

“Lawsuit”), seeking a declaratory judgment that Ronald D. Whitcraft holds legal title to real property located at 6717 Lakewood Boulevard, Dallas, Texas 75214 (the “Lakewood House”) as nominee for the benefit of relief defendant Hess Financial Corporation, the owner of equitable title; requesting imposition of a constructive trust; and alleging fraudulent transfer, breach of fiduciary duty by Mr. Whitcraft in his role as a director and president of relief defendant InterFinancial Holdings Corp., conspiracy and equitable subordination as well as an alternative claim for amounts due on a promissory note.

The Whitcrafts denied all allegations by the Receiver in the Lawsuit and asserted counterclaims against the Receiver for cloud on title, slander of title, conversion, violations of the Texas Debt Collection Practices Act and the Texas Deceptive Trade Practices Act, and for a declaratory judgment. The Receiver denied all allegations by the Whitcrafts in the Lawsuit.

To avoid the possible costs, burdens and distractions of future litigation, the Receiver and the Whitcrafts (collectively, the “Settling Parties”) have resolved fully and completely any and all disputes, claims, issues, and differences among and between them as set forth in the Compromise Settlement Agreement (“Settlement Agreement”) attached hereto as **Exhibit A**.

By this Application, the Receiver submits the Settlement Agreement to the Court for approval.

II. Summary of Settlement Agreement

In essence, the Settling Parties have agreed to the following:

- Ronald Whitcraft shall deed his interest in the Lakewood House over to the Receiver.
- In exchange, the Receiver shall deliver to the Whitcrafts’ counsel, John H. Carney, personal property the Receiver is holding from the Lakewood House, as

listed on the inventories collectively attached to the Settlement Agreement as Exhibit 2.

- The Whitcrafts shall not remove any additional property (including but not limited to any fixtures) from the Lakewood House, nor will they aid anyone in removing any property from the Lakewood House.¹ If the Whitcrafts have or obtain knowledge that anyone is removing property or planning to remove property from the Lakewood House, they agree to contact Receiver's counsel as soon as practicable, but not later than twenty-four (24) hours after obtaining such knowledge.
- The Receiver shall treat the proofs of claim submitted by Whitcrafts in connection with this action as he would treat proofs of claim submitted by any other individual in connection with this action.
- The Settling Parties mutually release each other, and shall execute and file dismissal documents in the Lawsuit. *However*, notwithstanding anything to the contrary contained herein or in the Settlement Agreement, the Receiver expressly reserves and does not release any claims that he has or may have against Lois Whitcraft for her failure to comply with the Memorandum Opinion and Order entered by the Court in this action on August 7, 2008, and any collection efforts that the Receiver may institute in connection therewith. Moreover, the Receiver and Lois Whitcraft expressly reserve and do not release their claims and arguments as set forth in that appeal styled *Securities and Exchange Commission v. AmeriFirst Funding, Inc., et al.*, No. 08-10174, in the United States Court of

¹ Subsequent to the parties' execution of the Settlement Agreement, the Receiver agreed that the Whitcrafts may remove or cause another to remove the living room chandelier for their benefit

Appeals for the Fifth Circuit (the "Appeal"). Further, the Settling Parties expressly reserve and do not release any claims they may have against each other relative to any purchase of Secured Debt Obligations ("SDOs") from AmeriFirst made by the Whitcrafts or by a third party intermediary on the Whitcrafts' behalf.

- The Whitcrafts shall cause their counsel, John H. Carney, to file a Release of Claim form in the real property records of Dallas County, Texas, releasing any interest he and/or his law firm, John H. Carney & Associates, may have in the Lakewood House, and the Whitcrafts shall cause Mr. Carney to serve copies of such release on the Settling Parties.
- The Settling Parties shall be solely responsible for the payment of their respective attorneys' fees, court costs, expert witness fees, court reporter's fees, and all other expenses incurred on their respective behalves as a result of or in connection with the Lawsuit and the Settlement Agreement.

III. Request for Approval of Settlement Agreement

Receiver respectfully requests that the Court approve the Settlement Agreement in the executed form attached hereto as it is in the best interests of the investors. The Lakewood House is currently listed for sale for \$1,399,000. Once sold, the net proceeds will be placed into the Estate for operation of the Estate and for ultimate distribution to investors. The personal property the Receiver has agreed to return to the Whitcrafts consists of artwork previously viewed by the Receiver's art expert and found to have very little, if any, value, and the contents of a dressing table box found in the Lakewood House.

Moreover, the release language contained in paragraph 5 of the Settlement Agreement, as pointed out above, contains specific carve-outs reserving and not releasing: (i) the Receiver's

claims against Lois Whitcraft for her failure to comply with the Memorandum Opinion and Order entered by the Court in this action on August 7, 2008, and any collection efforts that the Receiver may institute in connection therewith; (ii) the Receiver's and Lois Whitcraft's claims in the Appeal; and (iii) any claims the Settling Parties may have against each other concerning SDOs purchased from AmeriFirst by the Whitcrafts or on their behalf.

III. Conclusion

For the reasons stated herein, the Receiver requests the Court enter an Order approving the Settlement Agreement and allowing the Receiver to close on the Settlement Agreement for the benefit of the Estate and the defrauded investors.

Respectfully submitted:

/s/ Spencer C. Barasch

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**COUNSEL FOR RECEIVER
WILLIAM D. BROWN**

CERTIFICATE OF CONFERENCE

I hereby certify that on October 31, 2008 I conferred with Mr. Jeffrey B. Norris, Senior Trial Counsel at the U.S. Securities & Exchange Commission, and the Commission does not oppose the relief requested in this application.

/s/ Spencer C. Barasch
Spencer C. Barasch

CERTIFICATE OF SERVICE

I hereby certify that on October 31, 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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I hereby certify that I have served the foregoing document by mailing a copy to the following individuals:

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