

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 THIRD INTERIM REPORT

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

INTRODUCTION

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 and his Second Interim Report on March 31, 2009. The Receiver, his counsel and his consultants continue to perform the activities described in those Reports. While additional facts have been discovered, the overall facts and circumstances described in each Report remain largely correct.
3. The Receivership Order authorizes and directs the Receiver to marshal and take control of the assets of the Receivership Estate, to perform an investigation and accounting, and to manage and preserve the assets during the pendency of this action.
4. Since his appointment, the Receiver and the professionals working with him have

taken control of the Receiver Estate and its assets and have engaged in accounting and tracing efforts. This Third Interim Report is intended to provide the Court with an update regarding these activities, as well as the status of the Receiver Estate. It is important to understand that the Receiver's investigation continues and that he and those working with him may learn additional facts that could differ from the information provided below. This report contains an assessment of this receivership based upon facts currently known to the Receiver, his counsel, accountants and consultants.

OVERVIEW OF THE RECEIVER'S ACTIVITIES

5. Receiver's Plan for Disposition of Personal Property. The Receiver has recovered and taken control of more than 5000 individual items of personal property. These items include electronic equipment, tools, artwork, furniture, jewelry, construction equipment, personal watercraft, appliances, rolling stock and other tangible chattels. On June 9, 2009, the Receiver filed his Motion to Approve Public and Private Sales of Personal Property (docket # 37). On June 15, 2009, an Order was entered (docket # 40) authorizing the Receiver to sell, liquidate or otherwise dispose of the personal property included within the Receiver Estate at a public sale (i.e., auction). The Order also authorizes the Receiver to sell some items of personal property, including jewelry and artwork, at private sale either: (a) directly, by the Receiver; or, (b) by engaging a dealer or other sales agent in accordance with the terms of this Order. The Order gives the Receiver complete discretion to determine how and when such sale shall take place and stipulates that any public sales shall be conducted by auctioneers licensed to render such services. The Receiver intends to sell numerous items of varying type and value at a public auction to be held simultaneously on-line and on-site at 3400 Wishing Well Lane, Claremont, NC 28610 on Friday and Saturday, August 15 and 16, 2009, though these dates are subject to change. It must be remembered that although the Receiver is conducting an auction, this does not mean that the amounts initially paid for the items being auctioned can or will be realized. Moreover, there are expenses associated with the selling of these assets.

6. Application to Employ Auctioneer. On June 9, 2009, the Receiver filed his Application to Employ Auctioneer for Receiver (docket # 35) wherein the Receiver requested permission to retain the firm Gary Boyd Auction and Real Estate and John Garrison Boyd as auctioneer on terms that the Receiver believes are fair and reasonable. Mr. Boyd is a member of the Auctioneer's Association of North Carolina (AANC), National Auctioneer's Association

(NAA), and the Certified Appraisers Guild of America (CAGA) and is qualified to handle such matters. On June 15, 2009, the Court entered an Order (docket # 39) authorizing the Receiver to employ Gary Boyd Auction and Real Estate and to pay Gary Boyd Auction and Real Estate such compensation as may be approved by the Court upon Application and Notice.

7. Confirmation of Sale of Personal Property. On April 16, 2009, the Receiver filed his Motion to Sell Personal Property Free and Clear of All Liens, Claims and Encumbrances (docket # 25) seeking authority to market certain personal property for private sale. More specifically, the Receiver sought to sell a (1) Mercedes Benz S65 AMG for \$80,000.00, (2) a Mercedes Benz CLK63 AMG for \$40,000.00, (3) a Mercedes Benz GL550 for \$50,000.00, and (4) an Aston Martin DB9 for \$105,000.00 (collectively, the "Vehicles"). On May 18, 2009, the Court entered an Order (docket # 32) authorizing the Receiver to sell the Vehicles by private sale, pursuant to 28 U.S.C. §§ 2001 and 2004. The Court also ordered the Receiver to publish a Notice of Sale of the Vehicles containing a description of the property to be sold, the Receiver's contact information, and the terms and conditions of the Order for at least ten (10) days in a daily newspaper of general circulation in Catawba County and on cars.com or another similar, national, on-line car classified service. Pursuant to the Order, the Receiver published a Notice of Sale of the Vehicles in the Hickory Daily Record beginning on May 26, 2009 and on cars.com beginning on May 22, 2009, with said Notice of Sale published for at least ten (10) days thereafter. Due to the delay from the time in which the initial offers to purchase were submitted to the Receiver and the Court's approval of the same, the buyers of the Vehicles reduced their respective offers to purchase. However, pursuant to the terms and conditions set forth in the Order, the Receiver was contacted by third parties who offered to purchase the Mercedes Benz S65 AMG for \$85,250.00, the Mercedes Benz CLK63 AMG for \$41,250.00, and the Mercedes Benz GL 550 for \$52,250.00, prices which are at least ten percent (10%) greater than the reduced contract prices of \$77,500.00, \$37,500.00, and \$47,500.00 offered by the initial buyer. The buyer of the Aston Martin DB9 reduced its offer to purchase from \$105,000.00 to \$100,100.00 but there were no third party bidders. On June 15, 2009, the Court entered an Order (docket #38) confirming sale of the Vehicles. The Receiver has consummated the sale of three (3) of the Vehicles, including the Mercedes Benz CLK63 AMG, the Mercedes Benz GL550, and the Aston Martin DB9, and the Receiver hopes to consummate the sale of the Mercedes Benz S65 AMG within the next ten (10) days.

8. Settlement of Claims for Ocean Lakes Campground Lots 1045 and 1047. On June 2, 2009, the Receiver filed his Motion to Approve Compromise and Settlement of Claims (docket # 33) for Lots 1045 and 1047 at Ocean Lakes Family Campground, located in Myrtle Beach, S.C. In his Motion, the Receiver requested that the Court grant him permission to enter into those certain Settlement Agreements wherein the Receiver agreed to abandon Lot 1045 and Lot 1047 and surrender the lease rights thereto back to Mr. Steven Dupee and Ms. Francis Stewart by renouncing, rejecting, disaffirming or disclaiming the lease agreements entered into by Defendants and Ocean Lakes Family Campground. In exchange for doing so, Mr. Dupee and Ms. Stewart agreed to release any potential claims they might have against the Receiver Estate and the Defendants and to pay the Receiver the sums of \$31,000.00 and \$50,000.00, respectively. On June 18, 2009, the Court entered an Order (docket # 41) authorizing the Receiver to enter into and to execute the Settlement Agreements with Mr. Dupee and Ms. Stewart. The Receiver is currently in the process of consummating the transaction and collecting the \$31,000.00 and \$50,000.00 from Mr. Dupee and Ms. Stewart.

9. The Receiver has obtained copies of the financial records located at Biltmore Financial Group's offices in Claremont, North Carolina and these materials have been reviewed and organized by the Court approved certified public accountants from the firm Middleswarth, Bowers & Co., L.L.P. Mr. Bowers notified the Receiver a few days ago that the accountants have completed their examination and the Receiver intends to meet with the accountants next week to review the findings.

10. The Receiver intends to depose Emily G. Huffman and Justin R. Cansler within the next thirty (30) days 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.

11. The Receiver intends to depose the owner of Park West Gallery within the next forty-five (45) days in order to inquire about the various pieces of artwork purchased by Defendants from said Gallery.

12. The Receiver intends to list the real property that comprises the Receivership Estate for private sale with a broker licensed to sell real property in the State of North Carolina.

13. The Receiver is in discussions with Walt Disney Vacation Club in order to determine the best means for liquidating the timeshare interests owned by Defendants.

14. The Receiver has not yet been able to take possession of the approximately \$100,000.00 of cash currently held by 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. These funds should be forwarded to the Receivership once J.V. Huffman, Jr. has either plead or been tried by the Court.

15. 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 \$140,000.00. The Receiver is also working with Defendant J. V. Huffman, Jr. and Gilda Huffman to obtain their consent to cancel the children's policies and liquidate the same. These efforts are ongoing.

16. 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. 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

17. To date, approximately two hundred seventy-eight (278) claims have been filed by at least three hundred sixty-eight (368) 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.

18. 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.

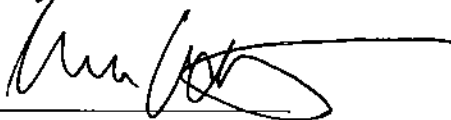
19. It is important to note that a claims bar date will be set some time in the future whereby all claims must be filed with the Receiver in order to receive a distribution. Thus, it is imperative for each investor to inform the Receiver of his/her current address. This will allow each investor to receive notice of such date and the documents necessary to file a claim.

20. The vast majority of the expenses incurred to date by the Receivership Estate consist of professional fees related to the administration of the Receiver Estate, which include operations, investigation, accounting, tracing and asset recovery efforts. The Receiver and those working with him are mindful of the circumstances present here and that their fees are paid from the Receiver Estate. Accordingly, all of those involved in these activities endeavor to work efficiently and in a cost effective way. Even so, this is a complicated case requiring the professionals involved to devote significant time and effort to these administrative activities. In this regard, the Receiver's overriding objectives are to perform the tasks ordered by the Court in the Receivership Order and to pursue recoveries that will ultimately inure to the benefit of the investors and other creditors of the Receiver Estate.

Respectfully submitted.

This the 30th day of June, 2009.

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

By: 

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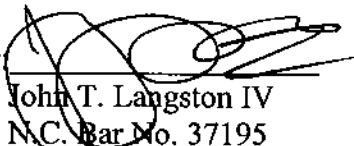
CERTIFICATE OF SERVICE

I, as attorney of record for the Receiver, hereby certify that on the 30th day of June, 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.
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