

**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 June 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 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 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. In this regard, the Receiver sent Mr. Temme interrogatories, which have been returned. The Receiver is reviewing the interrogatory responses.

## 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. As the Receivership further progressed, and the Receiver identified assets of the Estate, it became necessary for the Receiver to hire an investment banker/broker. With the Court's approval, the Receiver hired Barrier Advisors as an investment banker to assist with sales of Receivership assets and records.

8. The Receiver has further engaged contingency fee counsel to analyze and evaluate certain potential causes of action belonging to the Receivership Estate. The Receiver has engaged Jeffrey Goldfarb with Goldfarb, LLP as contingency fee counsel.

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

9. 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.

10. 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.

11. 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.

12. Upon taking over, the Receiver located and took possession of all known bank accounts of the Defendants. These included several accounts at different banks. However, the Receiver only located approximately \$17,000 in liquid assets owned by Defendants at the time of his appointment.

13. Through his investigation, the Receiver has identified thousands of residential real estate mortgages and promissory notes that Defendants have owned, serviced, or contracted to purchase or acquire. The Receiver has located 458 residential real estate mortgages and notes that are property of the Receivership Estate. Currently, Barrier Advisors is performing due diligence on the mortgages and the underlying properties and developing a marketing strategy to bundle and sell the assets for the benefit of the Receivership Estate.

(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 Temme or Stewardship Fund, LP and, as such, a part of the Receivership Estate.

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].

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

17. 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). The Boyce Parties paid ad valorem taxes on the properties and invested other sums to increase their value. 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. Based on discussions with the Boyce Parties, and his own investigation, the Receiver believes that the remaining 18 properties have a value of approximately \$50,000.

18. 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 18 Contracts for Assignment of Deed relating to properties acquired from Defendants, transfer to the Receiver 8 oil and gas leases relating to approximately 11,709 acres and the associated overriding royalty interests, and pay the Receiver \$50,000 [Dkt. No. 80]. The parties are working to complete this transaction.

19. The Court approved the settlement [Dkt. No. 95] and the Receiver has received the 18 Contracts for Assignment of Deed and the oil and gas leases from the Boyce Parties (the \$50,000 will be provided in scheduled payments). The Receiver is in the process of drafting assignments for the assets and, when complete, will determine the best method for realizing value from the assets.

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

20. 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 Receivership claimed an interest in the remaining mortgages and notes owned by Harbour I and Harbour II.

21. 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.

22. 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 and release any claim against the Receivership Estate arising out of its transactions with the Defendants.

23. Similarly, Harbour II agreed to transfer its interest in thirty seven (37) mortgages and notes to the Receivership Estate and release any claim against the Receivership Estate arising out of its transactions with the Defendants.

24. Harbour IV and the Receiver entered into a settlement agreement whereby all assets of Harbour IV will be sold as soon as practicable with the proceeds being distributed as follows: (i) repayment of \$29,000 in expenses incurred to date by Harbour IV to preserve the assets; (ii) payment of interest on future advances by Harbour IV to preserve the assets; (iii) payment of the principle balance of advances by Harbour IV to preserve the assets; (iv) payment to the Receiver for any expenses incurred in curing title to the assets; and (v) division of net proceeds 40% to the Receivership Estate and 60% to Harbour IV.

25. Likewise, the Receiver and Cavco entered into a settlement agreement whereby all assets of Cavco will be sold as soon as practicable with the proceeds being distributed as follows: (i) payment of interest on future advances by Cavco to preserve the assets; (ii) payment of the principle balance of advances by Cavco to preserve the assets; (iv) payment to the Receiver for any expenses incurred in curing title to the assets; and (v) division of net proceeds 40% to the Receivership Estate and 60% to Cavco.

26. Under the settlement agreements with Harbour I, Harbour II, Harbour IV and Cavco, the Receiver expects to obtain substantial funds that would not otherwise be available for distribution to investors.

**(iv) Settlement with Mount Vernon Investors**

27. 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.

**C. Litigation Claims.**

28. 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 utilize contingency counsel pursue them if it is in the best interest of the Receivership Estate.

29. On May 15, 2012, MDA Realty Holdings, LLC, MVB Realty Holdings, LLC, LF Realty Holdings, LLC and F & B Note Holdings LLC (the “Finch and Barry Group”) filed a Motion for Relief from Stay [Dkt. No. 83] in which they “request[] that they be permitted to proceed with an investigation of potential claim or the filing of a lawsuit against nonparties” (the “Lift Stay Motion”). In connection with the Lift Stay Motion, the Receiver received requests for production from the Finch and Barry Group. The Receiver believes that such discovery requests are premature until the Court rules on the Lift Stay Motion and determines that the Finch and Barry Group are permitted to “proceed with an investigation.”

30. Moreover, the Receiver believes that the documents requested are almost entirely available from the nonparties against which the Finch and Barry Group may have potential claims. To the extent documents are available from nonparties, the Receiver believes the cost of producing such documents should be born by those nonparties rather than the Receivership Estate.

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

31. 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 future.

32. At this time approximately 133 Investor Proofs of Claim have been provided to the Receiver.

**E. Evidence Preservation**

33. 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.

34. 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**

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

36. 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**

37. 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.

38. 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.

39. 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.

40. 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**

41. The Defendants are no longer operating.

42. 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.

#### **I. Asset Sales**

43. 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.

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

44. 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.

45. 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.

46. As a direct result of the Show Cause Hearing, the Receiver received information that lead to settlements with the Boyce Parties, Harbour Entities, and Cavco.

**III.**

**Conclusion And Recommendations**

47. 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.

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

49. 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: July 9 2012.

Respectfully Submitted:

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

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**CERTIFICATE OF SERVICE**

I certify that on July 9, 2012, 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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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