

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

SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

v. :

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

Defendants, :

Civil Action No.
4:11-cv-00655

JOINT RULE 26(f) ATTORNEY CONFERENCE REPORT

Pursuant to the Court's March 16, 2012 Order, the parties submit this joint report of their Rule 26(f) attorney conference. The parties have had several discussions on multiple occasions about the matter. Most recently, the parties have engaged in settlement discussions. Although those discussions have not yet resulted in a proposed settlement, they are ongoing. Given these discussions, in an effort to avoid unnecessary expenses, the parties have not yet commenced discovery and, if settlement is not possible at this time, it may be necessary to supplement this Joint Report in advance of the scheduled management conference.

With regard to the specific items identified in the Court's March 16, 2012 Order, the parties report the following

1. Brief Factual and Legal Synopsis

A. Plaintiff's Statement:

Defendant Temme, personally and acting through various entities he controlled ("collectively, "Defendants"), made material misrepresentations to investors and committed other fraudulent acts in violation of the antifraud provisions of the federal securities laws. Since at least 2008, Defendants were able to raise at least \$35 million as a result of these fraudulent activities. In many instances, Defendants raised funds from investors who acquired interests in limited

partnerships formed to invest in non-performing residential mortgages and real properties or other distressed properties. In other instances, investors invested in promissory notes provided by Defendant Temme (or entities he controlled) that were represented as being secured by certain assets (primarily non-performing notes or distressed properties). In essence, Defendant Temme typically: (a) misrepresented that he or entities he controlled owned the notes or properties at issue, when in fact he did not, or (2) even in instances where Defendant Temme may have had some claim towards ownership, he “double-pledged” the same assets to multiple investors. Plaintiff seeks injunctive relief, disgorgement of ill-gotten gains, plus prejudgment interest, and civil penalties.

B. Defendants’ Statement:

Because of an ongoing criminal investigation, Mr. Temme has asserted his Fifth Amendment rights. Without waiving them, Mr. Temme denies that he violated the securities laws. With respect to the two allegations (a) and (b) above, as to (a) he denies making the representations as alleged and avers that the investors knew and/or were told that title was being sought, but that the process of changing title for all properties in a given package would take time. As to (b), he denies double pledging and, although Plaintiff has not identified the alleged instances of alleged double pledging, Defendant avers that it appears that in at least the one instance that the Plaintiff has identified so far, the investor was given part of Stewardship’s percentage in certain assets so that there was no double pledging.

2. Jurisdictional Basis

Plaintiff’s Statement:

The Court has jurisdiction over this action under Section 22(a) of the Securities Act of 1933 and Section 27 of the Securities and Exchange Act of 1934.

Defendants’ Statement:

Agreed.

3. Initial Disclosures

Plaintiff’s Statement:

Plaintiff has provided an Initial Disclosure statement as called for by Rule 26(a)(1), which also contains information required by the Court’s March 16, 2012 Order. Plaintiff has informed Defendant’s counsel of the volume and nature of available documents, which include both hard copy and electronic materials. Plaintiff’s counsel has offered to make the documents available for inspection prior to incurring the expense of copying and counsel are discussing the logistics involved in producing electronic data. The parties have engaged, and are continuing to engage in settlement discussions. As a result of these discussions, Defendants’ counsel suggested it was appropriate to delay the review and production of documents and electronic materials. Plaintiff

is not yet aware of the volume or nature of documents within Defendants' control or possession, though Plaintiff recognizes that many documents are currently under the control of the court-appointed Receiver.

With regard to Defendant's statement in connection with documents secured by the FBI, it is the Plaintiff's understanding that the FBI secured certain documents from the offices of Stewardship Fund, LP. It is also the Plaintiff's understanding that when Defendant's counsel previously asked to review and copy documents secured by the FBI, the FBI has worked with Defendant's counsel and made the documents available. Plaintiff is unaware of any recent requests made by Defendant to the FBI.

Defendants' Statement:

Defendant is providing Initial Disclosures. All or virtually all of defendant's documents pertaining to this case have been seized by the Government. A large number of documents in both hard copy and electronic format were seized by the FBI. Defendant understands that the SEC has been communicating with the FBI and apparently has access to these documents, if not actual copies of them. It is possible that Defendant will require relief from the Court to obtain access to the documents seized from him if the SEC cannot provide the documents.

After the initial seizure, the FBI offered to make certain documents available for inspection, but it did not make available all of the documents that it seized for various reasons. Defendant was told that some or all of the documents were being copied for, or sent to, the SEC. Defendant does not know what originals or copies, if any, the SEC ultimately received from the FBI. Defendant expects that its ability to inspect and copy documents held by the FBI may be restricted for various reasons, including what appears to be a requirement that an FBI agent be present at all times during any inspection even though FBI agents generally cannot spend their days watching document reviews, and copying documents may be much more difficult than usual because the FBI may not permit anyone else to take custody of documents for copying. Defendant certainly hopes and expects that the FBI and the SEC will be cooperative in terms of identifying and making available for inspection and copying documents seized by the FBI, but Defendant believes that inspecting and copying documents for a civil case may be significantly more difficult than with documents held by the FBI than for those held by a business, for example, and the information required for this Conference Report requires Defendant to identify this potential issue now in the event that problems arise.

4. Proposed Scheduling Order Deadlines

Plaintiff's Statement:

Plaintiff has attached a proposed scheduling order to this Report as Exhibit A. Plaintiff's proposed order incorporates the standard deadlines set out in Appendix 1 to the Court's March 16, 2012 Order.

Defendants' Statement:

Defendant agrees to the proposed scheduling order.

5. Mediation

The parties have not yet agreed that mediation would be appropriate. The parties intend to periodically discuss whether mediation would be helpful to resolving the litigation on an ongoing basis and will supplement this information to the Court as appropriate or requested.

6. Persons Expected to Be Deposed

Plaintiff's Statement:

Persons currently expected to be deposed by Plaintiff include: (1) Jay Temme, (2) Linda Hays Schoendienst, (3) Chad Vose, (4) Rief Chron, and (5) Cade Thompson. In light of ongoing settlement discussions, Plaintiff's counsel and Defendants' counsel have not yet finalized their discussions of potential deponents. Plaintiff respectfully requests an opportunity to supplement this identification if those settlement discussions do not result in a proposed settlement.

Defendant's Statement:

Persons expected to be deposed: (1) Chad Vose; (2) Cade Thompson; (3) Rief Chron; (4) Halo 30(b)(6); (5) Leroy Finch; (6) Michael Berry; (7) Russ Lambert; (8) Tim Weber; (9) George Caballero; (10) Keith Aurzada; (11) Curtis Ripee; (12) Joseph Harker. In light of ongoing settlement discussions, Plaintiff's counsel and Defendants' counsel have not yet finalized their discussions of potential deponents. Defendant respectfully requests an opportunity to supplement this identification if those settlement discussions do not result in a proposed settlement.

7. Issues Related to Discovery or Disclosure of Electronically Stored Information

Plaintiff's Statement:

Plaintiff has received production from various third-parties, including material produced electronically and has discussed the existence of those materials with Defendants' counsel. Though none are currently anticipated, if issues related to producing those electronic materials arise, Plaintiff's counsel will attempt to reach a mutually agreeable solution to those issues with Defendants' counsel.

In addition, Plaintiff has been told by potential witnesses that Defendant Temme communicated by electronic text messages and by personal cell phone (as opposed to a phone in an entity's name). There may be issues related to the production and use of these materials.

Defendants' Statement:

As noted above, there may be issues relating to obtaining documentation seized by the FBI.

8. Preserving Discoverable Information

Plaintiff's Statement:

Other than as noted above, Plaintiff is not currently aware of any issue relating to preserving discoverable information.

Defendants' Statement:

Other than as noted above, Defendant is not currently aware of any issue relating to preserving discoverable information.

9. Whether any other orders should be entered pursuant to Fed. R. Civ. P. 26(c), 16(b) or 16(c)

Plaintiff's Statement:

At this time, Plaintiff is not aware of a need for the Court to enter any orders beyond the proposed scheduling order submitted along with this Joint Attorney Conference Report. Plaintiff notes that, as discussed below, one preliminary motion (related to the ability of Commission staff to bind the Commission) in advance of the management conference may be necessary.

Defendants' Statement:

Defendant is not aware of any such need at this time.

10. Estimated trial time

Plaintiff's Statement:

Plaintiff currently anticipates that a trial in this matter would last approximately 1 to 2 weeks.

Defendants' Statement:

Two weeks.

11. Attorneys

Plaintiff's Statement:

Plaintiff anticipates that David Reece will appear on Plaintiff's behalf at the management conference. Plaintiff notes the Court's directive that the appearing attorney must have full authority to bind the client. Because of the unique statutes and rules that define the authorities and

obligations of the Commission and its staff, it may be necessary for Plaintiff to seek relief from this requirement. Just as only the Commission may authorize the filing of an enforcement action, only the Commission, not its staff, has authority to settle such an action. *Cf.*, 17 C.F.R. §202.5(f) (“In the course of the Commission’s investigations, civil lawsuits, and administrative proceedings, the staff, with appropriate authorization, may discuss with persons involved the disposition of such matters by consent, by settlement, or in some other manner”).

Defendants’ Statement:

John Helms is lead counsel and will have full authority.

Dated: June 8, 2012

Respectfully submitted,

/s/ David B. Reece

DAVID B. REECE

Lead Attorney

Texas Bar No. 242002810

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CERTIFICATE OF SERVICE

I hereby certify that on this June 8, 2012, I electronically filed the foregoing ***Joint Rule 26(f) Attorney Conference Report*** with the Clerk of the Court for the Eastern District of Texas, Sherman Division, using the CM/ECF system, which will send notification of such filing to all counsel who have registered with the Court.

/s/ David B. Reece

David B. Reece