

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
vs.	§	Civil Action No.
	§	3:07-CV-1188-D
AMERIFIRST FUNDING, INC. aka AMERI-FIRST	§	
FUNDING, INC. aka AMERI FIRST FUNDING,	§	
INC., AMERIFIRST ACCEPTANCE CORP.,	§	
JEFFREY C. BRUTEYN, DENNIS W. BOWDEN,	§	
	§	
Defendants,	§	
	§	
and,	§	
	§	
AMERICAN EAGLE ACCEPTANCE CORP.,	§	
HESS FINANCIAL CORP.,	§	
	§	
Relief Defendants.	§	

Receiver’s Status Report

Receiver William D. Brown (“Receiver”) hereby files a Status Report, as follows:

1. Since July 2, 2007, the Receiver has continued marshaling assets of the Receivership Estate (the “Estate”), including collecting car note payments, selling collateral on defaulted notes, pursuing the sale of real property, and prosecuting legal claims belonging to the Estate.

Estate Assets

2. As of April 30, 2008, the Estate had total assets of \$13,592,785 which includes liquid assets of \$7,601,095, real estate of \$3,682,640, and car notes receivable (net) of \$2,307,300. The Net Verified Balance owed Investors as of April 30, 2008 leaves a deficit to the investors of \$17,933,808. See Exhibit A, attached hereto. These balances reflect the March 28, 2008 disbursement of \$25,000,000 to the investors pursuant to the Court’s authorization of the

First Interim Partial Distribution to Investors (“First Distribution”). Seventeen investors were excluded from the First Distribution because their investments were not verified at the time of the distribution. The Receiver has subsequently verified the investments for eight of these investors totaling \$876,245. Presently, the total liability to investors is \$32,402,838 which will be reflected on the Receiver’s Schedule of Assets and Liabilities as of May 31, 2008. The real estate is carried at Tax Appraisal District values which the Receiver believes are lower than market value. The Roatan, Honduras property is not included on the Schedule of Assets and Liabilities. The Receiver initially seized approximately \$27,946,483 and has added more than \$4,654,000 in cash to the Estate, after all authorized expenses were paid. The Receiver is presently evaluating the funds needed for operating the Estate, including contingencies, and the amount to be recommended to the Court for the Second Partial Distribution to investors.

The Used Car Business

3. The Receiver’s staff is continuing to collect car payments and sell repossessed cars from defaulted notes. As of April 30, 2008, the Estate held 443 car notes of which 202 were current and 77 were between 1 – 30 days past due. The borrowers in this latter category are subject to continued collection efforts and, for the most part, have been making payments since the Receivership was formed. The total unpaid principal balance on these two categories of notes is \$2,359,093. These notes have maturity dates as late as 2012 which will require the Receiver to either continue collections until the notes mature or sell the portfolio of notes at a discount. The remaining non-performing car notes – approximately 164 -- are the subject of repossession efforts, legal proceedings, and/or insurance claims.

4. The Receiver has invited several prospective purchasers to evaluate the notes and make an offer for their purchase. These offers will be evaluated against the expected cash flow

from the continued collection of the notes, after which the Receiver intends to recommend to the Court which course to pursue. The gross collections on the notes during April 2008 were \$189,181, with direct collection costs of about \$78,849. Total vehicle sales were \$110,650 with direct costs of about \$25,986.

5. As of April 30, 2008, the Receiver has sold approximately 848 cars, most of which were repossessed, for a net gain to the Estate of \$3,826,664. Additionally, the Receiver filed approximately 289 claims with Lloyd's of London on the Single Interest Insurance Policy which was referenced prominently in the promotional materials provided to investors. Lloyds had denied the claims, and the Receiver intends to challenge the denial.

Real Property Transactions

6. Pursuant to the Court's April 22, 2008 Order, the property at 633 Division Street, Arlington, Texas was sold. Net proceeds of \$711,876 were received on April 28, 2008. The five West Dallas properties closed on May 8, 2008; the net proceeds of \$1,579,810 from that sale are not included in the above cash balance and will be reported in the May 2008 numbers.

7. The Shelby Avenue condominium was on the market for several months at a price of \$139,000. There have been over 60 showings with no offers. As a result, the Receiver has reduced the listing price to \$129,000.

8. The 34-acre ranch property outside of Tyler, Texas has been appraised for \$150,000 and has been listed for sale.

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. Once the joint venture is dissolved and one of the lots placed solely in the Estate, the lot will be listed for sale.

10. Continued investigation by the Receiver revealed that the original corporate documents of the company holding title to the 58-acre property in Roatan, Honduras, as well as the original title documents for the property, were located in Roatan. The Receiver has since secured possession of those original documents, and the property has been listed for sale with a local broker in Roatan for \$3,300,000.

11. The Receiver has listed the business unit in a Northwest Highway high rise formerly occupied by United Financial Markets for sale. Due to weak market conditions the price of the unit has been reduced by \$10,000 to \$169,000. The mortgage on this property is \$97,000. The Receiver is evaluating whether the property has sufficient equity to warrant a continuing effort to sell the unit.

Compliance with the Contempt Order

12. The Receiver recovered \$435,000 as a result of the Court's Order holding Jeffrey Bruteyn, Lois Whitcraft and Phillip Offill in contempt in September 2007. The Court further awarded the Receiver his attorneys' fees and related costs from Bruteyn, Lois Whitcraft and Offill. In an Order dated May 27, 2008, the Court directed the Receiver to submit a supplemental application for fees and costs related to the show cause hearings. The Receiver will submit the supplemental application for fees and costs on or before June 26, 2008.

Lawsuit Against the Whitcrafts

13. The Court declined to order the turnover of the Lakewood House in the context of the show cause proceeding. Immediately upon receiving the Court's decision, the Receiver filed an action against Lois and Ronald Whitcraft seeking, among other things, the return of the Lakewood House. The Whitcrafts have received Court approval to list the Lakewood House for sale, and may pay down the current mortgage on the property, with the remainder of the proceeds

being paid into the registry of the Court pending the outcome of the lawsuit. The Receiver maintains that the entire value of the Lakewood House belongs to the Estate and nothing belongs to the Whitcrafts.

First Partial Interim Distribution

14. On January 24, 2008, the Receiver filed a Second Amended Plan of Distribution which included two calculation methodologies (Plan A and Plan B) for the Court to consider. The Court approved the First Partial Distribution (adopting Plan A) on March 13, 2008. On March 28, 2008, after complying with the Court's fourteen-day waiting period as set forth in the March 13 Order, the Receiver issued five hundred and eighty-nine checks, totaling nearly \$25,000,000, to investors. As noted above, approximately seventeen investors were not included in this distribution because their investments could not be verified. Since the distribution, however, the Receiver has verified the investments of eight of these investors, resulting in a collective Net Verified Balance owed of \$876,245.28. These investors will be included in the Second Distribution and will receive a payment for the First Distribution on the same basis as those included in the First Distribution. The Receiver continues to work to verify the investments of the remaining nine investors.

Litigation Against Randy Bacon

15. In the 101st District Court, Dallas County, Texas on February 14, 2007, AmeriFirst filed suit against Randy Bacon for breach of contract, fraud, and breach of fiduciary duty in connection with AmeriFirst's investment of \$300,000 in a purported real estate transaction touted by Bacon that never materialized. The Receiver filed a Motion for Summary Judgment on April 11, 2008, seeking judgment against Bacon for actual damages of \$300,000, exemplary damages of \$900,000 and recovery of attorney's fees, costs and applicable interest.

A hearing on the Receiver's motion was held May 7, 2008, at which the Court granted the motion and awarded AmeriFirst \$1,200,000 in damages, including \$900,000 in exemplary damages. The prospects for collecting the judgment against Bacon are unknown at this time.

Respectfully submitted:

/s/ Spencer C. Barasch

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CERTIFICATE OF SERVICE

I hereby certify that on May 29, 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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