

I.
Introduction

1. William D. Brown was appointed Receiver for the Defendants and Relief Defendants on July 2, 2007.

2. Pursuant to the Court's July 2, 2007 Freeze Order, the Receiver has seized and has in his possession approximately \$31,000,000 in cash as well as other non-liquid assets. On August 29, 2007 and September 7, 2007, the Court signed orders granting interlocutory default judgments against all Defendants and Relief Defendants with the exception of United Financial Markets, Inc. ("United Financial") and Gerald Kingston. The interlocutory default judgment against Dennis Bowden was later set aside; the others remain in effect.

3. The Receiver seeks the Court's approval to return a significant portion of cash -- \$25,000,000 -- to the investors. These funds are held by Amerifirst Acceptance, Amerifirst Funding and Hess Financial. A partial distribution at this time is appropriate since the default judgments have been entered against all Defendants and Relief Defendants except United Financial, Kingston, and Bowden, *and Bowden has explicitly represented to counsel for the Commission and the Receiver that he is not opposed to a partial distribution to the investors.*

II.
The Plan

4. The Receiver initially identified approximately 540 investors with investments approximating \$54.9 million. Additional investors and investments subsequently were identified, bringing the total liability to \$61.4 million. The Receiver then undertook a process to determine the amount owed each investor. Each investor was requested to provide copies of all documents, including cancelled checks, relating to their investments, and each was requested to submit a signed "Proof of Claim" setting forth amounts claimed against the Estate. To date, all but four investors have provided a Proof of Claim.

5. The goal of the Receiver's proposed Plan for First Interim Partial Distribution to Investors (the "Plan") is to treat all investors equally. The Receiver determined the amount owed the investors presently exceeds the assets of the Defendants and Relief Defendants by about approximately \$17.5 million. Due to this deficit, the Receiver takes the position that no interest was in fact earned and therefore all monthly interest payments to investors were in fact a return of invested principle. As such, all interest payments received should be deducted from the investment balance for the purposes of making any partial payments to investors. The Receiver believes this places those investors electing to roll over their interest on an equal footing with those who have in fact already received payments from the Defendants.¹

6. **Exhibit A** attached hereto identifies the investors for whom the Receiver was able to determine a Net Verified Investment, as the Net Verified Investments are the bases for the Plan.

7. The proposed Plan itself is attached as **Exhibit B**, and illustrates how the \$25,000,000 Partial Distribution is calculated. Each payment is determined in the following manner: Each investment (not investor) is divided by the total Net Verified Investment to arrive at a percentage for that investment. This percentage is multiplied by the total amount of the Partial Distribution to arrive at the amount to be repaid on that investment.

8. The four investors who have not yet provided a Proof of Claim are not included in the Plan at this time. Also, there are additional 33 investors whose files require additional work to attempt to verify the amount of their investments; thus, they are not included in the Plan

¹ Investors were given the option of receiving monthly interest checks or rolling over interest income by adding the amount to the investment. The Receiver has determined that a little over one third of the investors chose to receive monthly interest payments. As a result, there is one group of investors in a superior position to the other.

at this time. Sufficient Estate funds will be reserved to fund any payments to these latter investors, provided that their investments can be verified.

9. In addition, adequate funds will be retained in the Receivership to fund current operations. As the Receivership continues to augment the Estate and accumulate cash, the Receiver anticipates recommending additional distributions.

III.
Conclusion

For the reasons stated herein, the Receiver respectfully requests that he be permitted to make a first interim partial distribution in line with the proposed Plan.

Respectfully submitted:

/s/ Spencer C. Barasch

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CERTIFICATE OF SERVICE

I hereby certify that on January 24, 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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