

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
STATESVILLE DIVISION

SECURITIES AND EXCHANGE COMMISSION,)	
)	
Plaintiff,)	
)	
v.)	Case No.:
)	08-CV-00136-RLV-CH
BILTMORE FINANCIAL GROUP, INC. and)	
J. V. HUFFMAN, JR.,)	
)	
Defendants.)	
)	

RECEIVER’S SECOND INTERIM REPORT

William Walt Pettit (“Receiver”), by and through counsel, hereby submits his Second Interim Report showing the Court as follows:

1. The Receiver was appointed as Receiver for Biltmore Financial Group, Inc. and J.V. Huffman, Jr. (hereinafter collectively “Defendants”) pursuant to an Order dated November 12, 2008 (the “Receivership Order”).
2. In accordance with the Receivership Order, the Receiver filed his Preliminary Report on December 28, 2008. At that time, the Receiver provided information regarding the status of the Receiver Estate and certain activities of the Receiver.
3. Since filing the Preliminary Report, the Receiver has continued to administer and manage the Receiver Estate and perform an investigation in accordance with the provisions of the Receivership Order. Various activities are in process and ongoing.

THE REAL PROPERTY ASSETS

4. As indicated in the Preliminary Report, the Receivership Estate consists of a fee simple interest in at least ten (10) parcels of real property and one (1) unit in a condominium currently held in the name of J.V. Huffman, Jr., two (2) leasehold interests in property owned by Ocean Lakes Campground, as well as nine (9) timeshare interests in property owned by Walt Disney Vacation Club. All of the known parcels are located in North Carolina, South Carolina, and Florida. The parcels include single family dwellings, condominiums and undeveloped land. With exception to the timeshare units, all of the dwellings are vacant.

5. Since filing his Preliminary Report, much of the Receiver's efforts have been devoted to analyzing the legal and factual issues related to each parcel of real property and to developing plans for the ultimate disposition of these properties. The purpose of this Second Interim Report is to provide additional information regarding the real property in the Receiver Estate. While much remains to be done in connection with the real estate "portfolio," the Receiver has performed a title search on all of the properties and has been able to develop a more thorough understanding of the circumstances regarding each parcel. A brief description of each of the properties currently believed to be in the Receiver Estate is set forth below.

Single-Family Dwellings

3400 Wishing Well Lane – J.V. Huffman, Jr. and Gilda B. Huffman received this property located in Claremont, North Carolina as a gift from Doris and J.V. Huffman, Sr. on April 5, 1985. The current tax value on this 5.870 acre property is \$765,100.00. Additionally, the property is subject to a deed of trust securing an equity line of credit in the amount of \$180,000.00, recorded in Book 2434 at Page 1476 of the Catawba County Public Registry.

3410 Wishing Well Lane – J.V. Huffman, Jr. and Gilda B. Huffman received this property located in Claremont, North Carolina as a gift from Doris and J.V. Huffman, Sr. on December 21, 1989. The current tax value on this 1.911 acre property is \$23,100.00 and there is a partially completed dwelling located thereon.

2514 Claremont Road J.V. Huffman, Jr. and Gilda B. Huffman purchased this property located in Newton, North Carolina for \$95,000.00 from David and Jennifer Watson on March 23, 2005.

The current tax value on this 0.510 acre property is \$98,300.00 and it is not encumbered by any liens.

218 W. 20th Street J.V. Huffman, Jr. and Gilda B. Huffman purchased this property located in Newton, North Carolina for \$55,000.00 from Robert and Ashley Huffman on December 6, 2006. The current tax value on this 0.270 acre property is \$71,600.00 and it is not encumbered by any liens.

3563 Bethany Church Road – J.V. Huffman, Jr. and Gilda B. Huffman purchased this property located in Claremont, North Carolina for \$81,500.00 from Stacy and Nicholas Pollard on August 29, 2008. The current tax value on this 0.920 acre property is \$85,900.00 and it is not encumbered by any liens.

2699 E. NC 10 HWY J.V. Huffman, Jr. and Gilda B. Huffman purchased this property located in Newton, North Carolina for \$99,000.00 from Jane and Coy Woodring on August 29, 2008. The current tax value on this 1.210 acre property is \$82,600.00 and it is not encumbered by any liens.

Undeveloped Land

3364 Wishing Well Lane – J.V. Huffman, Jr. and Gilda B. Huffman purchased a 0.171 acre portion of this property located in Claremont, North Carolina for \$1,500.00 from Jonas and Virginia Colson on November 8, 2000. Thereafter, J.V. Huffman, Jr. and Gilda B. Huffman purchased a 1.111 acre portion of this property for \$5,000.00 from Celesta J. Winn on September 16, 2002 as well as a 0.294 acre portion for \$3,000.00 from Sybil and William Bost on September 16, 2002. The deeds for all three portions were recorded on October 23, 2002. The current tax value on this property is \$10,900.00 and it is not encumbered by any liens.

4.839 acres located along Wishing Well Lane – J.V. Huffman, Jr. and Gilda B. Huffman received this property located in Claremont, North Carolina as a gift from Doris and J.V. Huffman, Sr. on November 21, 2006. The current tax value is \$35,100.00 and it is not encumbered by any liens.

12.790 acres located along Wishing Well Lane – J.V. Huffman, Jr. and Gilda B. Huffman received this property located in Claremont, North Carolina as a gift from Doris and J.V. Huffman, Sr. on November 21, 2006. The current tax value is \$69,000.00 and it is not encumbered by any liens.

6522 Freedom Drive – J.V. Huffman, Jr. and Gilda B. Huffman purchased this property located in Charlotte, North Carolina for \$150,000.00 from Pauline E. Allen on July 25, 2007. The current tax value on this property is \$141,700.00 and it is not encumbered by any liens. However, the Receiver is in possession of a letter issued by the North Carolina Department of Environment and Natural Resources stating that there is a confirmed petroleum contamination from a leaking underground storage tank within 500 feet of the property.

Condominiums

Pine Ridge Condominium: Unit 103, Bldg. 186 - J.V. Huffman, Jr. and Gilda B. Huffman purchased this property located in Boone, North Carolina for \$280,000.00 from Brycour Boone, LLC on August 29, 2006. The current tax value on this property is \$205,400.00 and it is not encumbered by any liens.

Timeshare Interests

Disney's Beach Club Villas: Unit 8 - J.V. Huffman, Jr. and Gilda B. Huffman purchased an undivided 0.8773% interest in this property for \$30,000.00 on March 26, 2002, financing \$24,000.00 of the purchase price. The mortgage evidencing said financing has been satisfied.

Disney's Beach Club Villas: Unit 22 - J.V. Huffman, Jr. and Gilda B. Huffman purchased an undivided 0.5865% interest in this property for \$16,800.00 on February 28, 2003, financing \$15,120.00 of the purchase price. The mortgage evidencing said financing has been satisfied.

Disney's Saratoga Springs Resort: Unit 1C - J.V. Huffman, Jr. and Gilda B. Huffman purchased an undivided 0.4379% interest in this property for \$17,800.00 on November 13, 2003, financing \$15,020.00 of the purchase price. The mortgage evidencing said financing has been satisfied.

Disney's Saratoga Springs Resort: Unit 1C - J.V. Huffman, Jr. and Gilda B. Huffman purchased an additional undivided 0.4379% interest in this property for \$17,800.00 on November 13, 2003, financing \$15,020.00 of the purchase price. The mortgage evidencing said financing has been satisfied.

Disney's Saratoga Springs Resort: Unit 14B - J.V. Huffman, Jr. and Gilda B. Huffman purchased an undivided 0.6569% interest in this property for \$19,000.00 on July 18, 2004. There is no outstanding mortgage as the Huffmans did not finance any of the purchase price.

Disney's Animal Kingdom Villas: Unit 9 - J.V. Huffman, Jr. and Gilda B. Huffman purchased an undivided 0.6139% interest in this property for \$20,800.00 on January 18, 2008. There is no outstanding mortgage as the Huffmans did not finance any of the purchase price.

Disney's Animal Kingdom Villas: Unit 9 - J.V. Huffman, Jr. and Gilda B. Huffman purchased an additional undivided 0.6139% interest in this property for \$20,800.00 on January 18, 2008. There is no outstanding mortgage as the Huffmans did not finance any of the purchase price.

Bay Lake Tower at Disney's Contemporary Resort: Unit 2B - J.V. Huffman, Jr. and Gilda B. Huffman purchased an undivided 1.0184% interest in this property for \$22,400.00 on September 30, 2008. There is no outstanding mortgage as the Huffmans did not finance any of the purchase price.

Bay Lake Tower at Disney's Contemporary Resort: Unit 3A - J.V. Huffman, Jr. and Gilda B. Huffman purchased an undivided 0.5092% interest in this property for \$22,400.00 on September 30, 2008. There is no outstanding mortgage as the Huffmans did not finance any of the purchase price.

Leasehold Interests

Ocean Lakes Campground: Lot 1045 – J.V. Huffman, Jr. and Gilda B. Huffman, d/b/a The Biltmore Financial Group entered into a site lease agreement for Lot 1045 with Ocean Lakes Family Campground (“OLC”), located in Myrtle Beach, South Carolina on May 31, 2006. On a date even therewith, the Huffmans purchased the lease rights and personal property, which includes a structure affixed to Lot 1045, from Steven J. Dupee for \$244,000.00 by making a down payment of \$100,000.00, and financing the remaining \$144,000.00 through Mr. Dupee. The appraised value of Lot 1045 is \$128,500.00, and Mr. Dupee claims that the Huffmans owe him an outstanding balance of \$138,000.00. Additionally, pursuant to the terms of that certain site lease agreement, the Huffman’s are obligated to make annual lease payments of \$6420.00 to OLC.

Ocean Lakes Campground: Lot 1047 – J.V. Huffman, Jr. and Gilda B. Huffman, d/b/a The Biltmore Financial Group, Inc. entered into a site lease agreement for Lot 1047 with OLC on April 7, 2008. On a date even therewith, the Huffmans purchased the lease rights and personal property, which includes a structure affixed to Lot 1047, from Francis Stewart for \$354,000.00 by making a down payment of \$100,000.00, and are financing the remaining \$254,000.00 through Ms. Stewart. The appraised value of Lot 1045 is \$251,900.00, and Ms. Stewart claims that the Huffmans owe her an outstanding balance of \$228,578.26. Additionally, pursuant to their lease agreement, the Huffman’s are obligated to make annual lease payments of \$7500.00 to OLC.

Bank of America Stadium: Suite 340B – Biltmore Financial Group, Inc. entered into a Luxury Suite License Agreement with Panthers Football, LLC on September 7, 2007 to lease a fourteen person suite known as Suite 340B for a term of nine years with an annual fee of \$82,000.00. Said fee includes the cost of tickets for all pre-season and regular season home NFL games of the Carolina Panthers. Additionally, Biltmore was required to pay a security deposit in the amount of \$82,000.00 which is currently being retained by Panthers Football, LLC.

6. It is important to understand that the “values” indicated for each property are based upon the original purchase price paid by Defendants. In addition, it is important to keep in mind that in order to sell these properties, the Receiver Estate will likely incur significant broker or auction commission expenses with respect to any sales.

7. The Receiver continues to analyze each property and develop a plan for realizing the highest value for each under the circumstances of this receivership. The Receiver has received a proposal from an auctioneer regarding the auction sale of some or all of the properties. He has also received offers to purchase certain of the other properties.

8. The Receiver intends to retain an appraisal firm to appraise the parcels. Once this

work is completed, the Receiver expects to develop a "Property Disposition Plan," which will be submitted to the court for approval.

9. To the extent that the Receiver accepts an offer to purchase regarding any of the properties prior to the approval of the Property Disposition Plan, he will seek court approval of the individual sale.

10. Given the number of properties and the nature of the issues associated with some of them, it is difficult to predict how long it will take the Receiver to dispose of all of the properties.

BRIEF OVERVIEW OF OTHER ACTIVITIES

11. Accounting/Funds Tracing. With the entry of the Receivership Order, this Court froze the Defendants' assets and monies subject to their direct or indirect control. The Receiver served notice of his appointment and the asset freeze upon Defendants' bank, First Citizens Bank. As a result, approximately \$180,000.00 was frozen, and all of these funds have been turned over to the Receiver Estate. The Receiver has opened an account at FirstTrust Bank and deposited the assets of the Receiver Estate therein. The Receiver continues its efforts to account for the receipt, disposition and use of the monies paid to Biltmore Financial Group, Inc. by investors.

12. The Receiver has obtained copies of the financial records located at Biltmore Financial Group's offices in Claremont, North Carolina. These materials are being reviewed and organized by the court approved certified public accountants from the firm of Middleswarth, Bowers & Co., L.L.P. Middleswarth, Bowers & Co., L.L.P. is reviewing these documents to determine the content of the transactions between Biltmore Financial Group, Inc. and the investors. The Receiver is currently waiting to receive the results of the accountants' investigation from Middleswarth, Bowers & Co., L.L.P.

13. Disposition of Personal Property. Most of the personal property currently known to be in the Receiver Estate is comprised of automobiles, business equipment and furnishings. Some of this property is leased or is subject to unsecured loans. The Receiver is working to liquidate these assets and recover the remaining net value for the Receiver Estate.

14. A summary of the more valuable personal property is appended to this Report as Appendix A. However, it is important to emphasize that the values listed are based on the purchase price paid by Defendants or the tax value of said items. As explained throughout this Report, this does not mean that these values can or will be realized in the course of the receivership. Moreover, there will be substantial expense associated with selling these assets.

15. The Receiver obtained the Certificates of Title for most of the vehicles and trailers listed on Appendix A from the North Carolina Secretary of State's office on March 30, 2009. The Receiver's delay in liquidating said items can be attributed to his inability to obtain the Certificates of Title from the Secretary of State's office.

16. The Receiver has not yet been able to take possession of the approximately One Hundred Thousand Dollars (\$100,000.00) of cash currently held by the North Carolina Secretary of State but is in discussions with the Catawba County District Attorney's Office for permission to do so and is attempting to obtain the same.

17. The Receiver has made arrangements with Thrivent Financial to liquidate the Life Insurance Policies acquired and maintained by Defendant J. V. Huffman, Jr. and Gilda Huffman for a cash value of approximately One Hundred and Forty Thousand Dollars (\$140,000.00). The Receiver is also working with Defendant J. V. Huffman, Jr. and Gilda Huffman to obtain their consent to cancel their four (4) children's policies and liquidate the same.

18. The Receiver has scheduled a deposition of Emily G. Huffman and Justin R. Cansler in order to inquire about monies allegedly paid by Defendant J. V. Huffman, Jr. as a down payment for a home purchased by Emily Huffman and Justin Cansler in Hickory, North Carolina. The Receiver also intends to inquire about funds allegedly paid by Defendant J. V. Huffman, Jr. for vehicles currently owned by Emily Huffman and Justin Cansler.

19. The information provided in this report is based upon information currently known to the Receiver. Review of Biltmore Financial Group, Inc.'s business records continues. As indicated above, much of the work has been focused on the real property and the Receiver believes that the information provided is true and correct. However, it is important to emphasize that, as this receivership continues, the Receiver may discover facts indicating that the information provided in herein is incomplete or incorrect.

INVESTOR CLAIMS

20. To date, approximately two hundred fifty-eight (258) claims have been filed by at least three hundred fifty-six (356) investors through the claims' process established through the Receiver's website. Each claim represents one account held with Biltmore Financial Group, Inc., but in some instances there is more than one investor associated with a single account.

21. To facilitate a distribution that is both accurate and fair, the Receiver has developed a preliminary Investor Claim Form in order to obtain the contact information of all investors affected by actions alleged against the Defendants in the Complaint. This form is posted on the Receiver's website. In addition, the Receiver will mail the formal Investor Claim Form to all known investors once the financial records have been reviewed and summarized. Non-Investor Claim Forms will be mailed to all known vendors and trade creditors, as well.

22. It is important to note that a claims bar date will be set some time in the future whereby all claims must be filed with the Receiver in order to receive a distribution. Thus, it is

complicated issues that must be addressed in order for this to occur. In making decisions about how to proceed, the Receiver will consider the cost and the likely benefit associated with most activities although it is important to understand that there are certain activities that must be undertaken regardless of the cost. As provided for in the Receivership Order, the Receiver and the professionals working with him will apply to Court for approval to pay professional fees and expenses.

Respectfully submitted, this the 31st day of March, 2009.

KELLAM & PETTIT, P.A.
Attorneys for the Receiver

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SECURITIES AND EXCHANGE COMMISSION,)	
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_____)	

CERTIFICATE OF SERVICE

I, as attorney of record for the Receiver, hereby certify that on the 31st day of March, 2009, I served a copy of the Receiver's Second Interim Report and Certificate of Service by depositing the same, enclosed in a postpaid, properly addressed wrapper, in an official depository under the exclusive care and custody of the United States Postal Service, said envelope being addressed as follows:

Robert G. Gordon, Esq.
Securities and Exchange Commission
3475 Lenox Road, N.E., Suite 1000
Atlanta, GA 30326

William P. Hicks, Esq.
Securities and Exchange Commission
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APPENDIX A

Vehicle		Lien(s)	Price Paid
1	2007 Pontiac G-6	\$0	\$ unknown
2	2003 Ford Excursion	\$0	\$ unknown
3	2007 Chevrolet Silverado 3500 SRW 4WD Crew LTZ Truck	\$0	\$52,044.00
4	2008 Chevrolet Silverado 2500 SRW 4WD Crew LTZ Truck	\$0	\$52,010.00
5	2007 Mercedes Benz CLK63 AMG Cabrio	\$0	\$104,606.00
6	2007 Mercedes Benz AMG S65	\$0	\$187,082.00
7	2008 Mercedes Benz GL 550	\$0	\$80,384.00
8	2008 Aston Martin DB9	\$0	\$194,074.00
9	1939 Cadillac V16	\$0	\$ unknown
10	2007 Prevost Motor Home Featherlight Conversion	\$0	\$ unknown
Watercraft		Lien(s)	Buy Value
1	2003 35 foot Chaparral	\$0	\$122,000.00
2	2003 SeaDoo Jetski	\$0	\$3,320.00
3	2004 SeaDoo Jetski	\$0	\$4,555.00
Equipment Type		Lien	Value
1	John Deere loader	-0-	\$10,000.00
2	Komatsu Trackhoe	-0-	\$10,000.00
3	Forklift	-0-	\$4,500.00
4	Sissorlift	-0-	\$2,500.00
5	Bobcat	-0-	\$15,000.00
6	Small utility vehicle	-0-	\$10,000.00

Vehicle		Lien(s)	Price Paid
7	Walk behind bobcat with attachments	-0-	\$8,000.00
8	Two (2) Toro Lawnmowers	-0-	Unknown
9	Green John Deere Tractor with attachments	-0-	Unknown
Trailer type		Lien	Value
1	Enclosed trailer (on property)	-0-	Unknown
2	Small utility trailer (on property)	-0-	Unknown
3	Yellow utility trailer (on property)	-0-	Unknown
4	Blue Gooseneck trailer (on property)	-0-	Unknown