

**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**  
(as of September 11, 2013)

COMES NOW, Keith M. Aurzada as Receiver (the “Receiver”) for James G. Temme (“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 Receiver’s Status 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 on 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 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 (“BC”) as his counsel. The Receiver and BC have performed substantial work administering the Receivership Estate, pursuing claims and assets of the estate,

and identifying investors in the Receivership Entities. The Receiver and BC's efforts are summarized more fully below.

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 ("Murray") as an accountant for the Receiver. *See* Order Granting Unopposed Application to Employ Greg T. Murray as Accountant for Receiver [Dkt. No. 45]. Mr. Murray has spent many hours analyzing various tax matters, reconciling bank statements, assisting with forensic examination of records, reviewing and reconciling claims, and maintaining accounts and other accounting issues. *See* Amended First Interim Application to Allow and Pay Professional Fees to Greg T. Murray, PLLC [Dkt. No. 138].

7. In addition, the Receiver hired an investment banker/broker, Barrier Advisors to assist with sales of Receivership assets and records. *See* Order Granting Unopposed Application to Employ Barrier Advisors as Investment Banker for Receiver [Dkt. No. 59]. Barrier spent several months performing due diligence on over 450 "Legacy Assets" and other assets of the Estate (together, the "Receivership Assets"), which are primarily promissory notes secured by liens on residential homes or fee interests in property obtain by deeds in lieu. [Dkt. Nos. 62, 63, and 104]. As described in more detail below, Barrier is working with the Receiver to monetize the Receivership Assets.

8. Additionally, at the request of the investors, the Receiver retained Wingspan Portfolio Advisors, LLC ("Wingspan") to analyze the Receivership Assets to determine the best course of action including, but not limited to, whether it is in the best interest of the Estate to sell the assets immediately or service the assets for a period of time and then sell them. Wingspan

has determined that based on its independent assessment, it is in the best interest of the Estate to immediately sell the Receivership Assets.

9. The Receiver has also engaged Jeffrey Goldfarb with Goldfarb, LLP as contingency fee counsel to analyze and evaluate certain potential causes of action belonging to the Receivership Estate. *See* Notice of Appearance of Additional Counsel [Dkt. No. 87]. Mr. Goldfarb has successfully settled a potential cause of action against the MCS Parties that resulted in a payment to the Estate of over \$1.3 million (more fully described below). Additionally, Mr. Goldfarb has agreed to terms to settle the Estate's potential claims against another investor group that will result in a substantial payment to the Estate.

10. Furthermore, the Receiver has retained Logos Data Services ("Logos") to maintain and restore data from the Defendants' server. Logos has provided the Receiver with data from the Defendants' server, which has been provided to investors and potential buyer of the Receivership Assets.

11. The Receiver has also retained Simplex Energy Solutions, LLC ("Simplex") [Dkt. No. 174] to market and sell oil and gas leases that the Estate acquired in a settlement with the Boyce Parties (*see* Sec. (B)(iii) below). Simplex marketed the oil and gas leases to exploration and production companies and leasehold acquisition funds in the Permian Basin and panhandle areas of Texas. Simplex was unable to find a buyer for the oil and gas leases and is in the process of providing the Receiver with a report and recommendation on the best course of action for extracting value for the Estate.

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

12. As part of his duties, the Receiver is tasked with identifying, locating, and valuing Receivership Estate assets and executing on those assets for the benefit of the estate. The

Receiver is in the process of identifying and locating assets owned by Defendants, as described more fully below.

**(i) Interest in P38**

13. Through his investigation, the Receiver identified an entity known as P38 Holdings, LLC (“P38”), the original ownership of which was held 10% by Wingspan Portfolio Advisors, LLC; 45% by Charles A. Vose III (“Vose”); and 45% by TREI II Holdings, LLC (“TREI II”). The Receiver further identified TREI II as an entity directly or indirectly controlled by Defendants and, as such, a part of the Receivership Estate.

14. On or about August 17, 2011, TREI II agreed to transfer its 45% interest in P38 to Vose (the “P38 Transfer”). In consideration for the P38 Transfer, TREI II received from Vose a 5% interest in Stewardship Management, LP, which was held by another entity owned by Vose, Southwest Federation North Texas, LP.

15. The Receiver does not believe that the P38 Transfer was for reasonably equivalent value and, therefore, believes that the P38 Transfer is an asset of the Receivership Estate. The Receiver, thus, contacted Vose and reached a settlement whereby Vose agreed to assign his interest in the P38 Transfer to the Receiver; relinquish the 5% partnership interest in Stewardship Management, LP that was transferred to TREI II; and relinquish to the Receiver the \$5,264.71 in distributions received from P38 [Dkt. No. 69].

**(ii) The Legacy Assets**

16. The Receiver has located more than 450 Legacy Assets and 130 Substitute Assets that the Receiver is attempting to liquidate for the benefit of the Estate. [Dkt. Nos. 62, 63, and 104]. The Legacy Assets consist of properties that were titled in the name of one of the Defendants at the time the Receiver was appointed. Upon appointment, the Receiver took

possession of the Legacy Assets and turned them over to Barrier to be marketed and readied for sale.

17. Barrier marketed the Receivership Assets on several public exchanges and received hundreds of inquiries and requests for further information. Based on the offers received by Barrier, the Receiver was prepared to sell the Legacy Assets in August of 2012. *See* Motion for Authority to Sell Property and to Approve Sales Procedures (the “Barrier Sales Motion”).

18. However, the Receiver’s and Barrier’s efforts to sell the Legacy Assets were hindered by the objections of certain investors. *See* Dkt. Nos. 111, 112, 114. Based on the investors’ objections, the Receiver delayed final sale of the Legacy Assets. As a result, the Barrier Sales Motion was denied, subject to reinstatement. *See* Order [Dkt. No. 181]. The Receiver has continued to work to resolve the investors’ objections to the Barrier Sales Motion, including entering into a settlement with John Graves (described below), so that the Legacy Assets can be liquidated for the benefit of the Estate.

19. Based on the Receiver’s continuing efforts to sell the Legacy Assets, the Receiver has located a new potential buyer for the Legacy Assets. The Receiver is currently in negotiations with the potential buyer to finalize a sales agreement to sell the Legacy Assets.

**(iii) The Substitute Assets**

20. The Substitute Assets were acquired through a settlement with Stewardship Fund No. 2, L.P., Stewardship Fund No. 3, L.P., Stewardship Fund No. 4, L.P. and Stewardship Fund No. 5, L.P (collectively, the “Mt. Vernon Entities”). The Receivership Estate owns a forty percent (40%) limited partnership interest in each of the Mt. Vernon Entities. The Mt. Vernon Entities acquired assets from one or more of the Defendants through a series of Asset Disposition Agreements that list certain mortgages that were to be purchased on behalf of the limited

partnerships.<sup>1</sup> However, certain assets described in the Asset Disposition Agreements were not identified in the original limited partnership agreements (the “Substitute Assets”).

21. As such, the Receiver contends that the Estate may have a claim to take title to the Substitute Assets by virtue of a fraudulent conveyance claim. The Mt. Vernon Entities disagree and assert that they are entitled to ownership. Based on the Receiver’s potential claim to the Substitute Assets, the Mt. Vernon Entities entered into a settlement whereby the Estate will be granted a 40% profits interest in the Substitute Assets in exchange for the Mt. Vernon Entities’ continued efforts to preserve the value of the Substitute Assets. *See* Order Granting Receiver’s Emergency Motion to Approve Asset Disposition Agreement [Dkt. No. 63].

**(iv) Settlement with the Boyce Parties**

22. Through his investigation, the Receiver learned that in 2011, Robert and Elizabeth Boyce and ER, LLC (collectively the “Boyce Parties”) advanced \$1.3 million to one or more of the Defendants. In return, the Boyce Parties received \$250,000 in cash, oil and gas leases of undetermined value, and 71 properties (mostly REO). In December of 2011, the Boyce Parties sold 53 of the properties for net proceeds of approximately \$650,000, leaving 18 properties in their possession (the Receiver believes that the properties have a value of approximately \$50,000).

23. The Receiver believes that the Estate may have claims against the Boyce Parties arising out of their transactions with the Defendants. Accordingly, the Receiver contacted the Boyce Parties and reached a settlement whereby the Boyce Parties agreed to transfer to the Receiver the 18 properties acquired from Defendants, transfer to the Receiver oil and gas leases

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<sup>1</sup> The Receivership Estate will receive distributions from the profits generated by the Mt. Vernon Entities from the sale of its remaining assets. However, because the Estate’s interest is only as a limited partner, the Receiver has no control over the sale of such assets.

and the associated overriding royalty interests, and pay the Receiver \$50,000 [Dkt. Nos. 80 and 95]. The Receiver has received the deeds to the REO properties, a \$25,000 payment, and the oil and gas leases.

(v) **Settlements with the Harbour and Cavco Entities**

24. Through his investigation, the Receiver determined that in July 2008, Harbour Portfolio I, LLC (“Harbour I”) and Harbour Portfolio II, LLC (“Harbour II”) attempted to purchase from Defendants 221 and 172 distressed real estate mortgages and corresponding notes for \$2,032,395.69 and \$1,321,103.80 respectively. As part of the transaction, each of the mortgages should have been assigned to Harbour I and Harbour II (and the assignments recorded) and an allonge should have been executed for each note indicating that Harbour I and Harbour II were the new holders of the notes. Although the transactions closed in 2008, few, if any, of the mortgage assignments or allonges were ever executed or recorded. As a result, the Receiver claimed an interest in the remaining mortgages and notes owned by Harbour I and Harbour II.

25. Similarly, in February 2010, Harbour Portfolio IV (“Harbour IV”) attempted to purchase 199 distressed real estate mortgages and corresponding notes for a purchase price of \$645,000 and from March 2009 to June 2010, Cavco Holdings, LLC (“Cavco”) attempted to purchase 203 distressed real estate mortgages and corresponding notes for a total purchase price of approximately \$917,000. As with Harbour I and Harbour II, Harbour IV and Cavco failed to properly assign and transfer the mortgages and notes. As a result, the Receiver claimed an interest in the mortgages and notes owned by Harbour IV and Cavco.

26. Based on the Receiver’s potential claims, Harbour I, Harbour II, Harbour IV, and Cavco entered into settlement agreements with the Receiver [Dkt. No. 79]. Under the settlement



agreements, Harbour I agreed to transfer its interest in eighty (80) mortgages and notes to the Receivership Estate; Harbour II agreed to transfer its interest in thirty seven (37) mortgages and notes to the Receivership Estate; Harbour IV and the Receiver will divide the net proceeds from sale of Harbour IV's assets 40% to the Receivership Estate and 60% to Harbour IV; and Cavco and the Receiver will divide the net proceeds from sale of Cavco's assets 40% to the Receivership Estate and 60% to Cavco.

(vi) **The Lakeside Assets and the Motion for Contempt**

27. The assets received from settlements with the Harbour and Cavco entities (together with other Legacy Assets, the "Lakeside Assets") were marketed for sale through Halo Companies, Inc. ("Halo"). Halo identified a potential buyer (Lakeside Portfolio Management, LLC) for the assets and the Receiver filed a motion seeking authorization to sell the assets to Lakeside (the "Lakeside Sales Motion"). *See* Motion for Authority to Sell Properties to Lakeside Portfolio Management, LLC [Dkt. No. 103] (together with the Barrier Sales Motion, the "Sales Motions"). However, based on objections from certain investors, the sale of the Lakeside Assets was delayed and the Lakeside Sales Motion was denied, subject to reinstatement.

28. Although the Lakeside Sales Motion was denied, the Receiver and Halo continued to market the Lakeside Assets. On November 27, 2012, the Receiver received a non-binding letter of intent from HP Debt Exchange, LLC ("HP") to purchase the Lakeside Assets for \$250,000 (the "Letter of Intent").

29. The Receiver informed HP that, although the Estate intends to sell the Lakeside Assets, it could not move forward with a sale until the Receiver resolved certain objections of the Estate's investors. Despite the Receiver's clear statements that he was not moving forward with the sale of the Lakeside Assets, on or about March 25, 2013, the Receiver and his counsel were contacted by Mark Torok (attorney for, and principal of, Toroklaw Equity Management

Company, LLC and Toroklaw Equity Management Fund I, LLC (collectively “Torok”) who suggested that he and his affiliated entities had purchased the Subject Assets from HP and its principal Christopher Ganter for \$450,000. Further investigation revealed that the assets purportedly sold to Torok were, in fact, the Lakeside Assets that were the subject of the Lakeside Sale Motion.

30. Based on the unauthorized purported sale of the Lakeside Assets by HP and Mr. Ganter, the Receiver filed a Motion for Order to Show Cause Why HP Debt Exchange, LLC and Christopher Ganter Should Not be Held in Contempt and Brief in Support (the “Motion for Contempt”) [Dkt. No. 190]. The Motion for Contempt requested that the Court hold HP and Mr. Ganter in contempt for purporting to sell assets of the Estate without authorization. The Receiver also requested an order requiring HP and Mr. Ganter to disgorge the \$450,000 payment received from Torok into the Court Registry.

31. On July 1, 2013, the Court entered an Order Holding HP Debt Exchange, LLC and Christopher Ganter in Contempt [Dkt. No. 209] and a supplemental Order of contempt [Dkt. No. 210] (together, the “Contempt Orders”). The Contempt Orders require HP and Ganter to pay into the Court Registry the \$450,000 they received from Torok. HP and Ganter subsequently paid the \$450,000 into the Court Registry.

32. On August 19, 2013, the Receiver filed a motion to sell the Lakeside Assets to Torok for the \$450,000 deposited in the Registry of the Court, or to any party that makes a higher offer during a 30-day auction period. *See* [Dkt. No. 233].

(vii) **Anglers and Hunters, Inc.**

33. Through his investigation, the Receiver determined that the Estate has an interest in Angler and Hunters, Inc., a now defunct entity owned or controlled by Temme. Although

Anglers and Hunters, Inc. is no longer operating, the Receiver identified a bank account owned by Anglers and Hunters that contained \$19,988.36. The Receiver has acquired the funds in the account and closed the account.

**(viii) Settlement with John Graves**

34. John Graves and his various associated entities (together, “JEG”)<sup>2</sup> entered into a series of agreements with the Defendants from December 2006 to August 2011. Under those agreements, JEG paid the Defendants in excess of \$1,721,000 in exchange for a promise to provide JEG with: (i) a 40% interest in 330 properties acquired in 2008; (ii) 100% ownership interest in approximately 150 properties; and (iii) a series of monthly payments.

35. Despite those agreements, JEG only actually received the collateral files to 48 properties and some of the required monthly payments. The total amount of payments received by JEG from Defendants is in dispute. However, the Receiver believes that it may have a potential claim against JEG for the funds it received. As a result of the potential claims against JEG, the Receiver filed a motion to show cause requesting disgorgement of the funds [Dkt. No. 170]. The Receiver and JEG entered into negotiations to settle the Estate’s potential claims, and on April 29, 2013, the Receiver filed a Motion to Approve Settlement Agreement with JEG Parties [Dkt. No. 189]. The motion and settlement agreement were approved by the Court on June 17, 2013 [Dkt. No. 199].

36. Under the settlement agreement, the JEG parties waive, release, and relinquish all rights they have to any of the assets that are the subject of the Sales Motions so that the Receiver may liquidate those assets. Moreover, the JEG parties agreed to provide to the Estate any

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<sup>2</sup> The JEG Entities include JEG Property Investments, L.P. f/k/a Beracah Valley Enterprises, LP; NG Roth Investments, LLC; JG Roth Investments, LLC; JG Roth, LLC; HNG ESA, LLC; JDG ESA, LLC; SKG ESA, LLC; REG ESA, LLC; JAG ESA, LLC; John Graves; Nicole Graves; and JEG Property Investments 401k Trust.

interest they may have in approximately 50 properties. Although it is unclear whether any other entities may claim an interest in those properties, they represent another valuable asset that the Estate may liquidate for the benefit of its investors.

**(ix) American Mutual**

37. In March 2011, American Mutual, LP (“American Mutual”) purportedly purchased 50 residential real estate backed mortgages and REO properties from the Defendants in exchange for payment of \$508,676.61. American Mutual, however, did not receive title to the assets or physical possession of the collateral files. At the time the Receiver was appointed, American Mutual began requesting delivery of the assets and execution of documents assigning title to the assets to American Mutual.

38. Because American Mutual had not received physical possession of the asset files, the Receiver believes that he has certain defenses to American Mutual’s claims to the assets. After extensive negotiations, the Receiver entered into a settlement and release agreement with American Mutual which settles all claims between the Estate and American Mutual. Under the agreement, the Estate will provide American Mutual with the physical files for 40 of the 50 assets in exchange for a payment of \$50,000 and a waiver of any claim to the remaining 10 assets. The Court has approved of the settlement agreement [Dkt. No. 230] and the Receiver has received the \$50,000 payment.

**(x) The Lake House**

39. Through his investigation, the Receiver discovered that Mr. Temme and his wife Laura Temme own a single-family residence located on Bonham Lake, commonly known as 8700 Lake Drive, Bonham, Texas 75418 (the “Lake House”). When questioned by the Receiver, the Temmes claimed to have sold the Lake House and provided the Receiver with a copy of a partially handwritten agreement to sell the Lake House dated April 17, 2011. The sales

agreement purports to sell and/or assign all interests in the Lake House to the “B and B Family Trust” for a cash payment of \$65,000, with a lease back to the Temmes for a period of three years.

40. The Receiver has conducted a diligent search of Mr. Temme’s laptop, known email accounts, the physical files from the Defendants, the server for the Defendants, and has conducted multiple telephone interviews with Mr. Temme and his counsel related to the Lake House. Despite a diligent investigation, the Receiver has found no evidence that the Lake House was sold by the Temmes, other than the partially handwritten Sales Agreement provided by Mr. Temme. The Receiver has not located any copies of the Sales Agreement other than the one provided by Mr. Temme. The Receiver has not located any communications regarding a sale of the Lake House, including any communications with a broker or real estate agent, attorney, escrow agent, or anyone related to the B and B Family Trust. Mr. Temme claims that he does not have any contact information for anyone with the B and B Family Trust.

41. In short, the Receiver has found no evidence indicating that the Lake House was sold by the Temmes or that anyone else is asserting an interest in the Lake House. As a result, the Receiver does not believe that the sales agreement is genuine and believes that the Temmes still own the Lake House. Accordingly, the Receiver has filed a motion to sell the Lake House to the highest bidder and has sought authority to employ a real estate broker in Fannin County [Dkt. No. 233]. The Receiver has received a broker’s opinion of value indicating that the Lake House may be worth over \$100,000.

(xi) **Other Assets of Defendants**

42. Through his investigation, the Receiver has also located a personal retirement account owned by Temme. The Receiver filed a motion to liquidate the account, which was

granted by the Court [Docket No. 165]. The Receiver has liquidated the funds in the account and has sought additional funds associated with the account from Mr. Temme.

(xii) **“Disposed” and “Sold” Assets**

43. The Receiver has located numerous boxes containing asset files for properties that were identified by the Defendants as “disposed” assets and numerous containing asset files for properties that were identified by the Defendants as “sold” assets. At this time, the Receiver is working with investors to cull, identify, and analyze the “disposed” and “sold” assets. As this process is ongoing, it is too early to determine if any value can be obtained.

C. **Litigation Claims.**

44. The Receiver continues to investigate potential litigation claims. At this time, the Receiver has reached an agreement in principle with an investor group that the Receiver anticipates will result in a significant recovery for the Estate. The Receiver anticipates filing a motion to approve the settlement agreement shortly. The Receiver will continue to investigate other potential claims and will utilize contingency counsel to pursue them if it is in the best interest of the Receivership Estate.

45. Moreover, on August 28, 2013, the Receiver filed a motion to settle potential claims against Halo for, among other considerations, a payment of \$250,000 to the Estate. *See* Motion to Approve Settlement Agreement with Halo Companies, Inc. [Dkt. No. 244].

46. In addition to the Estate claims against investor groups, the Receiver is investigating potential claims against third-party escrow companies and brokers whose services were utilized by the Defendants. The Receiver’s investigation is still in the discovery phase and the Receiver has served formal discovery on two such entities.

**D. Identity of Investors and Creditors.**

47. The Receiver is working to identify and compile a database of all investors and creditors of the Defendants. The Receiver's task of identifying investors, however, is made difficult because the Defendants have no known comprehensive list of investors. The Receiver is working with Murray to identify investors based on funds received by Defendants. At this time approximately 143 Investor Proofs of Claim have been provided to the Receiver in a total amount in excess of \$12,000,000.

**E. Evidence Preservation**

48. 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.

49. 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. The Receiver has and will make the Defendants' records and information and its computer system available to the Commission.

**F. Obtaining Additional Evidence**

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

51. 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**

52. 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.

53. 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.

54. 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.

55. 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.

56. Most recently, the Receiver has had numerous meetings with the investors and their counsel. Such meetings have been followed by significant work to answer questions and provide additional information.

**H. Operations**

57. The Defendants are no longer operating.

**I. Asset Sales**

58. As stated more fully above, the Receiver is working with Barrier and other parties to consummate sales of all assets recovered by the Receiver.



**III.**

**Conclusion And Recommendations**

59. 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.

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

61. 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: September 11, 2013

Respectfully Submitted:

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

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