



RECEIVER'S SECOND UPDATE TO INVESTORS, SEPTEMBER 18, 2019

Introduction

The Receiver's First Update to Investors was issued on August 1, 2019, and includes a general introduction to issues related to the Receivership Pools and the Management Company. Please refer to that document for general background.

Definitions and Capitalized Terms

AEI	American Equities, Inc.
AEM	American Eagle Mortgage
AEMM	American Eagle Mortgage Management, LLC
Affiliated Parties	Business and/or investment vehicles operated by Ross Miles and/or Maureen Wile that are not part of the Receivership. This term may also refer to the people involved in managing or benefiting from Affiliated Party entities.
Management Company	AEI as Manager of the Pools, and later (in practice) AEMM
Pools	The Receivership Pools
Receivership Pools	The 15 entities that are part of this Receivership, also referred to as the Receivership estates
REO	Real estate owned by the Receivership, typically due to foreclosure

Since the First Update, the Receiver's group has continued its investigation into the records of the Pools and the management companies, AEI and AEMM. We completed a forensic backup of AEI's electronic data, including emails, workstations, and servers. Although we do not yet have authority to access all of this data, we are assured of its preservation and expect to gain access to relevant portions in the future.

Our work is proceeding on several fronts, including asset recovery, case consolidation, and claims investigation. This report addresses each of these areas, along with a section dealing with common questions we have been hearing from investors. In addition, we invite those

interested to come to an informational meeting on October 2, 2019, from 10:00 to noon, at the Jantzen Beach Red Lion. Please check the investor website for details.

ASSET RECOVERY

The Receiver's team has been focused on evaluating and preparing the Receivership assets for sale. This is happening on four main fronts: (a) the marketing and sale of owned real estate in Oregon, Washington, and California through an auction process; (b) the disposition of owned real estate in other states; (c) the bundling and sale of domestic real estate contracts; and (d) investigation into loans made to borrowers located in Mexico and loans secured by property located in Mexico. This report provides an update on each of these items except property in other states, which we will cover in a later report.

Real Estate Auction

By court order entered on August 30, 2019, the Receiver was authorized to list properties in Oregon, Washington and California in Realty Marketing/Northwest's fall auction.¹ The auction will include 18 offerings located in Oregon, 13 in Washington, and five in California.

RMNW is a real estate marketing and brokerage company based in Portland and Vancouver with extensive experience conducting regional auctions and sealed bid marketing campaigns and a database of 150,000 potential purchasers (visit <https://www.rmnw-auctions.com/>). The auction campaign will begin on September 29, 2019, when RMNW's catalog becomes available on its website; promotional materials will be mailed out to approximately 20,000 potential buyers. Bids on properties in the auction are due by November 13, 2019, with sales to close by February 15, 2020.

We cannot provide a firm estimate of the recovery to the Receivership estates, but we are hopeful that, if all the properties are sold, it will exceed \$3 million. As noted in our First Update, however, many of AEM's properties are problematic. Table 1 summarizes the auction properties' book value (i.e., the value carried on the Pools' books at the time the property was

¹ See documents posted August 9, 2019, relating to "Receiver's Motion for Order (1) Authorizing Receiver to Sell Real Property Outside the Ordinary Course of Business and Employ Broker to Conduct Sale and (2) Shortening Time for Hearing" at www.aeminvestors.com/documents.

taken into REO), the most recent assessed value, and the published auction reserve price (explained below).

Table 1: Auction Properties

Property location	# in auction	Book value	Assessed value	Reserve price
Washington	13	\$ 2.0 million	\$ 1.3 million	\$ 0.9 million
Oregon	18	\$ 2.2 million	\$ 1.8 million	\$ 2.2 million
California	5	\$ 1.2 million	\$ 0.7 million	\$ 0.3 million
Total	38	\$ 5.4 million	\$ 3.8 million	\$ 3.4 million

The published reserve is the price at which the Receiver is committed to sell the property on an as-is, all cash basis; the court has approved these sales in advance. Bids containing contingencies or that come in below the published reserve are subject to the Receiver’s review. We may accept, reject, or counter such offers; bids under the reserve price that the Receiver wishes to accept are required to be posted on the website for 14 days prior to receiving court approval.

It should be noted that not all properties have a reserve price. This may be due to complications relating to squatters, zoning, or environmental issues that make an as-is/where-is sale unattractive to most buyers, or because we felt a reserve price might artificially limit the pool of prospective buyers. The Receiver is free to sell properties with no reserve at his discretion for the highest bid, whatever that may be. A detailed listing of properties in the auction is presented in Exhibit A.

More information about the auction process and how to bid on properties can be found on RMNW’s website, linked above. The Receiver will provide auction updates on the AEM Investor website as more information becomes available.

Contract Collections and Recovery

We will be seeking court approval to employ DebtX (<https://www.debtX.com/corp>), a company that facilitates the sale of mortgages and mortgage-type loans, to package and sell the Receivership Pools’ contract portfolio. DebtX has worked with the FDIC and major governmental institutions and commercial lenders around the world to sell these kinds of assets. The major drivers of value in AEM’s contract portfolio are the quality of the underlying

collateral, the completeness of the documentation, and the payment histories. We are in the process now of assembling this information along with many other data points required by Debt X for all 200+ contracts. We have also been working to improve collections by sending demand letters to delinquent payors. Table 2 shows the payment history for June, July and August.

Table 2: Recent Contract Payment History

	Monthly due	June payments	July payments	August payments
Unaffiliated	\$ 120,817	\$ 72,307	\$ 72,798	\$ 74,225
Affiliated parties	\$ 13,542	\$ 1,117	\$ 767	\$1,117
Total	\$ 134,359	\$ 73,424	\$ 73,565	\$ 75,342

For a variety of reasons, we do not yet have a good sense of what the contracts are likely to be worth to the Receivership estates. Based on conversations with DebtX, we can expect to recover approximately 60% of the value of the collateral underlying the contracts.

Unfortunately, however, AEM did not reliably track these collateral values, so the Receiver is responsible for developing this information. In addition, the Management Company did not always follow through on contract documentation, so the ownership chain according to Pool balance sheets does not always match the ownership chain according to county and other records. We have also learned that the Management Company sometimes used contracts owned by the Pools as collateral for its own loans. For example, we have identified four real estate contracts owned by the Pools that are also serving as collateral for loans from Blakemore Holdings to AEMM. The four contracts have a book value of approximately \$330,000; three of the four are currently performing, but the fourth is in default. The Receiver has not yet determined the Receivership estates' claims to the underlying collateral.

These and other circumstances make it impossible to predict what the recovery will be from the sale of the Pools' contract assets.

Mexico Assets

The Receiver has engaged Ben Rosen of Rosen Law, S.C., and DR Abogados, S.C. Rosen Law, a firm with offices in Los Cabos, Riviera Maya, and San Diego, specializes in real estate and cross-

border transactions (visit <http://rosenlaw.com.mx/>), and will aid our investigation into loans made to borrowers located in Mexico and loans that are secured by property located in Mexico, including contract collections, foreclosures, and sales as appropriate. DR Abogados, a firm based in Los Cabos, will provide litigation support as may be necessary. The Court entered its order authorizing the Receiver's employment of these firms on September 18, 2019.

SUBSTANTIVE CONSOLIDATION

We intend to file our motion for substantive consolidation within the next month. For more information about what substantive consolidation is and why it is important in this case, please refer to page 11 of our First Update.

PURSUIT OF CLAIMS

Background and Status

As investors have come to realize that recovery from the Pools is likely to be very low, they have begun to ask questions about the potential for recovery from other parties who may share responsibility for the Pools' failure. We have been receiving many questions along the lines of:

1. *What claims do you intend to pursue against the managers of the Pools?*
2. *What claims do you intend to pursue against other parties?*
3. *Will you be pursuing insiders and related parties?*
4. *Will you be pursuing the banks?*
5. *Will you be pursuing Davis Wright Tremaine?*
6. *What is the status of any investigation of third parties?*
7. *Do I need to hire my own lawyer?*

Before addressing these questions in turn, we note that, as a legal matter, anyone who brings a claim against another party is required to have standing to do so.² The Receiver, as the representative of the Pools, has standing to bring only certain kinds of claims. These include collection actions against those who owe money to the Pools, actions against the Management Company and those who operated and controlled AEI and AEMM for mismanagement of the Pools, and, potentially, actions against other entities or individuals whose wrongful actions helped cause the inability of the Pools to repay investors. In contrast, only individual investors, who purchased AEM securities in the first place, would have the standing necessary to bring claims for securities fraud.

Table 3 provides an overview of the different categories of claims that might be available, and which party or parties would have legal standing to pursue them. Please note that the table does not purport to provide a comprehensive listing of all possible claims. The types of claims listed are a result of the research and analysis that we have done so far; others may exist that we are not yet aware of.

Table 3: Types and Holders of Potential Litigation Claims

Basis of Claim	Potentially Liable Parties	Holder of Claim	Status
Loans made by the Pools	Borrowers and other recipients of the loan proceeds	Receiver (on behalf of the Pools)	Investigation well underway
Mismanagement of Pools/Breach of management agreements; aiding, abetting, or participating in breaches of fiduciary duty, and like claims	AEI, AEMM, Ross Miles, Maureen Wile, and other responsible parties that materially contributed to the mismanagement of the Pools or breach of management agreements	Receiver (on behalf of the Pools)	Investigation well underway

² Standing refers to the ability of a party to bring a lawsuit based on the party's connection to and harm from the challenged action.

Basis of Claim	Potentially Liable Parties	Holder of Claim	Status
Violation of state or federal securities laws	AEI, AEMM, Ross Miles, Maureen Wile, AEI investor representatives, attorneys (including those who prepared offering materials), banks, IRA plan administrators, or others who participated in or materially aided transactions that violated securities laws	Individual investors	Receiver not specifically investigating but willing to share information

Investors who believe they have relevant information about potential claims can help us research and evaluate them by responding to an investor survey currently available on the AEM website. You may also attend the meeting this Friday, Sept. 20, to provide the Receiver information and speak in person about potential claims.

1. What claims do you intend to pursue against the managers of the Pools?

The entities (AEI/AEMM) and individuals (Ross Miles and Maureen Wile) who managed the Pools had explicit duties to perform certain acts of due diligence, explicit prohibitions against taking certain actions, and, more generally, a requirement to exercise their powers in the best interest of the Pools. The records we have examined present many examples where these duties appear to have been violated. The Receiver intends to thoroughly investigate these violations, and, if warranted, to assert claims of mismanagement and breach of fiduciary duty against the Management Company and its principals.

2. What claims do you intend to pursue against other parties?

The Receiver can pursue claims against (a) Pool managers and insiders who controlled what happened to investor funds and Pool assets; (b) people who owe money to the Pools; and (c) parties that contributed in a material way to the mismanagement of the Pools or the misappropriation of Pool assets. We will be evaluating claims and potential recovery from all parties that owe money to the Pools and, to the extent such claims are held by the Pools, any other parties who may have participated in fraudulent or wrongful conduct related to the Pools. If it is in the best interest of the investors to proceed with litigation, we will do so. In

general, this means that we intend to pursue those claims whose prospects for recovery exceed the cost of enforcing the claim.

3. Will you be pursuing insiders and related parties?

There are a number of different insider people and entities that received money from the Pools. We are looking at each of these transactions to determine the nature of the Pools' claim, whether there is a cause of action, and whether there is a potential for recovery. On that basis we will make decisions about which claims to pursue – i.e., those whose prospects for recovery exceed the cost of enforcement. As a general matter, we wish to help investors in their search for justice, but our specific task is to recover as much money as we can in an effort to improve the investors' financial situation.

4. Will you be pursuing the banks?

We intend to investigate whether the Pools may have claims against one or more banks, just as we intend to investigate whether the Pools have claims against other parties. To that end, we would appreciate information from investors or other sources that might help to advance this part of our work. These kinds of claims tend to be difficult to prove, but if there is evidence that employees of banks or other third-party entities involved in transactions with AEI and/or AEMM knew that Pool funds or collateral were being misused, that would be helpful for us to know.

5. Will you be pursuing Davis Wright Tremaine?

Davis Wright Tremaine (DWT) was involved in drawing up the offering materials that were used in soliciting the original investments. Claims arising out of the materials used and representations made as part of the solicitation of an investment belong to individual investors and not to the Receivership Entities. The Receiver can only pursue third party claims that belong to the Pools. That said, we will assist and share information with attorneys who are working on behalf of investors, just as we are cooperating with various regulatory authorities interested in this case. Presently, the Receiver does not expect that it will bring a case against DWT. However, we do think it would make sense for investors to work together with an

experienced and reputable attorney to investigate, evaluate, and if appropriate, assert securities claims against DWT and possibly others.

6. What is the status of any investigation of third parties?

The Receiver has a great deal of information related to the mismanagement of the Pools, but relatively little information relating to the activities and knowledge of third parties. For example, we have had reports of what appear to be inappropriate transactions with lending institutions, which, if the institutions had knowledge of the circumstances, might be grounds for legal action. For that reason, as mentioned above, we would appreciate hearing from investors and other sources who might help to advance this part of our work. Please visit this link if you have information you wish to share in this regard. We are also available to meet in person on Friday, Sept. 20, from 11:30 to 1:30 at the Jantzen Beach Red Lion. Please visit the AEM website for details.

7. Do I need to hire my own lawyer?

The Receiver's team is not in a position to provide personal financial or legal advice to investors, so we cannot directly answer this question. However, we hope that our discussion of third party claims and our answer to question #5 above will provide some guidance to you in considering this issue.

Next steps

After the September 20 meeting and closure of the investor survey in mid-October, the Receiver will assemble and analyze available information to determine potential claims, areas requiring further investigation, and steps needed to gather pertinent information and proceed.

OTHER QUESTIONS

Summary of recovery sources with current status

Investors frequently ask the Receiver about estimated recoveries in this case. Given the many unknowns about the Mexico assets and the early stage of work on the third party claims, we

are not in a position to provide firm estimates. We have created Table 4 as a summary of the different sources of recovery and current information about the status of each. We intend to include this table, as it may be revised or expanded, in future updates, as a way to keep investors apprised of progress in this area.

Table 4: Source of Recovery and Current Status

Existing or Potential Asset	Plan for recovery	Book value (if available)³	Estimated recovery	Status
Properties located in OR, WA, and CA	Real estate auction	\$ 5.4 million	+/- \$ 3 million	Auction launches Sept. 29 with bids due Nov. 13
Other domestic properties	Work with realtors and/or auctioneers to sell	\$ 2.2 million	+/- \$ 1.0 million	Evaluating the best way to get value from these assets
Contracts with non-affiliated parties in the US	Package and sell	\$ 6.7 million	Uncertain	Assembling information for and preparing to seek court approval to employ Debt X
Mexico assets, including Mexico-based contracts and RMV marina loan	Engage Mexican attorney to evaluate and/or establish legal claims, then sell	\$ 8 million	Uncertain	Interviewed and selected Mexican attorney; in process of seeking court approval to employ
Collections actions against Affiliated Parties	Evaluate ability to pay and develop plan for collections	\$ 6.1 million (principal only; excludes RMV/marina, which is grouped with Mex. props)	Uncertain	Legal analysis to determine Pools' position and claims as a creditor
Claims for mismanagement, breach of fiduciary duty, etc.	Obtain information; evaluate causes of action, potential liability, and prospects of recovery	N/A	Uncertain	Actively assembling evidence and requesting information from investors

NOTE: The costs of recovery, such as auction, broker, and legal fees have not been estimated or applied to the recoveries in this table.

³*Properties*: As discussed in the First Update, the book value of REOs as calculated by AEI/AEMM includes non-GAAP elements such as capitalization of accrued interest and expenses, which led to an inflated reporting of book values on the Receivership Schedules. In this table, while we have not attempted to calculate a GAAP book value, we have used the AEI/AEMM book value as recorded at the time the property was taken into REO status rather than as reported in the Receivership Schedules.

Contracts: The book value reported for contracts is the remaining principal balance owed.

Status of Receiver vis-à-vis Ross Miles

We are finding that some investors misunderstand the position and role of the Receiver. For example, we recently received this question from an investor: “Will you pursue Ross Miles, Maureen Wile and Miles Minsker, or would that be like pursuing yourself since Ross hired you?” The Receiver’s decisions about which third parties to pursue will be based on our prospects to recover assets for the Receivership estates. Pursuing Ross Miles and other AEI principals would not be like pursuing ourselves. We do not work for Ross Miles, Maureen Wile, or Miles Minsker. The Receiver works under the supervision of the Court on behalf of the Receivership estates. The Receiver has a fiduciary duty to the investors and other creditors of the Receivership Pools, not to the operators of AEI or AEMM.

Cost and time of the Receivership

We have had many questions about the cost of the receivership and why things aren’t moving faster. The Receivership Entities are in a complicated situation that took years to develop. Since the first Pools were organized in 2003 there have been thousands of loan, real estate, and other transactions, many of which were not properly documented and which now need to be understood well enough to take appropriate action. Tracking down the information needed to determine the ownership and value of dozens of properties, some of which are in a foreign country, or to clear squatters out of properties so they can be sold, or to evaluate whether it is worthwhile spending the money to foreclose a property or pay maintenance costs and property taxes, or to follow assets as they were transferred back and forth among the Pools, banks, and Management Company – to name just a few of the tasks we are performing – takes professional resources and costs money. We are managing this expense by employing former AEI office staff to do much of the property-related work, and by using less expensive professional and office personnel where possible. But a situation rife with mismanagement that brewed for more than 15 years and that has now become subject to a cumbersome legal process cannot be responsibly sorted out by anybody without considerable time and expense.

Claims status

Some investors have been asking about the status of their claims and whether they need to provide further information. The Receiver's attorneys have collected all of the Proof of Claim forms, but we have not yet begun to evaluate them for completeness or accuracy. For the time being, no further action is needed from investors. If we have questions about your claims, we will reach out to you directly.

Pensco Trust Company

Pensco has asked the Receiver to let investors know they should contact Pensco directly to discuss their accounts. Investors need to call their client service team at 800-962-4238 and request that their AEM assets be reviewed in light of the receivership. The Pensco team will create a service request for review and make decisions on an account by account basis. Unfortunately, Pensco gave us no general rule that they said would apply to all accounts with assets in the Pools.

1904 TABLE OF PROPERTIES

Sealed Bids due November 13, 2019

#	Seller	Description	Location	Published Reserve
	AEM	836± square foot Floating Home 3157 NE Marine Drive, Space 23	Portland, OR	\$35,000
	AEM	3,210± square foot former Chinook Inn - 2827 NE Corbett Hill Rd	Corbett, OR	\$125,000
	AEM	45± acre E. Larchmont Road Timber Tract	Clackamas County, OR	\$95,000
	AEM	Sandy River Brightwater Estates Lot 2, 2256 E. Brightwater Way	Rhododendron, OR	\$171,000
	AEM	Sandy River Brightwater Estates Lot 4, 22542 E. Brightwater Way	Rhododendron, OR	\$175,500
	AEM	Sandy River Brightwater Estates Lot 5, 22534 E. Brightwater Way	Rhododendron, OR	SALE PENDING
	AEM	Non-Riverfront Brightwater Estates Lot 10, 22479 E. Brightwater Way	Rhododendron, OR	\$204,000
	AEM	Non-Riverfront Brightwater Estates Lot 11, 22463 E. Brightwater Way	Rhododendron, OR	\$193,500
	AEM	900± square foot Commercial Building – 254 N. Columbia River Highway	St. Helens, OR	\$75,000
	AEM	1.28± acre Parcel 30112 Carmel Road	Columbia County, OR	\$25,000
	AEM	Highway 101 28,000± square foot Commercial Development Site - 2254 SE Highway 101	Lincoln City, OR	\$125,000
	AEM	17,850± square foot Residential Development Site	Depoe Bay, OR	\$150,000
	AEM	.51± acre Commercial Development Site – 1805 NW Hilton Drive	Waldport, OR	No Minimum Bid
	AEM	2± acre Winchester Ridge Residential Lot – 881 Southridge Way	Roseburg, OR	\$55,000
	AEM	20± acre Layman Creek Timber Tract	Josephine County, OR	No Minimum Bid
	AEM	632± square foot Single Family Home (Not Habitable) - 34021 E Yak Lane	Bonanza, OR	No Minimum Bid

#	Seller	Description	Location	Published Reserve
	AEM	Five bedroom, three bathroom Lodge-Style Home - 16105 Jackpine Road	La Pine, OR	\$275,000
	AEM	27± acre Residential Development Site	Boardman, OR	\$325,000
	AEM	4,174± square foot Residential Lot 13801 NE 33 rd Circle	Vancouver, WA	\$50,000
	AEM	5± acre Home Site near Washougal River	Washougal, WA	\$50,000
	AEM	2,176± square foot Commercial Building - 31902 NE Lewisville Highway	Battle Ground, WA	\$125,000
	AEM	Lewis River Recreation Site	Woodland, WA	No Minimum Bid
	AEM	4± acre Commercial Development Site - Franklin Street and Belmont Loop	Woodland, WA	\$495,000
	AEM	1.5± acre Evergreen Terrace Residential Development Lot – 116 Clark Creek Road	Longview, WA	\$37,500
	AEM	Bulk Sale of 26 Lots	Oceanside, WA	\$25,000
	AEM	19± acre Residential Parcel 20315 167 th Lane SE	Thurston County, WA	\$75,000
	AEM	4,356± square foot Residential Lot 1078 Edwards Court	Port Orchard, WA	No Minimum Bid
	AEM	7,750± square foot Infill Residential Lot – Union Street	Marlin, WA	No Minimum Bid
	AEM	7.59± acre N. Wenas Road Residential Parcel	Yakima County, WA	\$25,000
	AEM	1,880± square foot Multi-Family Dwelling - 121 NW 2 nd Street	Goldendale, WA	\$50,000
	AEM	924± square foot Single-Wide Trailer Home - 129 NW 2 nd Street	Goldendale, WA	No Minimum Bid
	AEM	3.4± acre Off-Grid Residential Parcel	Tehachapi, CA	No Minimum Bid
	AEM	2.3± acre Off-Grid Residential Parcel	Tehachapi, CA	No Minimum Bid

#	Seller	Description	Location	Published Reserve
	AEM	39,500± square foot Twentynine Palms Highway Residential Parcel	Yucca Valley, CA	\$112,500
	AEM	20± acre Via Majorca Residential Parcel	Riverside County, CA	No Minimum Bid
	AEM	7± acre West Avenue South at Tierra Subida Avenue Residential Site	Palmdale, CA	\$165,000