

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

SECURITIES AND EXCHANGE COMMISSION
Plaintiff,

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Civil Action No. 4:11-cv-655

v.

JAMES G. TEMME, and
STEWARDSHIP FUND, LP,
Defendants.

RECEIVER’S STATUS REPORT

(March 30, 2012)

COMES NOW, Keith M. Aurzada as Receiver (the “Receiver”) for James G. Temme, Stewardship Fund, LP, and all other entities directly or indirectly controlled by James G. Temme or Stewardship Fund, LP, including, but not limited to Stewardship Advisors, LLC, d/b/a Stewardship Advisors, LP, Stewardship Asset Management Genpar I, LLC, Stewardship Group, LLC, Destiny Fund, LP, and Stewardship Management, LP (collectively, the “Defendants”) and hereby files his Preliminary Report.

I.

BACKGROUND

1. On October 14, 2011, the Securities and Exchange Commission instituted the above-captioned action, alleging that Defendants used fraudulent, or otherwise unlawful, means to raise at least \$35 million from investors through the offering and selling of interests in limited partnerships and mortgage notes.

2. On October 14, 2011, the Receiver was appointed as receiver for the Defendants through the Court’s entry of the Agreed Order Appointing Receiver Over Entities Under Control

of James G. Temme (Dkt. No. 24), Agreed Order Appointing Receiver Over Stewardship Fund, LP, and Related Entities (Dkt. No. 25), and Order Appointing Receiver Over James Temme (Dkt. No. 30) (“Receiver Orders”). Pursuant to the Receiver Orders, the Receiver is to take exclusive custody and control of all assets and records of, or traceable to, the Defendants.

3. As the Receiver has conducted his investigation, it has become apparent that in offering and selling interests in notes and limited partnerships, the Defendants likely made material misrepresentations to investors regarding the value of the interests, the assets owned or to be purchased on behalf of investors, and the expected returns of such investments. It has also become apparent that Defendants frequently failed to complete basic due diligence and complete the necessary paperwork to acquire and sell the interests and notes they purportedly sold to investors. Moreover, the assets that were allegedly transferred to Defendants (in the form of promissory notes secured by residential real estate) frequently were the subject of municipal enforcement actions and liens for unpaid assessments and taxes. Hundreds of such notices remained unopened. Furthermore, the Receiver took possession of many check from borrowers that had not been cashed, some many months old.

4. The receivership is still in the discovery phase. At this time, the Receiver is working to identify, locate, and secure assets owned by Defendants.

II.

Summary of Operations of Receiver

A. Employment of Professionals

5. Immediately following his appointment, it became necessary for the Receiver to employ Bryan Cave LLP as his counsel.

6. As the Receivership progressed, it became necessary for the Receiver to hire an accountant to assist with day-to-day accounting needs. Accordingly, with the Court's approval, the Receiver hired Greg T Murray, CPA as an accountant for the Receiver.

7. The Receiver anticipates that in the very near term he will be engaging contingency fee counsel to pursue certain causes of action belonging to the Receivership Estate.

B. Identity, Location, And Value Of Receivership Assets And Liabilities Pertaining Thereto.

8. The Receiver has begun the process of identifying and locating assets owned by Defendants. However, because the Receiver has not located complete or basic paperwork, the Receiver's task of identifying Defendants' assets has been arduous and cumbersome. Since commencing his duties, the Receiver has worked with Halo Companies, Inc., the mortgage servicer used by Defendants, to identify and create a database detailing: the notes held by Defendants; whether the notes were properly assigned or transferred to Defendants; the amounts owing on the notes; whether the properties securing the notes have been foreclosed upon or otherwise disposed of; and whether payments are being made on the notes. The Receiver has met with employees of Halo Companies, Inc. on several occasions and communicates with them on a regular basis. The Receiver's efforts to identify the notes and other assets held by Defendants are ongoing at this time.

9. The Receiver is working to determine the most economical and efficient manner of valuing the thousands of notes and other assets held by Defendants and identifying the liabilities pertaining thereto. This process will include identifying the best way to sell the assets as well.

10. In an effort to locate assets and determine liabilities of the Receivership Estate, the Receiver has interviewed several witnesses, including former employees of Defendants, investors and their counsel, and employees of Halo Companies, Inc. Indeed, the Receiver is in regular contact with employees and counsel for Halo Companies, Inc.

11. Upon taking over, the Receiver located and took possession of all known bank accounts of the Defendants. These included several accounts at different banks. Thus far, however, the Receiver has only located approximately \$17,000 in liquid assets owned by Defendants.

12. The Receiver has located little personal property of value belonging to Defendants. At this time, the Receiver believes that the Receivership Estate may hold an interest in the following personal property: 500 or more mortgage loans; 40% interests in Stewardship Fund No. 2, LP, Stewardship Fund No. 3, LP, Stewardship Fund No. 4, LP, Stewardship Fund No. 5, LP, Stewardship Fund No. 6, LP, and Stewardship Fund No. 7, LP; unknown interests in 4,000 or more loans; unknown interests in other limited partnerships and limited liability companies; oil and gas leases near the Palo Duro Canyon; and an unknown interest in an oil and gas plant in New Mexico. The Receiver has not yet determined the value of any such interests.

C. Litigation Claims.

13. The Receiver continues to investigate potential litigation claims. At this time, the Receiver has not conclusively identified any potential claims that the Receivership Estate may have, but believes the estate may have claims for fraudulent transfers. The Receiver will continue to investigate potential claims and will pursue them if it is in the best interest of the Receivership Estate.

14. In reviewing email and banking correspondence, the Receiver became aware of the transfer of an interest in an entity known as P38 Holdings LLC prior to the appointment of the Receiver. As such, the Receiver filed his Motion to Approve Assignment of Membership Interest (Docket No. 69). Should the relief requested in the motion be granted, the Receiver will acquire a 45% interest in P38 Holdings LLC and that interest will be sold for the benefit of the investors.

15. In reviewing receivership information, the Receiver determined that certain assets referred to as the “substitute” assets were transferred to Mt. Vernon. This included approximately 130 first lien mortgage notes that may have been fraudulently transferred to Mt. Vernon. However, the assets themselves required servicing and financial accommodations to prevent deterioration in value. Accordingly, the Receiver filed his Emergency Motion to Approve Asset Disposition Agreement (Docket No. 62). The motion was granted, and the estate now holds a 40% economic interest in the dispositions of these assets and has received assurances that funds will be expended by Mt. Vernon to preserve the value of the assets.

D. Identity Of Investors And Creditors.

16. The Receiver is working to identify and compile a database of all investors and creditors of the Defendants. In aid of these efforts, the Receiver has drafted, and the Court has approved, an Investor Proof of Claim form (Dkt. Nos. 41A, 44) that will be sent to all known investors and creditors in the near future.

E. Evidence Preservation

17. Upon his appointment, the Receiver took control of the premises, property and documents at the Defendants’ corporate offices at 2500 Dallas Parkway, Suite 230 Plano, TX 75093 (the “*Premises*”). The Receiver and his team immediately took possession of the Premises and changed the locks with the aid of the landlord.

18. The Receiver removed all relevant paper documents from the Premises and secured pertinent hard drives, computers, and servers at the offices of Bryan Cave LLP or in a separate storage facility accessible only by the Receiver and his representatives. The Receiver has and will make the Defendants' records and information and its computer system available to the Commission.

F. Obtaining Additional Evidence

19. The Commission has made available certain documents that it obtained through its investigation of Defendants.

20. Further, the Receiver is working with the FBI to copy or obtain certain other documents that it obtained through its investigation of Defendants. As part of his ongoing investigation, the Receiver has reviewed records seized by the FBI.

G. Investor Relations

21. The Receiver and his team have fielded daily telephone calls and e-mails from investors, homeowners, and creditors of Defendants and have personally spoken with dozens of investors, homeowners, and creditors.

22. The Receiver established a website at [//www.stewardshipfundreceivership.com](http://www.stewardshipfundreceivership.com) in order to provide information to and obtain information from investors of the Defendants.

23. In addition to the foregoing, the Receiver and his counsel are engaged in other investigation and recovery efforts on which it would be premature to report or where public disclosure of the efforts would potentially adversely impact the prospects of success.

24. The Receiver has corresponded with hundreds of taxing and regulatory authorities that have provided notice of various efforts to impact the underlying collateral and in some instances property owned by the receivership estates. The result of this correspondence in many

cases has been to eliminate enforcement efforts. It is anticipated that this will result in value to the receivership estate.

H. Operations

25. The Defendants are no longer operating.

26. Although not operations in the traditional sense, since being appointed, the Receiver has received administrative and regulatory notices concerning hundreds, possibly thousands, of properties. The notices range from tax liens to notices of demolition. In an effort to preserve value, the Receiver has sent letters to each authority advising of the stay imposed by the Receivership Order. This has been effective in some instances.

27. Attached as Exhibit A is the Receiver's financial report through March 30, 2012.

I. Asset Sales

28. The Receiver has hired Barrier Advisors to assist with the preparing receivership assets for sale. This includes preparing an initial group of assets referred to as the Legacy Assets and including approximately 458 notes and real estate owned properties. Barrier Advisors will also assist with the sale of additional assets made available to the receivership estate through the Asset Disposition Agreement approved by the Court (Docket No. 63) as well as the order granting the Receiver's show cause motion (Docket No. 54).

J. Motion for Show Cause Hearing Regarding Recovery of Receivership Estate Assets

29. Upon appointment, the Receiver received an inventory of assets controlled by, owned, or serviced by the receivership entities. Since receiving that inventory, the Receiver has received conflicting reports of ownership. Review of title documents reflects that some of the conflicting reports have merit. The Receiver filed his Amended Motion for Show Cause Hearing Regarding Recovery of Receivership Estate Assets and Brief in Support (Docket No. 50) in order to determine ownership of assets and to resolve competing claims. A hearing on that motion is presently scheduled for April 2, 2012. The Receiver has met with or discussed the motion through counsel with all of the parties affected by the motion.

30. While the show cause motion required significant effort on part of the receivership estate and the counterparties to the show cause motion, the results were very effective. Namely, the issues concerning servicing and ownership of estate assets have been significantly narrowed. It is anticipated that claims of ownership will be resolved by agreement and without the need for litigation in the coming weeks.

III.

Conclusion And Recommendations

31. The Receiver recommends that the receivership continue because the Defendants do not have an ongoing business, employees, or infrastructure to liquidate the assets and wind-up their affairs. At this time, the Receiver does not believe it is in the best interest of the investors and creditors of Defendants for the Defendants to declare bankruptcy.

32. Currently, assets are being identified that will bring funds into the estate for the payment of investors and creditors.

33. All information stated above is based on the knowledge of the Receiver at this point in time and later developments and discoveries may cause the information reported herein to be outdated or incorrect.

Dated: March 30, 2012.

Respectfully Submitted:

//s// Keith Miles Aurzada
Keith Miles Aurzada, Receiver

2200 Ross Avenue, Suite 3300
Dallas, Texas 75201
Telephone: 214.721.8041
Facsimile: 214.721.8100

CERTIFICATE OF SERVICE

I certify that on December 29, 2011, a true and correct copy of the foregoing pleading was served via electronic mail through the Court's CM/ECF system to all parties consenting to service through the same, including to the following:

David Reece
United States Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, Texas 76102

John Helms, Jr.
Helms, Roberts & Diaz LLP
6060 N. Central Expressway, Suite 560
Dallas, Texas 75206


COUNSEL FOR JAMES G. TEMME

FUND ACCOUNTING: Stewardship Fund LP in Receivership				
		<u>Detail</u>	<u>Subtotal</u>	<u>Grand Total</u>
Line 1	Beginning Balance (As of October 1, 2011):	\$ -		\$ -
	<i>Increases in Fund Balance:</i>			
Line 2	Business Income	\$ -		\$ -
Line 3	Cash and Securities	\$ -		\$ -
Line 4	Interest/Dividend Income	\$ -		\$ -
Line 5	Business Asset Liquidation	\$ 114,250		\$ 114,250
Line 6	Personal Asset Liquidation	\$ -		\$ -
Line 7	Third-Party Litigation Income	\$ -		\$ -
Line 8	Miscellaneous	\$ 13,345		\$ 13,345
	Total Funds Available (Lines 1 – 8):	\$ 127,595		\$ 127,595
	<i>Decreases in Fund Balance:</i>			
Line 9	Disbursements to Investors	\$ -		\$ -
Line 10	Disbursements for Receivership Operations	\$ -		\$ -
Line 10a	<i>Disbursements to Receiver or Other Professionals</i>	\$ -		\$ -
Line 10b	<i>Business Asset Expenses</i>	\$ 264		\$ 264
Line 10c	<i>Personal Asset Expenses</i>	\$ -		\$ -
Line 10d	<i>Investment Expenses</i>	\$ -		\$ -
Line 10e	<i>Third-Party Litigation Expenses</i>	\$ -		\$ -
	1. Attorney Fees	\$ -		\$ -
	2. Litigation Expenses	\$ -		\$ -
	<i>Total Third-Party Litigation Expenses</i>	\$ -		\$ -
Line 10f	<i>Tax Administrator Fees and Bonds</i>	\$ -		\$ -
Line 10g	<i>Federal and State Tax Payments</i>	\$ -		\$ -
	Total Disbursements for Receivership Operations	\$ 264		\$ 264
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	<i>Distribution Plan Development Expenses:</i>			
	1. Fees:			
	Fund Administrator.....	\$ -		\$ -
	Independent Distribution Consultant (IDC).....	\$ -		\$ -
	Distribution Agent.....	\$ -		\$ -
	Consultants.....	\$ -		\$ -
	Legal Advisers.....	\$ -		\$ -
	Tax Advisers.....	\$ -		\$ -
	2. Administrative Expenses	\$ -		\$ -
	3. Miscellaneous	\$ -		\$ -
	<i>Total Plan Development Expenses</i>	\$ -		\$ -
Line 11b	<i>Distribution Plan Implementation Expenses:</i>			
	1. Fees:			
	Fund Administrator.....	\$ -		\$ -
	IDC.....	\$ -		\$ -
	Distribution Agent.....	\$ -		\$ -
	Consultants.....	\$ -		\$ -
	Legal Advisers.....	\$ -		\$ -
	Tax Advisers.....	\$ -		\$ -
	2. Administrative Expenses	\$ -		\$ -
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....	\$ -		\$ -
	Claimant Identification.....	\$ -		\$ -

	Claims Processing.....	\$	-		\$	-
	Web Site Maintenance/Call Center.....	\$	-		\$	-
	4. Fund Administrator Bond	\$	-		\$	-
	5. Miscellaneous	\$	-		\$	-
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses	\$	-		\$	-
	<i>Total Plan Implementation Expenses</i>	\$	-		\$	-
	Total Disbursements for Distribution Expenses Paid by the Fund					-
Line 12	Disbursements to Court/Other:					
Line 12a	<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>	\$	-			
Line 12b	<i>Federal Tax Payments</i>	\$	-			
	Total Disbursements to Court/Other:	\$	-			
	Total Funds Disbursed (Lines 9 – 11):	\$	264	\$	-	\$ 264
Line 13	Ending Balance (As of 12/31/11):	\$	127,331	\$	-	\$ 127,331
Line 14	Ending Balance of Fund – Net Assets:					
Line 14a	<i>Cash & Cash Equivalents</i>	\$	-			
Line 14b	<i>Investments</i>	\$	-			
Line 14c	<i>Other Assets or Uncleared Funds</i>	\$	-			
	Total Ending Balance of Fund – Net Assets	\$	127,331	\$	-	\$ 127,331

OTHER SUPPLEMENTAL INFORMATION:				
		Detail	Subtotal	Grand Total
Line 15	Report of Items NOT To Be Paid by the Fund:			
	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
Line 15a	<i>Plan Development Expenses Not Paid by the Fund:</i>			
	1. Fees:			
	Fund Administrator.....	\$	-	-
	IDC.....	\$	-	-
	Distribution Agent.....	\$	-	-
	Consultants.....	\$	-	-
	Legal Advisers.....	\$	-	-
	Tax Advisers.....	\$	-	-
	2. Administrative Expenses	\$	-	-
	3. Miscellaneous	\$	-	-
	<i>Total Plan Development Expenses Not Paid by the Fund:</i>	\$	-	-
Line 15b	<i>Plan Implementation Expenses Not Paid by the Fund:</i>			
	1. Fees:			
	Fund Administrator.....	\$	-	-
	IDC.....	\$	-	-
	Distribution Agent.....	\$	-	-
	Consultants.....	\$	-	-
	Legal Advisers.....	\$	-	-
	Tax Advisers.....	\$	-	-
	2. Administrative Expenses	\$	-	-
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....	\$	-	-
	Claimant Identification.....	\$	-	-
	Claims Processing.....	\$	-	-
	Web Site Maintenance/Call Center.....	\$	-	-
	4. Fund Administrator Bond	\$	-	-
	5. Miscellaneous	\$	-	-

	6. FAIR Reporting Expenses	\$	-	-
Line 15c	Total Plan Implementation Expenses Not Paid by the	\$	-	-
	Tax Administrator Fees & Bonds Not Paid by the Fu	\$	-	-
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund			
Line 16	Disbursements to Court/Other Not Paid by the Fund:			
Line 16a	Investment Expenses/CRIS Fees	\$	-	
Line 16b	Federal Tax Payments	\$	-	
	Total Disbursements to Court/Other Not Paid by tr	\$	-	
Line 17	DC & State Tax Payments	\$	-	
Line 18	No. of Claims:			
Line 18a	# of Claims Received This Reporting Period.....	\$	-	
Line 18b	# of Claims Received Since Inception of Fund.....	\$	-	
Line 19	No. of Claimants/Investors:			
Line 19a	# of Claimants/Investors Paid This Reporting Period	\$	-	
Line 19b	# of Claimants/Investors Paid Since Inception of Fur	\$	-	

Receiver: 
 By: _____
 (signature)
Keith Aurzada
 (printed name)
Receiver
 (title)
 Date: 3-30-12