

**IN THE UNITED STATES BANKRUPTCY 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 PRELIMINARY REPORT**

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.

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

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.**

12. 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.

**D. Identity Of Investors And Creditors.**

13. 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**

14. 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.

15. 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**

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

17. Further, the Receiver is working with the FBI to copy or obtain certain other documents that it obtained through its investigation of Defendants.

**G. Investor Relations**

18. 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.

19. 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.

20. 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.

**H. Operations**

21. The Defendants are no longer operating.

**III.**

**Conclusion And Recommendations**

22. 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.

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

24. 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: December 29, 2011.

Respectfully submitted:

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

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**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  
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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](http://www.stewardshipfundreceivership.com)

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