

1 DAVID R. ZARO (BAR NO. 124334)
MICHAEL R. FARRELL (BAR NO. 173831)
2 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
3 865 South Figueroa Street, Suite 2800
Los Angeles, California 90017-2543
4 Phone: (213) 622-5555
Fax: (213) 620-8816
5 E-Mail: dzaro@allenmatkins.com
mfarrell@allenmatkins.com

6 EDWARD G. FATES (BAR NO. 227809)
7 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
8 One America Plaza
600 West Broadway, 27th Floor
9 San Diego, California 92101-0903
Phone: (619) 233-1155
10 Fax: (619) 233-1158
E-Mail: tfates@allenmatkins.com

11 Attorneys for Receiver
12 KRISTA FREITAG

13 UNITED STATES DISTRICT COURT
14 SOUTHERN DISTRICT OF CALIFORNIA
15

16 SECURITIES AND EXCHANGE
COMMISSION,

17 Plaintiff,

18 v.

19 GINA CHAMPION-CAIN and ANI
20 DEVELOPMENT, LLC,

21 Defendants,

22 AMERICAN NATIONAL
INVESTMENTS, INC.,

23 Relief Defendant.
24
25
26
27
28

Case No. 3:19-cv-01628-LAB-AHG

**RECEIVER'S THIRD INTERIM
REPORT AND
RECOMMENDATIONS**

Ctrm: 14A
Judge: Hon. Larry Alan Burns

TABLE OF CONTENTS

		<u>Page</u>
1		
2		
3	I. BACKGROUND.....	4
4	II. EXECUTIVE SUMMARY	5
5	III. SUMMARY OF RECEIVER'S ACTIVITIES	8
6	A. Funds Recovered to Date	8
7	B. Real and Personal Property Assets	8
8	C. Restaurant Operations	11
9	D. Property Taxes	11
10	E. Insurance	12
11	F. Debt Service	13
12	G. Loans and Other Investments.....	13
13	H. Investigation of Third-Party Claims	14
14	I. Receivership Estate Operations	14
15	J. Pending Litigation.....	15
16	K. Taxes	16
17	L. Receipts and Disbursements	17
18	M. Investor/Creditor Communications.....	20
19	IV. CONCLUSION	20
20	1. Document Recovery Efforts	20
21	2. Asset Investigation and Recovery Efforts	21
22	3. Accounting.....	21
23	4. Restaurant Operations.....	21
24	5. Continuation of Receivership	22
25		
26		
27		
28		

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF AUTHORITIES

Page(s)

Statutes

28 U.S.C. § 2002.....5

28 U.S.C. § 2001.....5

Rules

S.D. Cal., Local Rule 66.1.e.4

1 Krista Freitag ("Receiver"), the Court-appointed permanent receiver for
2 Defendant ANI Development, LLC, Relief Defendant American National
3 Investments, Inc., and their subsidiaries and affiliates ("Receivership Entities"),
4 hereby submits this Receiver's Third Interim Report and Recommendations ("Third
5 Interim Report").

6 **I. BACKGROUND**

7 This equity receivership involves a large, complex, and wide-ranging group
8 of enterprises and assets which are the subject of the Complaint filed by the United
9 States Securities and Exchange Commission ("Commission"). The Complaint
10 alleges Defendants Gina Champion-Cain and ANI Development, LLC perpetrated a
11 large-scale fraud, raising over \$300 million from investors since 2012 for purported
12 short-term, high-interest loans to parties seeking to acquire liquor licenses. The
13 Commission alleges the purported loans were a sham and the Defendants were using
14 monies raised from investors to support the business operations of Defendants'
15 affiliated entities and to make sham interest payments to earlier investors.

16 Defendants agreed to the appointment of a permanent receiver by way of a
17 Joint Motion and Stipulated Request filed concurrently with the Complaint (Dkt. 2).
18 On September 3, 2019, the Court (the Hon. Marilyn Huff) granted the Joint Motion
19 and entered the Appointment Order (Dkt. 6.)

20 On November 18, 2019, the Court held a hearing on the Receiver's Motion for
21 Order in Aid of Receivership; Receiver's Verified Initial Report, Recommendations,
22 and Petition for Further Instructions Pursuant to Local Rule 66.1.e. which was filed
23 on October 3, 2019 (Dkt. 76-1) ("Verified Initial Report"). And on November 22,
24 2019, the Court entered the Order Granting in Part Motion for Order in Aid of
25 Receivership (Dkt. 126), which authorized the Receiver to, amongst other things,
26 file interim reports and interim fee applications on a quarterly basis.

1 This quarterly report covers the Receiver's activities during the first quarter of
 2 2020, and also reflects the status of certain assets as of the date of this report, if
 3 material activity has occurred between March 31, 2020 and the date of this report.

4 **II. EXECUTIVE SUMMARY**

5 As previously reported, the receivership estate assets were primarily
 6 comprised of cash, 33 commercial and residential properties, 27 restaurant and retail
 7 operations, not including commissary kitchen operations (both owned and leased
 8 properties), voluminous personal property (including restaurant equipment, product
 9 inventory, retail merchandise, liquor licenses and intellectual property associated
 10 with the operations of the enterprise), various notes receivable or equity investments
 11 made by the Receivership Entities, and potential causes of action.

12 During the first quarter of 2020, the Receiver continued to make progress in
 13 marshalling the Receivership Entities' assets and otherwise discharging her duties.
 14 Those efforts include the continuation of the forensic accounting work and the
 15 related investigation/recovery efforts. The Receiver has also commenced the
 16 marketing and sale process for nearly all of the real property assets using procedures
 17 consistent with the requirements of 28 U.S.C. §§ 2001-2002 and following the
 18 Court's Order Establishing Uniform Property Sale Procedures (Dkt. 219). She has
 19 also conducted personal property auctions as authorized by the Court's Order
 20 Regarding Pending Property Sale Motions (Dkt. 226).

21 It is important to note that the COVID-19 global pandemic has impacted both
 22 continuing operations and asset sales. On March 19, 2020, a statewide "safer-at-
 23 home" order (SAH Order) was issued by California Governor Gavin Newsom.
 24 Previously, on March 16, 2019, the City of San Diego had implemented similar
 25 orders; and consistent with such orders, the Receiver promptly ceased all dining
 26 room operations at the four remaining restaurants,¹ resulting in significant personnel
 27

28 ¹ The two Surf Rider Pizza restaurants continue to service takeout and third-party
 delivery orders in accordance with the COVID-19 compliant health orders.

1 reductions. The co-working office rental business located at 140 Keller Street in
 2 Petaluma, California ("Keller Co-Work") was temporarily closed and corporate-
 3 level employees were set up for and began working from home. Most customers of
 4 the Receivership Entities' vacation rental properties who had booked stays during
 5 March through May canceled their reservations² and a few non-vacation tenants
 6 stopped paying rent.³ The impact on the revenues resulting from the pandemic will
 7 start to become apparent in the second quarter of 2020 (and will be reflected in the
 8 Receiver's next quarterly report). The Receiver and her team have been and will
 9 continue to closely track and implement the applicable requirements as the various
 10 orders evolve. The Receiver also investigated whether the Receivership Entities
 11 would be eligible for one or more loans under the recent federal stimulus legislation
 12 (including the Paycheck Protection Program) and spoke to a bank and other contacts
 13 in the lending industry about this possibility. Ultimately it was determined that the
 14 Receivership Entities would not be eligible under such programs due to the pending
 15 SEC claims against their principal and owner, Defendant Gina Champion-Cain.

16 While sales have progressed on several assets, the pandemic has created
 17 uncertainty in the real estate and lending markets, which in turn has impacted asset
 18 sales as well. Among other things, the SAH Order materially altered the operations
 19 of restaurants and vacation rentals, as well as the ability for brokers to tour
 20 properties. As a result, a handful of the offers and/or transactions in process for the
 21 restaurant and real estate portfolio were withdrawn or stalled.⁴ Also, despite at least
 22

23 ² The Receiver has followed the best-practice guidance from industry leaders such
 24 as Airbnb and HomeAway regarding the return of renter deposits and fees.

25 ³ The various orders include a temporary moratorium on evictions and collection
 26 actions. For tenants seeking to defer rent payments, the Receiver and her team
 27 have diligently communicated the required requests for information and are
 28 implementing industry best practices during this unprecedented time so that the
 receivership estate is properly prepared for the appropriate course of action once
 the SAH Orders are lifted.

⁴ Notably, the Tennyson Street residential property, which sale was approved by
 the Court two days prior to the issuance of the SAH Order, fell through. Offers
 on the Lamont Street property, 10th & J Property, the Surf Rider Pizza assets

1 three prospective offerors on the Keller Co-Work space, none came to fruition on or
2 before the March 31, 2020 call for offers date and none has yet come to fruition
3 since then.

4 That said, the Receiver has continued to push through the new asset sale
5 landscape with the Carmel Property closing, with progress on the sale of the Saska's
6 Property and the fee simple parking lot, and the very recent closings of the (former)
7 Swell Coffee, the Zanzibar Property, and the (former) Bao Beach restaurant, to
8 name a few. Additionally, some of the assets which originally were impacted are
9 back under contract, one of which is at or above the original offer price (e.g., the
10 Crown Point former Surf Rider Pizza property). Dkt. No, 318. For the vacation
11 rentals, the Receiver is seeing a recent uptick in vacation rental interest and the
12 broker has implemented renewed marketing strategies which allow socially distant
13 methods of viewing properties prior to an in-person review. The Receiver continues
14 to list properties for sale, to negotiate offers that are received, and when deals are
15 reached, to seek Court approval of sales.

16 As before, it is important to remember that this report's contents may need to
17 be materially modified upon continued consideration and based on changes in the
18 marketplace. Nothing herein shall be construed as an offer or admission, but simply
19 reflects a summary of the Receiver's current understanding of the enterprise
20 information as of the date of the report. As discussed herein, although the Receiver
21 and her professionals have made a great deal of progress, much work remains to be
22 done – notably on the forensic accounting, investigation, and recovery/monetization
23 of assets.

24
25
26
27
28 (former and current locations) and the West Washington retail property also fell
through or stalled.

III. SUMMARY OF RECEIVER'S ACTIVITIES

A. Funds Recovered to Date

The Receiver took possession of numerous bank accounts and funds held in the name of or controlled by the Receivership Entities. The Receiver initially took possession of approximately \$1.8 million associated with this list of accounts, and subsequently received approximately \$11.3 million from Chicago Title pursuant to the Court's November 18, 2019 instruction to Chicago Title to transfer said funds to the receivership estate.

A few recovery highlights for the first quarter of 2020 include:

- The net proceeds from the sale of the Rancho Mirage property of approximately \$1.27 million;
- The net proceeds from the sale of the Thomas Avenue property of approximately \$225,000;
- Proceeds from the investment in Tourmaline Equities of approximately \$105,000; and
- The earnest money deposit of approximately \$50,000 for the sale of the membership interest in Pullman Lofts.

The Receiver's investigation into the use of funds and recovery efforts are ongoing; recovery details are included and will continue to be tracked on the receipts and disbursements schedule below.

B. Real and Personal Property Assets

The Receiver has continued steps to implement the Appointment Order, including managing all assets controlled, operated, leased or owned by the Receivership Entities. Attached as **Exhibit A** is an updated schedule of all known real property, businesses/operations (former and current), third-party investments/loans, and liquor license assets of the Receivership Entities. Notes regarding the status of each of the assets are reflected on Exhibit A, along with estimated market values based upon the most current valuation information

1 available, whether through brokers' opinions of value ("BOV"), sales contract
2 prices, market comparables or appraisal.

3 A few notable highlights of the Receiver's real-time progress on real and
4 personal property asset dispositions include:

- 5 1. Eight (8) real property and one (1) leasehold interest (with personal
6 property) sales were completed;
- 7 2. Two (2) real property sales have recently received Court approval for
8 sale and are pending closing.
- 9 3. One (1) real property sale has been submitted to the Court for approval
10 and is expected to go to auction with at least one qualified overbid
11 received. Dkt. 318.
- 12 4. Three (3) joint motions concerning real properties (for which limited
13 ownership-related expenses (e.g., mortgages were not paid on any of
14 the three) have been paid by the receivership estate on a net, aggregate
15 basis) have been submitted to the Court by the respective mortgage
16 holders for approval to proceed with non-judicial foreclosure.
17 Dkt. 303, 306, 324.
- 18 5. 15 owned real properties and three (3) leasehold interests are listed for
19 sale, several of which are under contract in the due diligence periods:
 - 20 a. Four (4) are vacation rental properties;
 - 21 b. Two (2) are former restaurant real properties and three (3) are
22 leasehold interests. Due to the COVID-19 pandemic and
23 associated SAH Order, previously received offers on those
24 properties were withdrawn or stalled. The properties remain
25 listed with no specific deadline for making an offer; however, the
26 Receiver is beginning to see renewed interest in the properties.
 - 27 c. Three (3) of the properties are mixed-use and contain a
28 combination of commercial and residential interests;

- 1 d. Four (4) of the properties are long-term rental properties – two
2 condominiums occupied by former employees, the former
3 vacation rental office and a single family residence;
4 e. One (1) property is a multifamily residential property; and
5 f. One (1) property is the Keller Co-work property located in
6 Petaluma, California.

7 6. Listing agreements for two (2) properties are in the process of being
8 negotiated, and two (2) properties are subject to the COVID-19 eviction
9 moratorium;

10 7. The Receiver has begun conducting auction sales of the personal
11 property with a total collected through March 31, 2020 of nearly
12 \$50,000.

13 As properties continue to be listed for sale, the Receiver's property
14 management-related operations are geared to improve the sale outcomes. While the
15 Receiver is seeking to recover possession of certain units primarily through
16 unlawful detainer actions, it is important to note that due to the pandemic, various
17 moratoriums have been issued against evicting tenants during this time. As
18 previously mentioned, the Receiver has been following industry best practices, and
19 accordingly, the receivership estate is expected be in a position to properly proceed
20 once SAH orders are lifted. That said, unlawful detainer counsel has advised that
21 we are unlikely to take possession of the respective units until the fourth quarter of
22 2020.

23 As previously mentioned, the pandemic has affected the operations and
24 revenues of the vacation rental properties. Nonetheless, the units continue to be
25 marketed and in the past few weeks, the Receiver is seeing an uptick in interest in
26 pre-bookings for the coming summer high season and the County of San Diego is
27 allowing vacation rentals effective June 12, 2020.
28

1 Based upon the best information currently available, the Receiver continues to
2 estimate the total net asset value of the assets listed on Exhibit A to be in the
3 \$13 million to \$15 million range, over \$1.65 million of which was recovered in the
4 first quarter of 2020. This estimate remains highly speculative and likely to change.
5 As sales are completed, the Receiver will reflect the actual recoveries on the exhibit
6 as well as on the receipts and disbursements schedule reflected in Section III.N.
7 below.

8 The extensive secured debt encumbering the assets has a substantial impact
9 on the gross numbers reflected on Exhibit A, thus the net sale proceeds for most of
10 the assets are small (relative to the estimated market values of the assets). The
11 pandemic has also cast some doubt on certain property values, thus the Receiver is
12 working with the applicable lenders to determine the agreed upon and/or appropriate
13 next steps. It is important to note that the \$13 million to \$15 million estimate does
14 not include the voluminous personal property that is not tied to real property, nor
15 any amounts associated with potential recoveries from third parties (discussed
16 further below).

17 **C. Restaurant Operations**

18 As previously discussed, only the Surf Rider Pizza restaurants in Ocean
19 Beach and La Mesa remain open. Because of the pending sale of Saska's
20 Steakhouse, it was temporarily open for takeout and third-party delivery; however,
21 in consult with the Court-approved buyer, Saska's operations have been temporarily
22 paused pending the new ownership transition. The Receiver also completed the
23 transition of all The Patio Marketplace locations to the various owners/subsequent
24 operators at the end of January 2020.

25 **D. Property Taxes**

26 During the period ending March 31, 2020, the Receiver prepared to make
27 second installments of tax payments due April 10, 2020 for all except six of the
28 remaining unsold properties. Taxes were not paid on the assets for which the

1 circumstances and potential recovery for the benefit of the receivership estate have
2 either changed due the pandemic, have not materially improved, or remain
3 somewhat uncertain. The Receiver continues to communicate and work with the
4 respective lenders on these assets.

5 **E. Insurance**

6 As noted in the Receiver's last report, the Receiver has gone through great
7 efforts to right-size the insurance portfolio. Shortly after the Receiver's
8 appointment, the various policies had come up for renewal. The receivership caused
9 the carrier to reject some properties and coverages from their policies, which in turn
10 caused the Receiver to rush to place coverage for those assets. Unfortunately, the
11 only option under such a short time frame was the surplus insurance lines (typically
12 a more costly and less regulated option). Additionally, as the Receiver updated the
13 underlying asset information with the surplus line carriers, those carriers determined
14 that some of those properties and coverages no longer met their required risk profile.
15 At that point, and because the Receivership Entity's broker was unable to locate
16 coverage for those properties, the Receiver engaged an additional insurance broker
17 to locate adequate coverage for those remaining properties with different surplus
18 line carriers. Due to the right-sizing of business income coverages and the sale of
19 certain assets, at this time, a refund to the receivership in excess of \$60,000 is
20 expected to be recovered.

21 In the second quarter of 2020, the Receiver has begun to receive renewal
22 notices on some policies and will take this opportunity to survey the broader
23 insurance market for the best available options. As part of this coverage survey, she
24 is working to switch insurance brokers to consolidate and align the policies with the
25 overall goals of the receivership.

1 **F. Debt Service**

2 The Receiver continues to work closely with the various lenders to negotiate
3 various allowances to assist the Receiver in monetizing the portfolio. Because the
4 Receiver has resumed debt service payments for many of the real properties, those
5 discussions have been fruitful. The Receiver has been able to get lenders to remove
6 default interest from most of the respective loans, along with other timing
7 concessions.

8 As part of these discussions, the Receiver has agreed to stipulate to three
9 lenders' requests for relief from the stay of legal proceedings contained in the
10 Court's Preliminary Injunction Order to allow them to proceed with non-judicial
11 foreclosures. In two instances, the Receiver has obtained appraisals of the
12 properties and determined that the likelihood of recovering any value for the
13 receivership estate from the properties is very low. In one instance, the potential
14 and negotiated equity for the receivership estate evaporated in the pandemic. In all
15 instances, the Receiver had not previously made debt service payments on these
16 properties. That said, the Receiver continues to entertain any ongoing interest from
17 buyers on these assets. Should an offer materialize that would satisfy the lenders
18 and other lien holders, the Receiver will seek a sale pursuant to the Court's Order
19 Establishing Uniform Property Sale Procedures (Dkt. 219).

20 **G. Loans and Other Investments**

21 Through her investigation, meetings, and document review, the Receiver has
22 identified numerous loans and investments made by Champion-Cain and the
23 Receivership Entities, as well as associated business interests and assets. Based
24 upon interviews with Champion-Cain and records reviewed by the Receiver, it
25 appears that millions of dollars were spent in connection with investments in various
26 enterprises and loans to third parties. The Receiver and her counsel will continue to
27 investigate and secure all assets and business interests of the Receivership Entities.
28 Recovery efforts and negotiations are underway to monetize several of these items.

1 **H. Investigation of Third-Party Claims**

2 The Receiver is aware of significant claims against third parties for the
3 substantial losses suffered by the Receivership Entities and indirectly, the investors
4 and creditors of the Receivership Entities. The Receiver has identified certain third
5 parties who directly or indirectly aided and abetted the principals of the receivership
6 entities in wrongful conduct resulting in tens of millions of dollars of losses.

7 As the Court and most investors are aware, there have already been claims
8 asserted by certain investors against Chicago Title for damages arising out of their
9 role in the alleged fraudulent scheme. In addition, there are individuals and entities
10 who aided and abetted the principles and/or who were unjustly enriched or
11 otherwise unjustly benefited as a result of their work or relationship with the
12 principles of the receivership entities. At this point, the Receiver has not completed
13 her investigation or analysis as to these claims. Moreover, certain claims may not
14 be ascertainable until the forensic accounting and/or claims process has been
15 completed.

16 With respect to Chicago Title, the Receiver has recently filed a motion
17 seeking authority to file a related action in this Court against Chicago Title.
18 Dkt. 323. The motion is set to be heard on July 13, 2020.

19 **I. Receivership Estate Operations**

20 Due primarily to the closure of all but two restaurants, payroll has
21 significantly declined. The Receiver continues to work with CRG on restaurant
22 operations and Flores Financial Group on restaurant accounting and all payroll.
23 Fees associated with these engagements have also significantly declined and will
24 drop off completely upon completion of the open restaurant sales and/or other
25 dispositions.

26 Only six full-time ANI corporate-level employees remain on staff. Their
27 duties are largely centered around accounting, operations of the real estate portfolio,
28 and management of the wind-down or sale of the various entities and operations.

1 Additionally, the Receiver has engaged a temporary human resources and tax
2 specialist to assist with the wind-down of the various entities and related tasks,
3 including prior-year W-2 and payroll tax matters. The specific competencies and
4 the hourly rate for this employee are better suited to this task than the previous
5 human resources employees. Additionally, after the remaining IT administrator
6 resigned, those services were outsourced to AMA Networks, a local vendor with
7 experience in receivership projects.

8 The Receiver and her staff continue to commit significant time to working
9 closely with the remaining ANI staff. Because of the SAH Order, all corporate
10 employees are currently working from home. Social distancing protocols have been
11 initiated to provide for the health of those employees who occasionally, or as part of
12 their duties, must visit the office for short periods of time. That said, like many
13 office environments under the SAH Order, the Receiver, along with her staff, the
14 corporate staff, and the manager of the Keller Co-work in Petaluma attend a weekly
15 Zoom video conference call. Additionally, the Receiver and her staff communicate
16 with those employees daily providing guidance as necessary. These efforts allow
17 decisions to be made quickly in response to ongoing operational needs of the entities
18 and properties, and to provide support to the remaining staff.

19 Regarding accrued and unpaid PTO owed to former employees, which was
20 deferred due to the acute cash shortage, the Receiver is presently auditing the PTO
21 balances stated in ANI records, which audit was delayed due to various other year-
22 end payroll related reporting, but is expected to be complete in the coming weeks.
23 Upon completion of the audit, the Receiver plans to pay the accrued and unpaid
24 PTO balances owed to these former employees as of the date of their termination.

25 **J. Pending Litigation**

26 At the time of the Receiver's Appointment, there were two pending litigation
27 matters involving the Receivership Entities. In one of these matters, one of the
28 Receivership Entities had been sued in San Diego Superior Court by a former

1 employee. This case has been stayed as a result of the litigation stay contained in
2 the Appointment Order.

3 In the other pending case, one of the Receivership Entities, Westlink
4 Development, LLC ("Westlink"), along with other co-plaintiffs, had sued SunTrust
5 Bank in Pinellas County, Florida. Westlink was being represented by counsel
6 located in San Diego, as well as a firm located in Florida (which was also
7 representing the co-plaintiffs). Both firms were being paid on an hourly basis and
8 Westlink was advancing all fees and costs for the other co-plaintiffs.

9 The Receiver, with assistance of her counsel, gathered information about the
10 case, spoke to the lawyers in San Diego and Florida, and spoke to the two remaining
11 co-plaintiffs. The Receiver, one of the co-plaintiffs, and the firm in Florida
12 ultimately agreed, subject to Court approval, on a new proposed contingent fee
13 arrangement and allocation of the net recovery. The Receiver filed a motion seeking
14 authority to engage the Florida law firm as special counsel and for approval of the
15 parties' agreement, which was approved on April 23, 2020. Dkt. 313.

16 **K. Taxes**

17 The Receiver understands that in the past, certain investors may have received
18 an IRS Form 1099 from one or more of the Receivership Entities. Typically, the
19 IRS Form 1099 is sent to each person that has received payments from a
20 Receivership Entity each year. The Receiver is not presently able to report the
21 specific amounts paid to individual investors during the pre-receivership periods.
22 Before transmitting the payment information or the Form 1099 to investors, the
23 Receiver must first complete her forensic accounting so she can verify what
24 payments were made, as well as the nature of the payments.

25 In addition, the Receiver will likely commence a claims process in which
26 investors and the Receiver will work to validate the amounts received by the
27 Receivership Entities from investors as well as the amounts paid to investors. Once
28 the foregoing information has been obtained and after consultation with tax

professionals as to the propriety of transmitting the IRS Form 1099 to investors in these circumstances, the Receiver will notify the investors of her decision as to whether to send out the Form 1099 for any pre-receivership periods.

In either case, it is important to note that the Receiver cannot provide tax advice to investors and each investor should consult with their own tax accountant or counsel regarding the appropriate tax reporting for their investments in the Receivership Entities.

Regarding the Receivership Entities' tax returns, many prior year returns had not been completed at the time of the Receiver's appointment. Given the expense and time necessary to complete this task, and while discussions have progressed on how to most cost-effectively get the returns completed, the go forward plan is still being determined.

The Receiver has also investigated and pursued recovery of nearly \$60,000 from Employment Development Department for pre-receivership overpayments (which recoveries were received in the second quarter).

L. Receipts and Disbursements

The following reflects the cash activity in the receivership estate from the inception of the receivership on September 3, 2019 through March 31, 2020. A summary of the receipts and disbursements is as follows:

Bank Balance at 09/03/2019 ⁵ (accounts listed in Appointment Order)	\$368,614
Additional Bank Account Recoveries post-takeover	\$1,447,947
Chicago Title Funds Received	\$11,311,344
Total Receipts	\$7,577,128
Total Disbursements	(\$8,091,363)
Ending Bank Balance at 03/31/2020	\$12,613,670

⁵ While September 3, 2019 is the date of the Appointment Order, the order was entered late in the afternoon, and the takeover occurred on September 4, 2019, so certain bank activity occurred (including certain September rents and debt service payments) on September 3rd, prior to the freeze order taking effect.

A more detailed summary of the receipts and disbursements is as follows:

Beginning Balance at 09/03/2019 (accounts listed in Appointment Order)	\$368,614
Additional Bank Account Recoveries post-takeover	\$1,447,947
Line of Credit Withdrawal – 9/3 pre- Receiver	\$80,000
Chicago Title Funds Received November 19, 2019	\$11,311,344
Restaurant Receipts (includes Patio Marketplace pre-opening expense receivables collection)	\$4,545,348
Real Estate Rental Receipts	\$439,719
Keller Street Co-Work Receipts	\$242,128
Retail Receipts (includes post-closing product sales (pre-auction))	\$111,487
Rancho Mirage Property Recovery	\$1,271,093
Thomas Avenue Property Recovery	\$224,740
Legal Retainer Recovery	\$183,204
Tourmaline Investment Recovery	\$180,000
City National Bank CD Recovery	\$76,296
Pullman Lofts Earnest Money Deposit Recovery	\$49,589
Personal Property Recovery	\$48,255
ANI Miscellaneous Contract Refunds/Recoveries/Receipts	\$71,134
Interest Income	\$54,134
Pre-Receiver Expenses (detail in Initial Verified Report)	(\$87,930)
Restaurant Expenses:	
Payroll and Payroll Related Expense	(\$1,937,895)
Operating Expenses	(\$949,486)
Cost of Goods Sold	(\$999,702)

1	Management Fees	(\$270,000)
2	BOE – Sales Tax	(\$257,197)
3	Rent Expense	(\$67,255)
4	Merchant and Bank Fees	(\$32,242)
5	Real Property Related Expenses:	
6	Debt Service	(\$854,413)
7	Property Tax Expense	(\$201,794)
8	Operating Expenses	(\$129,051)
9	Keller Street Co-Work Expenses:	
10	Payroll and Payroll Related Expense	(\$63,040)
11	Operating Expense	(\$60,622)
12	Retail Expenses:	
13	Payroll and Payroll Related Expense	(\$18,087)
14	Operating Expense	(\$20,482)
15	Cost of Goods Sold	(\$1,463)
16	General & Administrative Expense	(\$490)
17	Corporate Expenses:	
18	Payroll and Payroll Related Expense (includes real property related operations)	(\$1,310,310)
19	Insurance (includes real property and operations coverages)	(\$357,567)
20	General & Administrative Expenses	(\$278,011)
21	IT Expense	(\$88,463)
22	Rent Expense	(\$68,567)
23	Operating Expenses	(\$47,275)
24	Credit towards Receiver and Receiver Counsel Fees (for Rancho Mirage Property buyer's request for supplemental Court approval)	\$9,980
25		
26	Ending Bank Balance at 03/31/2020	\$12,613,670
27		
28		

1 **M. Investor/Creditor Communications**

2 The Receiver continues to maintain the dedicated website which is being used
3 to provide case information, regular updates, and answers to frequently asked
4 questions to investors and creditors. The website is not intended to duplicate the
5 Court's electronic case filing system for this case, but it is intended to provide
6 investors with important information about the receivership. The Internet address
7 for the website is: www.anireceivership.com. In addition, the Receiver is
8 maintaining a dedicated e-mail address (ani@ethreadvisors.com) and telephone
9 line for investor and creditor inquiries. The Receiver has had her staff attempt to
10 respond to investor and creditor correspondence to acknowledge receipt of their
11 correspondence (via email and/or phone).

12 The Receiver has provided communications directing all investors and
13 creditors to the receivership website for further notices, information, and updates,
14 and notifies them of the opportunity to subscribe to the receive automatic monthly e-
15 mail updates with links to reports and other relevant documents filed with the Court.

16 **IV. CONCLUSION**

17 The Receiver's efforts to marshal and recover assets and relevant
18 Receivership Entity documents and records are ongoing. The Receiver and her
19 professionals make the following recommendations regarding the continued
20 administration of the receivership.

21 **1. Document Recovery Efforts**

22 The Receiver will continue to obtain records from all financial institutions
23 where the Receivership Entities maintained accounts as well as from attorneys and
24 accountants engaged by the Receivership Entities. The Receiver has served
25 subpoenas on certain institutions, individuals, and entities and proposes to proceed
26 with these efforts to obtain necessary documents, assets, and information. It may
27 also be necessary to take the depositions of certain individuals.
28

1 **2. Asset Investigation and Recovery Efforts**

2 The Receiver will continue to seek to locate any presently unaccounted for
3 receivership assets that may exist. As noted above, it is believed that additional
4 assets may be located once the Receiver has had an opportunity to analyze the
5 Receivership Entities' electronic records and complete her forensic accounting. The
6 Receiver also will continue to investigate third parties who aided Champion-Cain in
7 connection with this enterprise. As part of her investigation, the Receiver will
8 evaluate whether such third parties should be liable for damages caused to the
9 Receivership Entities and their investors.

10 **3. Accounting**

11 The Receiver and her staff have made significant progress with the forensic
12 accounting. As previously mentioned, this accounting is and will be used to identify
13 any additional receivership assets, and to establish where the funds obtained by the
14 Receivership Entities came from and where they went after they were received by
15 the Receivership Entities. The accounting will also provide the foundation for the
16 Receiver's review and analysis of investor/lender and other creditor claims.

17 **4. Restaurant Operations**

18 As noted above, only two restaurants owned by the Receivership Entities
19 continue to operate on a takeout and third-party delivery basis. Because the
20 Receiver is currently negotiating with a prospective buyer on one of these locations
21 and interest remains on the other, unless and until it is determined that the ongoing
22 costs of operating outweigh their projected net value to the receivership estate, these
23 operations will continue.

5. Continuation of Receivership

Based upon the Receiver's investigation and findings to date, the Receiver recommends and requests that the Court order that the receivership continue pursuant to the Appointment Order and supplemental orders issued by the Court.

Dated: June 10, 2020

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: *s/Edward G. Fates*

DAVID R. ZARO
EDWARD G. FATES
NORMAN M. ASPIS
Attorneys for Receiver
KRISTA FREITAG

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	PAGE NO.
Exhibit A	Preliminary Asset Schedule	24

EXHIBIT A

EXHIBIT A

Preliminary Asset Schedule (not including FF&E)

All asset valuations and commentary, unless a transaction has occurred, are preliminary based on the best information available to the Receiver at this time - which includes review of documents and information, market comparables, appraisals and brokers' opinions of value. Nothing contained herein shall be construed as an admission of any values or balances or a waiver of any rights.

Properties Sold:

	Address	Asset Type or Name	Asset Status & Commentary	Net Sale Proceeds
1	4205 Lamont Street, #12, San Diego, CA 92109	Rental Condo	Closed 12/26/19 - Sale Price \$409,000. Payment to Lender \$374,751.60; paid down loan such that updated amount owing lender is approximately \$460,000. The remaining collateral on this loan is Valle Vista and certain Surf Rider personal property, the sale of which are expected to contribute net proceeds to the estate.	0
2	132 Keller Street, Petaluma, CA 94952	Closed Restaurant (prior to receivership appt)	Closed 12/26/19 - Sale price \$1,800,000. Payment to lender \$1,698,556.12; brought loan current and paid down principal such that remaining principal balance is \$1.1 million and monthly interest only payment reduced by nearly \$10,000 per month. The remaining collateral on this loan is 140 Keller Street, the sale of which is expected to contribute net proceeds to the estate.	0
3	805 Brighton Court, San Diego, CA 92109	Vacation Rental	Closed 01/31/2020 - sale price \$1,275,000. Payment to lender \$1,223,905.64 (includes \$67,760.45 of net sale proceeds); paid down principal. Net sale proceeds were \$67,760.45, which as per Court Order, were sent to lender rather than receivership estate.	0
4	1617 Thomas Street Pacific Beach, CA 92109	Vacation Rental	Closed 2/18/2020 - sale price \$985,000. Payment to lender \$675,542. Net sale proceeds were \$224,740.	224,740
5	83 Royal Saint Georges Way, Rancho Mirage, CA 92103	Vacation Rental	Closed 2/10/2020 - sale price \$2,999,000. Payment to lender \$1,588,561. Net sale proceeds were \$1,271,093.	1,271,093
6	SE Corner of Casanova St & Palou Ave Carmel by the Sea 93921	Vacation Rental	Closed 4/1/2020 - sale price \$1,550,000. Net payment to lender \$917,622. Net sale proceeds were \$534,153.	534,153
Total Net Proceeds (Plus reduction of loans payable of \$3.188 million for Items 1-3)				2,029,986

Properties Pending Sale Closing/Court Approval:

	Address	Asset Type or Name	Asset Status & Commentary	Gross Sales Price
1	724 Zanzibar Ct., San Diego, CA 92109	Vacation Rental	Court approval received at a sale price of \$1,875,000. Closed May 22, 2020 - will be recategorized in next quarterly report. Net sales proceeds totaled \$258,776 (this number is net of approximately \$27,000 of security deposits collected for future vacation rentals and credited to buyer at closing).	1,875,000
2	3768 Mission Blvd, San Diego, CA 92109	Restaurant operation	Court approval received at a sale price of \$2,300,000. Depending upon exact timing of closing, the net sales proceeds for the receivership estate are estimated to be \$145,000-\$155,000. The entire loan which also encumbers the parking lot below is expected to be paid off with this transaction.	2,300,000
3	3814 Mission Blvd. San Diego, CA 92109	Redondo Parking Lot Next to Surf Rider Pizza - Mission Beach	Court approval received at a sale price of \$1,011,000. Depending upon exact timing of closing, the net sales proceeds for the receivership estate are estimated to be \$960,000-\$970,000. The entire loan which also encumbers 3768 Mission Blvd. above is expected to be paid off with that transaction.	1,011,000
4	3833 Mission Blvd., San Diego, CA 92109	Commercial Property Restaurant	Court approval received at a sale price of \$825,000. Closed June 8, 2020 - will be recategorized and net sales proceeds will be reported in the next quarterly report.	825,000
5	3735 Mission Blvd., San Diego, CA 92109	Quick Service Restaurant -- Bao Beach	Court approval received at a sale price of \$28,000. Closed June 5, 2020 - will be recategorized in next quarterly report. Net sales proceeds totaled \$19,591.50.	28,000
6	3445 Ingraham Street, San Diego, CA 92109	Commercial Property Restaurant	Sale is submitted for Court approval at \$525,000 (hearing date is June 24, 2020). At least one overbid has been received at \$535,000, thus the property will go to Auction. Depending upon exact timing of closing and final price attained at Auction, the net sales proceeds for the receivership estate are estimated to be at least \$230,000-\$240,000.	535,000
Total Estimated Market Value of Sales Pending Closing or Court Approval				6,574,000

Vacation Homes Owned:				
	Address	Asset Type or Name	Asset Status & Commentary	Broker Recommended List Prices
1	809 San Rafael Pl., San Diego, CA 92109	Vacation Rental	List pricing has been lowered to between \$1,499,900 and \$1,599,900 based on recent market activity. Transactions are expected to close \pm 10% of list price.	1,599,900
2	750 Yarmouth Ct., San Diego, CA 92109	Vacation Rental	List pricing has been lowered to \$1,499,900 based on recent market activity. Transactions are expected to close \pm 10% of list price.	1,499,900
3	737 Windemere Ct., San Diego, CA 92109	Vacation Rental	List pricing has been lowered to between \$1,499,900 and \$1,599,900 based on recent market activity. Transactions are expected to close \pm 10% of list price.	1,599,900
4	812 San Rafael Pl., San Diego, CA 92109	Vacation Rental	List pricing has been lowered to between \$1,499,900 and \$1,599,900 based on recent market activity. Transactions are expected to close \pm 10% of list price.	1,599,900
Total Broker Recommended List Prices				6,299,600
Mixed Use Real Property Owned:				
	Address	Asset Type or Name	Asset Status & Commentary	Estimated Market Value
1	3816 Mission Blvd./733 Salem Court, San Diego, CA 92109	Mixed Use - Surf Shop Ground Floor Apartment Loft Rented	Broker recommended value. Retail closed. Tenant has vacated rental unit and the property's listing agreement has been signed.	1,250,000
2	3415 Mission Blvd., San Diego, CA 92109	Retail store and 3 apartments	Listed for \$1,875,000. Retail closed. Two of the three residential units have been recently leased and stabilized to market rent. The third unit was rented, but the tenant vacated claiming COVID-19 financial impacts. EMV based on expected contract price; there are interested buyers at this price.	1,550,000
Total Estimated Market Value				2,800,000
Restaurants and Real Property Owned:				
	Address	Asset Type or Name	Asset Status & Commentary	Pre-COVID Highest and Best Offer Price
1	369 10th Avenue, San Diego, CA 92101	Real Estate Condo Envelope	Call for offers deadline was February 3, 2020, and receiver was working through an offer received prior to the COVID-19 pandemic. That \$1.9MM offer subsequently stalled. Operation closed. Former Restaurant/Bar.	1,900,000
2	8381 La Mesa Blvd., La Mesa CA	Commercial Property Restaurant	Call for offers deadline was February 3, 2020, and receiver was working through an offer received prior to the COVID-19 pandemic. That \$2.9MM offer was subsequently withdrawn and the Receiver is working with the broker on a new offer. Occupied/Operating. Surf Rider Pizza - La Mesa.	2,900,000
Total Pre-COVID Highest and Best Offer Price				4,800,000
Note: Prelim data and pre-COVID highest and best offer prices suggested sales would result in net sale proceeds for the receivership estate. Since the pandemic has impacted the pre-COVID buyers on these two assets, the Receiver is working with broker and lenders regarding the appropriate next steps.				

General Commercial Real Property Owned:				
	Address	Asset Type or Name	Asset Status & Commentary	Estimated Market Value
1	4030-4034 Randolph Street, San Diego, CA 92103	Rentals Apt - 5 Units; House - 4 Units	Currently fully leased and listed for sale. EMV based on listing price, however a transaction is expected to close \pm 10% of list price.	1,900,000
2	901, 903, 904 W. Washington ST., San Diego, CA	Commercial Property 3 Commercial Tenants	One tenant has been evicted, one tenant has requested rent relief based on COVID-19 pandemic and the remaining tenant is paying negligible rent based on a verbal lease with ANI. EMV based on appraisal based on pre-COVID-19 appraisal. The Receiver is working with a prospective buyer to firm up an offer for the property.	2,100,000
3	140 Keller Street, Petaluma, CA 94952	CoWorking Office Business	The co-work business was closed mid-March through May 2020 due to the COVID-19 pandemic, and is now slowly reopening. A call for offers date (3/31/20) expired with no offers early during the pandemic "safer at home" orders. Property is listed, and EMV based on pre-pandemic Broker recommended listing value of \$2,500,000.	2,500,000
4	3792 Mission Blvd. (Suite A), San Diego, CA 92109	Office space	Estimated value based on Realtor automated value. Former LuvSurf office space. The property's listing agreement has been signed.	450,000
5	301-317 D Street, Sacramento, CA 95605	Partially constructed 40 unit apartment building.	Partially developed apartment building. Construction ceased just prior to Receiver's appointment. Project secured, insured (insurance transitioning to lender force placed) and weatherized. Project encumbered by a construction loan, mechanic's liens and a stop notice, all of which must be addressed. Analysis of the project budget and valuation continues along with ongoing discussions regarding the City of Sacramento and stakeholders with regard to their claims, project completion and asset resolution.	TBD
Total Estimated Market Value				6,950,000
General Residential Real Property Owned:				
	Address	Asset Type or Name	Asset Status & Commentary	Estimated Market Value
1	1775 Diamond Street, #301, San Diego, CA 92111	Condo	Submarket Lease in place pre-Receiver - Receiver is working to evict tenant after the COVID-19 based moratorium expires. EMV based on Realtor automated value.	340,380
2	7940 University Avenue #9, La Mesa, CA 91941	Rental Condo	Leased by current ANI employee. Preparing to list. EMV based on Realtor automated value.	327,540
3	7243 Camino Degrazia, Unit 59, San Diego, CA 92111	Rental Condo	Pre-receiver submarket tenant vacated unit and the property has been prepared for sale. EMV based on high end of current listing price range of \$475,000-\$499,000.	499,000
4	4829 Bella Pacific #215, San Diego, CA 92109	Rental Condo	Pre-receiver submarket tenant vacated unit and the property has been prepared for sale. An offer was previously withdrawn due to concerns with the neighbor. EMV based on high end of current listing price range of \$475,000-\$495,000.	495,000
5	3548 Tennyson Street, San Diego, CA	Long term rental - Just purchased 8/20/19	Property previously approved by the court for sale, however the buyer backed out due to the COVID-19 pandemic. Receiver re-listed the property for sale. EMV based on current offer in escrow.	865,000
6	4364 Valle Vista, San Diego, CA 92103	SFR - Long Term Rental	Pre-receiver submarket lease in place - Receiver is working to resolve this issue. EMV based on appraisal. Approximate amount of principal on first trust deed is \$500K and second trust deed of \$460K (as of end of 2019). The second trust deed on this asset impacts the ability to realize certain Surf Rider personal property sale proceeds.	1,125,000
Total Estimated Market Value				3,651,920

Properties Pending Joint Motion for Relief from Injunction:				
	Address	Asset Type or Name	Asset Status & Commentary	Pre-COVID Appraised Value
1	3515 Hancock Street San Diego, CA 92110	Commerical Use - Main Office and Parking Lot	HQ office space. The Receiver has solicited offers from at least five parties that have registered interest in the property and has given one property tour. Based on the undetermined equity value, the Receiver is working with lender to allow the foreclosure of the property. EMV based on pre-COVID-19 appraisal was \$5MM.	5,000,000
2	4437-4445 Lamont Street, San Diego, CA 92109	Commercial Use - Restaurant (4439 is 2-story building used as storage and office for Lamont operations)	Call for offers deadline was February 3, 2020, and receiver was working through an offer received prior to the COVID-19 pandemic. That \$3MM offer subsequently stalled and retraded below lender's short sale approval pricing. Based on the lack of equity value, the Receiver is working with lender to allow the foreclosure of the property. Operation closed as a result of COVID. Former Patio on Lamont Restaurant.	3,000,000
3	7569-7571/7565 University Avenue, La Mesa, CA 91942	ANI, Inc. Condo Units	Construction ceased prior to receivership. Formerly two parcels joined into one legal parcel making disposition difficult. Based on the undetermined equity value, the Receiver is working with lender to allow the foreclosure of the property. However, the Receiver is also working with a potential buyer on an offer that would resolve the outstanding liens. EMV based on pre-COVID-19 appraisal was \$1.25MM.	1,250,000
Total Pending Joint Motion for Relief from Injunction				9,250,000

Other Investments/Loans - Recovery to Date:				
1	Tourmaline Equity, LLC		\$300K Investment in real estate development in Bentonville, Arkansas - \$180K received through March 31, 2020. An additional \$120K received on April 1, 2020.	300,000
2	Dan Champion		\$275K Loan on single family residence with estimated value of \$686,020 based on online market data only. Additional \$79,338 payment made with no value received in return. To prevent legal costs associated with fraudulent transfer claim, Receiver negotiated settlement of \$330K (93% recovery on payments); the Court approved this transaction and it funded on May 12, 2020.	330,000
Total Recovery To Date				630,000
Other Investments/Loans - Pending Closing:				
	Address/Name	Asset Type or Name	Asset Status & Commentary	Proposed Recovery
1	Pullman Lofts I		Investment in membership interest which was intended to develop a 72 unit apartment complex in Santa Rosa. Invested \$758,273 per company records. Negotiated buyout of nearly \$496K pending closing. 10% earnest money deposit collected and buyer asked for 60 day extension due to the pandemic. Closing now expected by the end of June 2020 (a total of approximately \$89,000 of earnest money has been collected).	470,888
2	JB Resources		Funds advanced pre-Receiver with no value received. Buyout of Pullman Lofts I includes assignment of the rights to collect on this transfer.	25,000
Total Other Investments/Loans Resolutions Pending Closing				495,888
Other Investments/Loans - General Information and Status:				
	Address/Name	Asset Type or Name	Asset Status & Commentary	Total Invested or Loaned
1	3241 Borrego Road Borrego Springs, CA 92004	La Casa Del Zorro	Signed agreement with owner terminating management of hotel. Continue to own an interest in hotel.	1,063,750
2	Pullman Lofts II		Investment in membership interest - not expected to proceed.	31,200
3	2 Budz Holding		Investment through private placement offering - membership interest owned (6.3025%).	750,000
4	Wedge Water		Loan Receivable	25,000
5	M. Ferguson		Loan Receivable	48,013
6	H. Misirlilogou		Loan Receivable	102,324
7	Dash Wagon		Convertible note - child seat/stroller. UCC.	200,000
8	Boermeester		Loan Receivable - borrower deceased but following up with estate.	60,000
9	Employee Loan		Loan Receivable	123,000
10	nGAP		Loan Receivable	5,000
11	BSV Group, LLC		23.53% Membership Interest. Distillery.	60,000
12	Wonderlust Events, LLC		Membership interest in member LLC - Music and Arts festival.	50,000
13	CBB Venture Group		Prospective bank. Entity dissolved in 2018.	250,000
14	Trek Partners		Oil/gas related investment - recovery not anticipated.	90,632
15	Baymedica		Convertible Note	50,000
16	Endeavor Bank		Shares	125,000
17	Menon Renewable Energy		Investment	105,000
Total Other Investments/Loans				3,138,919

Liquor License Transactions Pending Sale Closings:				
	Address	Asset Type or Name	Asset Status (for sale, for lease, operating, closed, etc.)	Estimated Market Value
1	4020 Goldfinch St.	On-Sale General Eating Place	Sale to landlord approved by the Court on January 24, 2020; sale closing pending, expected to take 3-6 months.	152,000
2	345 S. Coast Highway 101	On-Sale General Eating Place	Sale to landlord approved by the Court on January 24, 2020; sale closing pending, expected to take 3-6 months.	120,000
3	Petaluma	On-Sale General Eating Place.	Sale pending pre-Receiver - closing still pending (was expected mid-February - broker working to get this to fund).	150,000
Total Liquor License Transactions Pending Sale Closings				422,000
Liquor Licenses:				
	Address	Asset Type or Name	Asset Status (for sale, for lease, operating, closed, etc.)	Estimated Market Value
1	2163 Abbott St.	On-Sale Beer & Wine - Eating Place	Intended to be included in the sale of the leasehold interest.	0
2	2163 Abbott St.	Caterer	Intended to be included in the sale of the leasehold interest.	0
3	369 10th Ave.	On-Sale General Eating Place	Intended to be included in the sale of the real property.	0
4	3770 Mission Blvd.	On-Sale General Eating Place	Intended to be included in the sale of the leasehold interest.	0
5	3768 Mission Blvd.	On-Sale General Eating Place	Intended to be included in the sale of the real property.	0
6	8381 La Mesa Blvd.	On-Sale General Eating Place	Intended to be included in the sale of the real property.	0
7	4445 Lamont St.	On-Sale General Eating Place	Available for Sale	45,000
8	2855 Perry Rd.	On-Sale General Eating Place	Available for Sale - working on potential sale	45,000
9	928 Fort Stockton Dr.	Off-Sale Beer & Wine	Available for Sale	2,500
10	4535 Towne Centre Ct.	On-Sale Beer & Wine - Eating Place	To be transferred to new operator or building owner, who previously paid for same.	N/A
11	8910 University Center Ln.	On-Sale Beer & Wine - Eating Place	To be transferred to new operator or building owner, who previously paid for same.	N/A
12	400 Spectrum Center Dr.	On-Sale Beer & Wine - Eating Place	To be transferred to new operator or building owner, who previously paid for same.	N/A
13	17877 Von Karman Ave.	On-Sale General Eating Place	To be transferred to building owner, who previously paid for same.	N/A
Total Estimated Market Value				92,500

Leasehold Interests for Sale:				
	Address	Asset Type or Name	Asset Status (for sale, for lease, operating, closed, etc.)	Pre-COVID Highest and Best Offer Price
1	2163 Abbott Street, Ocean Beach, CA 92107	Surf Rider Pizza Cafe	Call for offers deadline was February 3, 2020, and receiver was working through an offer received prior to the COVID-19 pandemic. That offer was subsequently withdrawn and the Receiver is working with the broker to solicit a new offer. Operating - Owns liquor license off of Surf Rider Pizza Brand IP.	124,000
2	3779 Mission Blvd. San Diego, CA 92109	San Jose Parking Lot Across from Saska's Steakhouse	Call for offers deadline was February 3, 2020, and receiver was working through an offer received prior to the COVID-19 pandemic. That offer was subsequently withdrawn and the Receiver is working with the broker to solicit a new offer. The new listing price has not been determined yet due to the unprecedented market. Operating.	500,000
3	3770 Mission Blvd., San Diego, CA 92109	Quick Service Restaurant -- Surf Rider Pizza Mission Beach	Call for offers deadline was February 3, 2020, and receiver was working through an offer received prior to the COVID-19 pandemic. That offer was subsequently withdrawn and the Receiver is working with the broker to solicit a new offer. The new listing price has not been determined yet due to the unprecedented market. Closed.	500,000
Total Leasehold Interests for Sale Pre-COVID Highest and Best Offer Price				1,124,000
Leased Locations Closed/Transitioned:				
	Address	Asset Type or Name	Asset Status (for sale, for lease, operating, closed, etc.)	
1	2855 Perry Road Building 8, San Diego, CA 92106	Full Service Restaurant -- Firesire by the Patio	Closed - Valued FF&E with appraiser and turned over to lender.	
2	345 S Coast Hwy 101 Encinitas, CA 92024	Full Service Restaurant -- Patio 101	Closed prior to Receiver's appointment but remained in possession. Valued FF&E with appraisal. Transaction for liquor license and FF&E received Court approval on January 24, 2020.	
3	4020 Goldfinch Street, San Diego, CA 92103	Full Service Restaurant -- Patio on Goldfinch	Closed. Valued FF&E with appraisal. Transaction for liquor license and FF&E Court approval received on January 24, 2020.	
4	2670 Via De La Valle, Del Mar, CA 92014	Coffee Shop -- Swell Coffee	Closed. Turned over to Landlord. Removed FF&E.	
5	928 Fort Stockton Dr., San Diego, CA 92103	Coffee Shop and Retail -- Patio Express Mission Hills	Closed. Turned over to Landlord. Removed FF&E.	
6	3232 Mission Blvd., San Diego, CA 92109	Retail Store -- Surf Life Mission Beach	Closed. Turned over to Landlord. Removed FF&E.	
7	3731 Mission Blvd., San Diego, CA 92109	Retail Store -- Mission Beach Surf Co.	Closed. Turned over to Landlord. Removed FF&E.	
8	4535 Towne Centre St., San Diego	Patio Marketplace Restaurant	Closed. Turned over to building owner.	
9	8910 University Center Ln., San Diego	Patio Marketplace Restaurant	Closed. Turned over to building owner.	
10	400 Spectrum Center Dr., Irvine CA	Patio Marketplace Restaurant	Transitioned to replacement restaurant operator effective February 1, 2020.	
11	17877 Von Karman Ave.	Patio Marketplace Restaurant	Transitioned to building owner effective February 1, 2020.	

SUMMARY OF EXHIBIT A

Real Property		Total Net Proceeds from Sale of Real Property	2,029,986
Other Investments/Loans		Total Recovery To Date	630,000
Total Recovery To Date			2,659,986
Real Property	Est Market Value of Properties Pending Sale Closings (3 closed, to be updated on next quarterly report)		6,574,000
Other Investments/Loans		Total Other Investments/Loans Resolutions Pending Sale Closing	495,888
Liquor Licenses		Total Liquor License Transactions Pending Sale Closings	422,000
Total Recovery Pending Transaction Completion or Court Approval			7,491,888
Real Property	Total Estimated Market Value/Broker Recommended List Price of Unsold Real Property		24,501,520
Real Property		Total Pending Joint Motion for Relief from Injunction	9,250,000
Other Investments/Loans		Total Other Investments/Loans Unresolved	3,138,919
Liquor Licenses		Total Estimated Market Value	92,500
Leasehold Interest	Total Leasehold Interests for Sale Pre-COVID Highest and Best Offer Price		1,124,000
Total Recovery Pending Resolution or Sale			38,106,939
Grand Total (SEE NOTE BELOW)			48,258,813

NOTE: Unless otherwise noted, it is imperative to note that these figures are all gross numbers being provided as a courtesy for the reader's reference purposes only. All except one of the real properties is encumbered with a mortgage. After taking into consideration estimated values, brokerage fees, costs of sale, mortgage payoffs and fees, property taxes, potential recovery of other investments/loans, etc., the Receiver continues to estimate the net asset value of the portfolio reflected on this schedule to be in the \$13-\$15 million range.

As valuations and additional information are obtained and/or finalized, and if individual assets do not have a positive net asset value, the Receiver does not intend to expend additional resources on such assets.