

**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 December 31, 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 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. Furthermore, the Receiver took possession of many checks 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 and his staff have spent several hundred hours on 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 of foreclosure. [Dkt. Nos. 62, 63, and 104]. Barrier has marketed the Receivership Assets on several public exchanges, has received dozens of inquiries and requests for further information, and has continued to assist the Receiver in his efforts to market and sell Receivership Assets. *See, e.g.,* Motion for Authority to Sell Property and to Approve Sales Procedures [Dkt. No. 104].

8. At the request of the Stewardship Receivership Claimants Association (the “**Association**”), 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. Based on its independent assessment, Wingspan has determined that 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 (and now with Hicks Thomas, 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 potential litigation against the MCS Parties that resulted in a payment to the Estate of over \$1.3 million (more fully described below), settled the Estate’s claims against American Mutual, LLC that resulted in a payment of \$50,000 to the Estate, and has provided a proposed settlement agreement with the HSP Entities (described below) that will likely result in a payment of \$550,000 to the Estate.

10. The Receiver has also engaged Andrew Whitaker with Figari and Davenport, LLP to investigate potential causes of action against multiple escrow companies that worked with the Defendants. At this time, the Receiver is in settlement negotiations with two escrow companies and expects to resolve its claims without the need for litigation.

11. The Receiver has also retained Logos Data Services (“**Logos**”) to maintain and restore data from the Defendants’ server. Logos is currently in the process of retrieving and restoring data regarding the servicing history of certain assets that has been requested by potential purchasers of the Receivership Assets.

12. The Receiver has also retained Simplex Energy Solutions, LLC (“**Simplex**”) [Dkt. No. 174] to market and sell certain oil and gas leases that the Estate acquired in a settlement with the Boyce Parties (*see* Sec. (B)(iii) below).

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

13. 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

14. 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. The Defendants did not inform the Receiver of this transfer or the existence of the assets owned by P38.

15. 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.

16. 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].

17. The Receiver received \$5,264.71 from Vose and has received periodic small distributions from the Estate's interest in P38.

(ii) **The Substitute Assets**

18. The Receiver has located more 130 Substitute Assets that have been recovered for the benefit of the Estate. 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.¹ However, certain assets described in the Asset Disposition Agreements were not identified in the original limited partnership agreements (the "**Substitute Assets**"). 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,

¹ 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.

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].

19. The Receiver has attempted to locate additional mortgages and notes that are assets of the Estate, similar to the assets marketed by Barrier. Those efforts, however, have been hindered by the abominable record keeping of the Defendants.

(iii) **Assets Received from the Boyce Parties**

20. 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).

21. 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 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. The 18 properties are currently being marketed for sale by Barrier.

22. The oil and gas leases were marketed for sale by Simplex. Despite marketing the oil and gas leases for several months, Simplex was unable to procure a buyer for the leases. As a result, the Receiver has filed a motion to allow Simplex to continue attempting to market the oil and gas leases or to abandon them [Dkt. No. 284].

(iv) **Assets Received from the Harbour and Cavco Entities**

23. 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.

24. 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.

25. 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.

26. Based on the Receiver's settlement with Cavco and Harbour IV, the Estate has received \$13,632.42 from Harbour IV and \$29,707.30 from Cavco. The Receiver anticipates receiving additional funds in smaller amounts.

(iv) **The Lakeside Assets**

27. The assets received from settlements with the Harbour and Cavco entities were marketed for sale through Halo Companies, Inc. ("**Halo**"). In August 2012, Halo assisted the Receiver in identifying a potential buyer (Lakeside Portfolio Management, LLC) for the assets received from Harbour and Cavco (referred to as the "**Lakeside Assets**") and the Receiver filed a requested authorization to sell the Lakeside Assets for \$195,000 (the "**Lakeside Sales Motion**"). The sale of the Lakeside Assets was subject to a public auction.

28. The Association objected to the sale of the Lakeside Assets (which were non-performing mortgages), alleging that the assets were more valuable if they were held by the Receiver and sold at a later date as performing mortgages². The Association also requested that the Receiver retain Wingspan to evaluate whether it was in the Estate's best interest to

² Other investors objected to the Lakeside Sales Motion. However, all objections were resolved except the objection of the Association.

immediately sell the Lakeside Assets or hold them for sale later. The Receiver paid Wingspan \$75,000 to evaluate the Lakeside Assets. Wingspan concluded that it was in the Estate's best interest to immediately sell the Lakeside Assets and concluded that the sales price of \$195,000 was a fair price.

29. 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**"). Unbeknownst to the Receiver, after HP offered to purchase the Lakeside Assets from the Estate, it fraudulently purported to sell the Lakeside Assets to Mark Torok and related entities for \$450,000. The \$450,000 price was based on false representations by HP and its principal, Chris Ganter, regarding the quality and nature of the Lakeside Assets. It was those misrepresentations that garnered an offer of \$450,000 for the Lakeside Assets. The Receiver continued to receive offers to purchase the Lakeside Assets, but (other than HP) no offer was greater than the \$195,000 originally offered by Lakeside.

30. Upon learning about the fraudulent sale to Torok, the Receiver filed a motion for contempt against HP. The motion was granted and HP was ordered to disgorge the \$450,000 it received from Torok into the Court registry. The Court has ordered the \$450,000 that was disgorged from HP and Ganter to be paid to the Estate. The Receiver anticipates receiving the \$450,000 from the Court in the first two weeks of 2014.

(vi) **The Lake House**

31. Through his investigation, the Receiver located a lake house in Bonham, Texas titled in the name of Mr. and Mrs. Temme. As with other assets of the Estate, Mr. Temme did not voluntarily disclose the existence of the lake house. When the Receiver inquired as to the current ownership of the lake house, the Temmes alleged that it had been sold prior to the

Receivership and produced a partially handwritten sales contract. On information and belief, the sales contract was fraudulent and, as a result, on October 1, 2013, the Receiver filed and the Court granted a Motion for Authority to (i) Assign Lease; (ii) Sell Real Property; (iii) Approve Sales Procedures; (iv) Enter into Listing Agreement and Request for Service by Publication [Docket No. 273]. As a result, the Receiver retained a real estate broker, who listed the lake house for sale for \$125,000. The Receiver received three offers to purchase the lake house, and accepted the highest all-cash offer of \$126,000. The Receiver anticipates closing on the sale of the lake house in the first two weeks of 2014. The sale of the lake house should result in a net cash gain of over \$100,000 for the Estate.³

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

32. 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.

³ The sales proceeds will be used to pay costs associated with the sale of the lake house, including a 6% sales commission to the real estate agent, paying off of an approximately \$8,000 loan secured by the lake house, and payment of approximately \$8,000 in necessary repairs to make the lake house saleable.

(viii) Other Assets of Defendants

33. Through his investigation, the Receiver 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]. As a result, the Receiver received a payment of \$64,983.36 representing the contents of the retirement account. That amount, however, was \$15,000 less than the Receiver anticipated based upon financial statements in the Receiver's possession. Upon written demand, Temme returned \$15,000 that was previously withdrawn from the retirement account without authorization.

(ix) "Disposed" and "Sold" Assets

34. 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 and Settlements

(i) Mt. Vernon Entities Settlement

35. As described more fully in Section B(ii), the Receiver entered into an Asset Disposition Agreement with the Mt. Vernon Entities that resulted in the Estate taking a profits interest in 130 Substitute Assets.⁴ The Substitute Assets were purportedly owned by the Mt. Vernon Entities based on a series of Asset Disposition Agreements with the Defendants prior to the Receivership. Because, the Substitute Assets were not identified in the original limited partnership agreements, the Receiver contends that the Estate may have a claim to take title to

⁴ The Mt. Vernon Entities include 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.

the Substitute Assets by virtue of a fraudulent conveyance claim. In order to avoid litigating the ownership of the Substitute Assets, the Mt. Vernon Entities agreed to provide the Estate 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].

(ii) Harbour and Cavco Settlements

36. As described more fully in Section B(iv), the Receiver entered into a Settlement Agreement with the four Harbour and Cavco entities. Prior to the Receivership, the Harbour and Cavco entities attempted to purchase several packages of distressed real estate mortgages and promissory notes from the Defendants. As part of his investigation, the Receiver determined that the transfers of ownership of the mortgages and notes were improperly documented. As a result, the Receiver claimed an interest in the mortgages and notes and threatened litigation against the Harbour and Cavco entities.

37. Based on the Receiver's potential claims, the Harbour and Cavco entities entered into settlement agreements with the Receiver [Dkt. No. 79] in which the Estate received over 100 mortgages and notes (later sold as the Lakeside Assets) and a 40% profits interest in several hundred other mortgages and notes. The disposition of the Lakeside Assets will result in a payment of \$450,000 to the Estate. The 40% profits interest in the other assets owned by the Harbour and Cavco entities has resulted in payments to the Estate totaling more than \$45,000. The Receiver anticipates receiving additional funds in smaller amounts.

(iii) Boyce Settlement

38. As described more fully in Section B(iii), the Receiver entered into a Settlement Agreement with the Boyce Entities. Prior to the Receivership, the Boyce Parties entered into several agreements with the Defendants to acquire mortgages and promissory notes. Based on

the failure to properly document such transaction, the Receiver alleged claims against the Boyce Parties and sought to recover the assets they acquired from the Defendants. In order to avoid litigating the ownership of assets acquired from the Defendants, the Boyce Parties entered into a settlement agreement with the Receiver in which the Estate received 18 REO properties, certain oil and gas leases and the associated overriding royalty interests, and a \$50,000 payment [Dkt. Nos. 80 and 95].

(iv) **MCS Settlement**

39. Based on this investigation, the Receiver discovered that, despite massive losses on other ventures, certain entities associated with MC Smith Realty, LLC—MCS Small Cap Fund I, LP, MCS Stewardship No. 2 Invest, LP, and MCS Stewardship No. 3 Invest, LP (collectively, the “**MCS Parties**”)—realized “net profits” that total about \$3 million from their dealings with the Defendants. In order to efficiently investigate potential claims against the MCS Parties, and potential defenses to such claims, the Receiver retained Jeff Goldfarb as contingency fee counsel. *See* Section A. After extensive discovery by Mr. Goldfarb and the Receiver, as well as extensive negotiations with counsel for the MCS Parties, the Receiver determined that it was in the best interest of the Estate to enter into a Compromise & Settlement Agreement to resolve the claims against the MCS Parties. Under the Settlement, the MCS Parties made a payment of \$1,335,000 to the Receiver for the benefit of the Estate.⁵

⁵ In conjunction with the Settlement, Receiver paid settlement proceeds to cover professional fees and expenses to the law firm of Goldfarb LLP pursuant to the retention agreement with the Receiver in the total amount of \$333,750.00 in attorney’s fees (or 25% of the \$1,335,000.00 settlement payment) plus \$210 in expenses.

(v) **Bristlewood Claim Settlement**

40. The Bristlewood Claimants⁶ represent several of the most significant investors in the Defendants. The Bristlewood Claimants have submitted proofs of claim and a full cash accounting to the Receiver demonstrating net losses from their investments with the Defendants in the amount of \$9,137,715.75. *See* Agreed Motion to Approve Claim Determination [Dkt. No. 155]. The Bristlewood Claimants' claims however, are complicated by the fact that one or more of the Defendants acted as the general partner for some of the Bristlewood Claimants and continue to own a 40% profits interest in some of the Bristlewood Claimants. In order to avoid the cost of litigating the amount of the claim against the Estate, the Bristlewood Claimants and the Receiver entered into a Claim Stipulation and Agreement in which the Bristlewood Claimants agree to accept a claim amount of \$7,619,116.21 (a reduction of \$1,518,599.54). Additionally, the Receivership Estate will continue to have a 40% profits interest in some of the Bristlewood Claimants. In the Receiver's judgment, the settlement reflects the highest conceivable offset that the Estate could have obtained and maintains an asset of the Estate without the expense of litigation.

(vi) **Graves Settlement**

41. The Graves Parties⁷ entered into a series of transactions with the Defendants before the Receivership. Based on his investigation, the Receiver determined that certain of the Graves Parties were "net winners" in their transactions with the Defendants and, therefore, filed

⁶ The Bristlewood Claimants include Bristlewood, LP, 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, Stewardship Fund No. 7, LP, Canadian Peso 21, Klipspringer Partners LP, Kennywood Partners, Ltd., J. Christopher Dance, Leslie T. Merrick Investment Trust, The Kenny Allen Troutt Descendants Trust, Canadian Peso 25, and Canadian Peso 27.

⁷ The Graves Parties 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.

a motion to show cause against the Graves Parties [Dkt. No. 170]. In response to the motion to show cause, the Graves Parties entered into negotiations with the Receiver and demonstrated that each of the net winner entities was insolvent. In order to settle potential claims between the Graves Parties and the Estate without the expense of litigation, the Receiver entered in a Settlement Agreement with the Graves Parties in which the Graves Parties waived their interest in certain Estate assets that the Receiver was attempting to sell and provided the Estate with 48 mortgages and promissory notes received from the Defendants.

(vii) **American Mutual Settlement**

42. Prior to the Receivership American Mutual, LP (“**American Mutual**”) attempted to purchase 50 mortgages and promissory notes from the Defendants for \$508,676.61. American Mutual, however, did not receive assignments and allonges or the physical documents it purportedly purchased. As a result, the Receiver claimed that the Estate owned an interest in the assets.

43. After extensive negotiations with American Mutual, the Receiver entered into a settlement and release agreement in which the Estate provided American Mutual 40 of the 50 assets it attempted to purchase in exchange for a payment of \$50,000 to the Receivership Estate and a waiver of any and all claims against the Estate.

(viii) **HSP Entities Settlement**

44. With the assistance of contingency fee counsel Jeffrey Goldfarb (*See* Section A), the Receiver has also investigated potential causes of action against the HSP Entities⁸ (“**HSP**”).

⁸ The HSP Entities include Home Solutions Capital, LLC, Home Solutions GP, LP, Home Solutions Advisors, LLC, Home Solutions Partners I, LP, Home Solutions Partners I REO, LLC, Home Solutions Partners III, LP, Home Solutions Partners III REO, LLC (“HSP III”), Home Solutions Partners IV, LP, Home Solutions Partners IV REO, LLC (“HSP IV”), Harbour Portfolio Advisors, LLC, Harbour Portfolio Capital, LLC, Harbour Portfolio GP, LP, Harbour Portfolio V, LLC (“Harbour V”), and Harbour Portfolio VI, LP, and affiliates, partners, and employees.

HSP paid \$1.5 million to certain Defendants to purchase an asset package. The assets, however, were never delivered to HSP. Subsequently, HSP was paid \$1.8 million from certain other Defendants, purportedly as reimbursement for the \$1.5 million prior payment as well as other amounts owing to HSP.

45. The Receiver prepared for litigation against the HSP Entities, but before filing suit, engaged in extensive negotiations with counsel for the HSP Entities. Based on those negotiations, the Receiver has determined to enter into a Settlement Agreement to resolve claims against the HSP Entities. Under the Settlement Agreement the HSP Entities will make a payment of \$550,000 to the Receiver for the benefit of the Receivership Estate⁹ and the Estate will release all claims against the HSP Entities.

46. The Receiver has filed a motion to approve the settlement agreement [Dkt. No 281], which has not yet been approved by the Court due to an objection to the settlement. The Receiver anticipates that the objection will be overruled and that the Court will approve the settlement.

(ix) **Halo Settlement**

47. The Receiver has also alleged claims against Halo Companies, Inc. (“Halo”) and sought to resolve those potential claims through settlement with Halo. The Defendants and Halo had a close business relationship prior to the Receivership and, at one point, had entered into negotiations to merge their companies. Because of this close business relationship, Halo and the Defendants entered into several formal and informal business transaction, many of which were inadequately documented or not documented at all. As a result, of the poor documentation of transactions, the Receiver has determined that any claims against Halo would need to be proven

⁹ Contingency fee counsel will be paid \$105,763.18 from the settlement proceeds.

with testimony from James Temme, who has asserted his Fifth Amendment rights in this matter and refused to provide testimony. Based on the lack of competent evidence, and other considerations detailed in the Reply in Support of Motion to Approve Settlement Agreement with Halo Companies, Inc. [Dkt. No. 268], the Receiver endeavors to enter into a Settlement Agreement with Halo in which Halo will pay the Estate \$250,000 and waive all claims against the Estate [Dkt. No. 244].

48. The proposed settlement with Halo was objected to by two investors groups, the Association and the Berg Group.¹⁰ Magistrate Judge Amos L. Mazzant has entered a Report and Recommendation approving the settlement agreement with Halo [Dkt. No 290] and the Receiver anticipates that the District Court will also approve the settlement agreement.

(x) **Motion for Relief from Stay/Motion to Compel Discovery**

49. In addition to alleging potential lawsuits and negotiating settlements on behalf of the Estate, the Receiver has been required to attend to other litigation against the Estate. For example, the Receiver successfully defended against a request for relief from stay which would have allowed certain investors to pursue claims against the Defendants [Dkt. No. 96]. If the motion for relief from stay was successful, the Receiver would have been required to simultaneously defend those causes of action (in order to preserve the Estate) while pursuing assets of the Estate.

50. Likewise, the Receiver successfully defended against a motion to compel discovery from certain investors which would have required the Receiver to spend tens of hours responding to discovery requests and reviewing documents for the benefit of certain investors [Dkt. No. 100].

¹⁰ The Berg Group includes Bruce Berg, Stuart Cartner, Kevin Doyle, Walter Haydock, Edward Leh, Kevin Murphy, Philip Schantz, DAIS Partners, LP, Singer Bros., LLC, Skeleton Lake, LLC, and Wildcat Lake Partners.

D. Estate Cash Flow.

51. At the time the Receiver was appointed, the Defendants' bank accounts contained nearly nothing. As of December 31, 2013, the balance of the Receiver's liquid accounts totaled \$1,484,346.¹¹ This does not include other, non-liquid assets of the Receivership Estate such as interests in notes, properties, or potential causes of action.

52. Moreover, the Receiver anticipates that in the first quarter of 2014 the Estate will receive: (i) approximately \$100,000 from the sale of the lake house; and (ii) \$550,000 from the settlement with the HSP Entities.

E. Identity of Investors and Creditors.

53. 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 170 Investor Proofs of Claim have been provided to the Receiver in a total amount in excess of \$37,000,000. The Receiver anticipates that many claims will be reduced or disallowed upon further examination.

54. The receiver has begun the process of reviewing Investor Proofs of Claim. Shortly, the Receiver will begin the process of determining which claims are objectionable and filing objections to claims.

¹¹ Attached hereto as Exhibits A and B are copies of the third and fourth quarter financial reports for the Estate.

F. Evidence Preservation

55. 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.

56. 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.

G. Obtaining Additional Evidence

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

58. 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.

H. Investor Relations

59. 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.

60. 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.

61. 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.

62. 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.

63. 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.

I. Operations

64. The Defendants are no longer operating.

J. Asset Sales

65. 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

66. 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.

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

68. 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: January 2, 2014

Respectfully Submitted:

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

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CERTIFICATE OF SERVICE

I certify that on January 2, 2014 , a true and correct copy of the foregoing pleading was served *via* 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
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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

Moreover, the foregoing will be uploaded to www.stewardshipfundreceivership.com

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