amount in paragraph two above reflects the valuation of the entire portfolio, less an allowance for uncollectible amounts. These notes have maturity dates as late as 2011, which will require the Receivership to either continue collections until the notes mature or sell the portfolio at a discount. The remaining non-performing car notes -- approximately 151 -- are the subject of repossession efforts, legal proceedings, or insurance claims.

4. Two prospective purchasers evaluated the notes and made offers to purchase the entire portfolio. The Receiver rejected both offers as they were not financially beneficial for the Estate. The highest offer was for fifty-one percent of the unpaid balance of the notes and included only the current notes. Additionally, the purchaser wanted an unqualified right to sell back to the Estate any notes that fell past due. Accepting the offer would not have eliminated the Receiver's collection efforts (or the attending costs) nor his continued liability on the notes purchased. It was not in the best interests of the Receivership to accept this offer. The second offer would have given the Estate the net monthly note collections for six months, after which time the purchaser would keep all remaining note collections. The Estate would have received a fraction of the outstanding principle of the notes. This second offer was also rejected. The total collections on the notes during September 2008 were \$160,516, with direct collection costs of approximately \$43,000. Total vehicle sales were \$47,400 with direct costs of approximately \$13,536.

5. As of September 4, 2008, the Receiver has sold approximately 904 cars, most of which were repossessed, for a net gain to the Estate of \$3,966,242. The Receiver also filed approximately 289 claims with Lloyd's of London on a Single Interest Insurance Policy. This Lloyd's policy was referenced prominently in the promotional materials given to the investors. Lloyd's has denied the claims, and the Receiver has challenged the denial and intends to take legal action against Lloyd's, if necessary.

Federal Income Tax Returns

6. The Receiver has prepared and filed federal income tax returns for AmeriFirst Acceptance Corporation for 2006 and 2007, with net taxable losses of \$21,289 and \$1,082,490, respectively. The 2006 federal income tax return for American Eagle Acceptance Corporation (the operating company for the used car operations) has also been filed, reporting a net taxable loss of \$3,602,102. The 2007 American Eagle Acceptance Corporation federal income tax return is being completed. There were no taxes owed for either entity.

Real Property Transactions

7. Pursuant to the Court's April 22, 2008 order, the Receiver sold the property at 633 Division Street, Arlington, Texas. The net proceeds of the sale totaled \$711,876 and were received by the Estate on April 28, 2008. Additionally, the sale of the five West Dallas properties closed on May 8, 2008, with net proceeds to the Estate of \$1,579,810. Pursuant to the Court's September 9, 2008 order, the Receiver also sold the property at 2939 Shelby Avenue, Bldg. C, Dallas, Texas 75219 for \$105,000, with net proceeds to the Estate of \$97,854, and the property at 6211 W. Northwest Highway, Unit No. C255, Dallas, Texas 75225 for \$135,000, with net proceeds to the Estate of \$27,673.

8. The 34-acre ranch property outside of Tyler, Texas (cost to the Estate of about \$65,000) has been appraised for \$150,000 and has been placed on the market for sale. There have been no offers on this property as yet.

9. The joint venture that owns the two Chantilly Lane lots in Lakewood is being dissolved in order to transfer ownership of one of the lots to the Estate. The interest in the joint venture cost Hess Financial \$260,000. The final dissolution documents have been executed and

counsel is finalizing the transaction. Once one of the lots is placed solely in the Estate, the lot will be placed on the market for sale.

10. The Roatan, Honduras property has been listed for sale with a local broker in Roatan for \$3,300,000 and, to date, there have been no offers. The Receiver has traveled to Roatan to examine the property and to discuss marketing strategies with the listing broker. The property includes approximately 58 acres divided by a main road. Approximately 13 acres, including 550 feet of beachfront, are north of the main road. The beach, however, is difficult to access and is littered with garbage and debris. Further, the beach has suffered erosion as a result of sand being stolen by local "sand thieves." The remaining 45 acres south of the main road are located on a hillside. The condition of the beach front and general lack of access to the property appear to be diminishing the property's marketability. In an effort to better protect this asset, the Receiver has authorized the listing broker to hire a full time caretaker for the property. This caretaker will clean up the beach, clear the overgrowth and act as a deterrent to the sand thieves. The listing broker estimates the caretaker's monthly cost at \$400. The listing broker will also hire a crew to cut an access road to the beach front from the main road at an estimated cost of \$2,000. The foregoing will, in the Receiver's opinion, improve the marketability of the property.

11. It appears the Estate's Roatan property is the largest parcel presently for sale on the island. The next largest parcel for sale is 26 acres. The Receiver is exploring alternative marketing strategies for the property, such as selling the northern beach front portion separately and/or subdividing the southern portion into smaller parcels. The Receiver plans to have a representative of the Estate routinely visit the property to monitor its condition.

12. The receiver in the case styled *State of Florida v. Amerifirst Funding, Inc., et al.*, Case No. 07-CA-6692, pending in the 20th Judicial Circuit for Lee County, Florida, (the "Florida

Receiver") has indicated his intent to make a claim against the Roatan property. The Receiver is evaluating the claim at this time and will meet with the Florida Receiver in the coming weeks to discuss his claim.

Compliance with the Contempt Order

13. The Receiver recovered \$435,000 for the Estate as a result of the Court's order in the contempt proceeding. Lois Whitcraft and Phillip Offill have appealed the Court's order to the United States Court of Appeals for the Fifth Circuit in Case No. 08-10174. The parties have submitted briefing to the Fifth Circuit Court of Appeals and are awaiting further instruction.

14. On August 7, 2008, the Court ordered Bruteyn, Whitcraft and Offill to pay \$105,857.64 to the Receiver for attorneys' fees and costs he incurred in the contempt proceeding. The time to comply with the Court's order has expired and the Receiver has not received payment from any of the contemnors.

Lawsuit Against the Whitcrafts

15. Earlier this year, in the context of the contempt proceeding, the Court declined to order the turnover of the Lakewood House to the Receiver. Immediately upon receiving the Court's February 1, 2008 Order, the Receiver filed an action against Ronald Whitcraft and Lois Whitcraft seeking, among other things, the return of the Lakewood House. Mr. Whitcraft thereafter received Court approval to list the house for sale and must use any sale proceeds to pay off the mortgage on the house. The remainder of any sale proceeds then are to be paid into the registry of the Court pending the outcome of the lawsuit. The case is set for jury trial on March 16, 2009.

16. In late September 2008, the parties reached a settlement in principal whereby Ronald Whitcraft has agreed to deed the Lakewood House to the Receiver in exchange for the

return of certain personal property to the Whitcrafts. Counsel are working to finalize the parties' settlement, and the written agreement will be submitted to the Court for approval.

October 17, 2008.

Respectfully submitted:

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CERTIFICATE OF SERVICE

I hereby certify that on October 17, 2008, I electronically submitted the foregoing document with the clerk of the court for the U.S. District Court, Northern District of Texas, using the electronic case files system of the court. The electronic case files system sent a "Notice of Electronic Filing" to the following individuals who have consented in writing to accept this Notice as service of this document by electronic means:

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