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SEC v. Champion-Cain, ANI Development, LLC, et. al.

Dear Investor/Creditor,

Re: February 2020 Monthly Interim Investor Update in the matter of Securities and Exchange Commission, Plaintiffs, v. GINA CHAMPION-CAIN and ANI DEVELOPMENT, LLC, Defendants, and American National Investments, Inc., Relief Defendant, United States District Court, Southern District of California, Case No. 3:19-cv-01628-LAB-AHG

As you are aware, on September 3, 2019, I was appointed receiver of ANI Development, LLC, American National Investments, Inc. and their subsidiaries and affiliates (the “Receivership Entities”) pursuant to an Order entered by the United States District Court for the Southern District of California (the “Court”) in an action filed by the Securities and Exchange Commission. The Court approved the filing of quarterly Receiver’s Reports, which reflect, amongst other things, updates on the known assets, liabilities, receipts and disbursements for the receivership estate. If you have not previously reviewed the quarterly report filed in February 2020 (my Second Interim Report), I invite you to do so here: [02/07/2020 – Receivers Second Interim Report and Recommendations](#). This website will remain the main source of communication regarding the ongoing status of the case. If you have not already done so, we invite you to sign up to receive updates at the bottom of the website. However, to keep you informed, we intend to provide a monthly update (for the months in which a quarterly report is not filed with the Court) to investors¹ to highlight the activities, progress and status of the receivership estate and its assets, and to address frequently asked questions.

The information herein is not meant to be comprehensive, is subject to change and is based on the best information we have at this time. While progress is being made, it is still early in the case;

records are still being gathered and the discovery and recovery of the assets is an ongoing process.

1) Operational Overview

The Receivership Entities continue to operate at very efficient staffing levels. With four operating restaurants, an operating vacation and residential rental business, and a co-working office business, the bi-weekly payroll is now under \$115,000. As assets are sold, and in particular the restaurants, these costs will decrease significantly. At the corporate level, we have only six (6) full time ANI employees. We also use certain vendors, and there are a few temporary and/or part-time employees, who primarily are assisting with the various pre-receivership matters that require significant attention, including but not limited to payroll and other tax-related matters.

We are also monitoring the COVID-19 virus situation, taking precautionary steps and communicating with the entities' employees.

2) Real Estate Overview

We continue to work diligently to assess and prepare a disposition plan for all of the real estate in the receivership estate. Such analysis, which includes evaluating market values, ongoing mortgage balances and other obligations, is critical to determining the options for maximizing value, to the extent possible, for each asset.

We have listed most properties for sale and are making significant progress with the various lenders whose loans encumber the real estate. To be sure, in each instance where we are selling owned real property, we will follow the Court-approved sale process which includes (among other requirements), selecting a highest and best offer first, submitting a motion for approval of the sale, inviting overbidders and publishing notice in the local newspaper. If the circumstances of a given property warrant a deviation from the approved sale procedures, we will seek approval of the specific sale process used as part of the motion to approve the sale.

3) Asset Highlights

As mentioned before, this report is not intended to be a comprehensive description of all receivership estate activities, but rather to provide highlights for the various assets with notable updates.

- a. Vacation Homes Owned – All vacation homes are listed. We currently have one of the five properties in escrow with the expectation that contingencies will be released in the coming weeks. We also expect offer activity to increase as the spring/summer selling season commences.
- b. Mixed Use and General Residential Real Property Owned – We continue to operate the residential rentals and have amended nearly all leases to be consistent with market terms. Some rental units are occupied by friends/associates/former or current employees of the Defendants. We are taking appropriate action in each instance to resolve those tenancies to allow for the sale of the applicable units.
 - i. Tennyson – This property is under contract for sale, the buyer has released contingencies and we filed a motion seeking Court approval. Concurrently with seeking approval, we sought overbidder interest. The motion scheduled to be heard

on March 16, 2020 has been taken off calendar. Depending on the exact timing of the sale closing (assuming a closing in March 2020), we estimate that this sale will recover in the range of \$280,000-\$285,000 for the receivership estate.

- ii. Carmel by the Sea – This property is under contract for sale, the buyer has released contingencies and we filed a motion seeking Court approval. Concurrently with seeking approval, we sought overbidder interest. The motion scheduled to be heard on March 16, 2020 has been taken off calendar and on March 12, 2020, we received the Court’s order approving the sale. Depending on the exact timing of the sale closing (assuming a closing in March 2020), we estimate that this sale will recover in the range of \$535,000-\$545,000 for the receivership estate.
 - iii. 3415 Mission Blvd – a mixed use property located in the Mission Beach area that includes three residential units and a commercial unit. The residential units are now fully leased at market terms, and we have recently listed the property for sale.
 - iv. Randolph Street Apartments – a five-unit residential property located in the Mission Hills area. Three of the five units have long-term tenants in them, and one unit is vacant (we are seeking a tenant). The remaining unit is the subject of an unlawful detainer action to remove a tenant whose lease was on below-market terms. This property is expected to be listed in the coming weeks.
 - v. 3816 Mission Blvd – a mixed use property located in the Mission Beach area that includes a residential unit and a commercial unit. The residential unit tenancy has now been resolved and this property is expected to be listed in the coming weeks.
 - vi. 3792 Mission Blvd (Suite A) – the former LuvSurf office space is being used as storage for the rental operations; however, this property is expected to be listed in the coming weeks.
 - vii. University Ave Apartments – a mixed used property located in La Mesa. The property currently consists of a four-unit apartment complex (with only one unit currently habitable), three commercial units (with only one tenant in place) and one vacant single-family home. An offer, which is in line with previous broker opinions of value and a recent appraisal, has been received. We expect to proceed with this prospective offer.
- c. Restaurants – We have engaged two brokers to market and sell the restaurant properties and associated equipment and liquor licenses owned by the ANI entities (Patio on Lamont, Saska’s, former Himmelberg’s, Surf Rider La Mesa, former Surf Rider Crown Point and former Swell Coffee shop), as well as the equipment and liquor licenses for leased restaurants (former Surf Rider Mission Beach, Surf Rider Ocean Beach, former Bao Beach). Included in this group of assets is a leased parking lot and owned parking lot located within a block or two of Saska’s and former Surf Rider Mission Beach restaurants. This portfolio of assets (individually) received nearly three dozen offers. The offers are currently being reviewed in order to award the initial contracts to the highest and best offers for each asset, which will commence the Court approval and public noticing/overbid process for each.² On March 12, 2020, we filed for Court approval on two of these assets, Saska’s and the former Swell Coffee, both located in Mission Beach.
- d. General Commercial Real Property

- i. 140 Keller Street, Petaluma, CA – This revenue generating property contains a co-work office space, where dozens of tenants can rent office space by the day, week or month, with various accommodation options (from open space in a community table to reserved desks or small offices). The asset is currently listed for sale with a call for offers deadline of March 31, 2020.
 - ii. Other Investments/Loans – I have sought and obtained Court approval of a sale of a membership interest in Pullman Lofts Phase I, LLC ("Pullman Lofts"). Currently pending before the Court is my request to release Pullman Lofts from the receivership, after which the sale is expected to close promptly (which will generate approximately \$496,000 for the receivership estate). The receivership estate has also received an additional \$105,000 from the Tourmaline investment, bringing the total recovery to \$180,000 since inception of the receivership. I have also sought Court approval of a settlement with Daniel and Barbara Champion, pursuant to which they will return \$330,000 in funds received from ANI to the receivership estate. This motion is set to be heard on April 13, 2020.
- e. Personal Property – Pursuant to the Court's authorization, we have engaged auction firms to sell various personal property associated with the receivership entities, most notably the remaining retail surf shop inventory and various general kitchen supplies, equipment, smallwares and tablewares associated with shut down restaurants and food service locations. Given the volume of items, the auctions are ongoing (with two more scheduled in March and April); to date we have realized over \$115,000 from the sale of personal property. In the event you are interested in bidding, the following is a link to the March personal property auction: [Bid Here!](#)
 - f. Real Estate Leased – The only remaining property lease, a storage warehouse containing various personal property and FF&E from various closed restaurant locations, has been terminated. In early March, we were able to relocate the remaining items from the storage warehouse to the corporate headquarters to prepare such items for sale via the auction process.

4) Document Recovery/Asset Investigation/Accounting

It is important to note that while we continue to gather records, we have commenced the process of performing an accounting of all funds transferred to and from the Receivership Entities, how such funds were moved between and among the Receivership Entities, and where the funds were transferred to by the Receivership Entities. While it will take some time to complete the accounting, it is a critically important part of the receivership. It will not only continue to assist with identifying assets and prospects for recovery but will also provide the foundation for the claims process and an equitable distribution of receivership estate assets.

5) Filings

We have filed several motions since my Second Interim Report, such filings can be found at the following links (please be sure to note that the links below may have additional documents associated with the filing – the links provided below are to the document which serves as the primary bullet point for the filing):

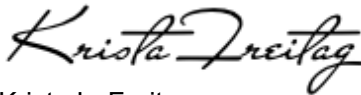
- [02/13/2020 – Receiver's Notice of Motion and Motion for Approval of Sale of](#)

Carmel Property

- 02/20/2020 – Joint Motion for Limited Relief from Order, Granting the Parties Joint Motion and Stipulated Request for a Preliminary Injunction
- 02/21/2020 – Receiver’s Notice of Motion and Motion for Approval of Sale of Tennyson Street Property
- 03/02/2020 – Notice of Hearing on Interim Applications for Approval and Payment of Compensation to the Receiver and Her Professionals
- 03/04/2020 – Notice of Motion and Motion for Approval of Proposed Engagement of Special Litigation Counsel in Florida
- 03/12/2020 – Receiver’s Notice of Motion and Motion for Approval of Sale of the Swell Coffee Restaurant Property and Associated Personal Property
- 03/12/2020 – Receiver’s Notice of Motion and Motion for Approval of Sale of the Saska’s Restaurant Property and Associated Personal Property and Liquor License

I hope this update provides you with meaningful information as we progress. As always, feel free to reach out to me and my staff at ani@ethreeadvisors.com with questions or concerns. We will respond as soon as practicable.

Sincerely,



Krista L. Freitag
Receiver

¹ Please note that reference to investors generally is not intended to pre-judge the nature of how funds were paid into the Receivership Entities or the nature of any potentially resulting claims. But for clarity in discussion, the term “investor” will be used throughout this update.

² There is a possibility the sale process for a few of the assets will be delayed.

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You are receiving this email because our records indicate you invested in, loaned funds to, or had other financial dealings with the entities in Receivership.

www.anireceivership.com

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