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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 SIXTH INTERIM  
REPORT AND  
RECOMMENDATIONS**

Ctrm: 14A  
Judge: Hon. Larry Alan Burns

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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 her Sixth Interim Report and Recommendations ("Sixth Report").

5 **I. BACKGROUND**

6 This equity receivership involves a large, complex, and wide-ranging group  
7 of enterprises and assets which are the subject of the Complaint filed by the United  
8 States Securities and Exchange Commission ("Commission"). The Complaint  
9 alleges Defendants Gina Champion-Cain and ANI Development, LLC perpetrated a  
10 large-scale fraud, raising over \$300 million from investors since 2012 for purported  
11 short-term, high-interest loans to parties seeking to acquire liquor licenses.

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

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

23 This quarterly report covers the Receiver's activities during the fourth quarter  
24 of 2020 and reflects the status of certain assets as of the date of this report, if  
25 material activity has occurred between December 31, 2020 and the date of this  
26 report.

## II. EXECUTIVE SUMMARY

As previously reported, the receivership estate assets were primarily comprised of cash, 33 commercial and residential properties, 27 restaurant and retail operations, not including commissary kitchen operations (both owned and leased properties), voluminous personal property (including restaurant equipment, product inventory, retail merchandise, liquor licenses and intellectual property associated with the operations of the enterprise), various notes receivable or equity investments made by the Receivership Entities, and potential causes of action. During the fourth quarter of 2020, the Receiver continued to make significant progress in marshalling the Receivership Entities' assets and otherwise discharging her duties. Those efforts include the continuation of the forensic accounting work and the related investigation/recovery efforts. The Receiver also continued the marketing, sale or alternative resolution process for nearly all of the real property assets using procedures consistent with the requirements of 28 U.S.C. §§ 2001-2002 and following the Court's Order Establishing Uniform Property Sale Procedures (Dkt. 219). She also completed the majority of the personal property auctions as authorized by the Court's Order Regarding Pending Property Sale Motions (Dkt. 226).

Despite the COVID-19 pandemic's effect on the general business environment and in particular restaurant, vacation rental and co-work operations, the Receiver continued to press forward and, as of the date of this report, most real and most physical personal property assets have been monetized or otherwise resolved. Specifically, since September 30, 2020, the Receiver has closed on the sale of 13 assets - ten (10) during the fourth quarter of 2020 and three (3) thus far in the first quarter of 2021. Three (3) additional sales are currently pending closing or Court approval, which includes one (1) asset sale with a liquor license transfer pending

1 approval from the California Department of Alcoholic Beverage Control ("ABC").<sup>1</sup>  
2 Two (2) additional sales of liquor licenses alone are pending ABC approval. Only  
3 one (1) real property (1775 Diamond Street) and one liquor license with material  
4 value remain (unsold and not otherwise under contract, pending approvals). The  
5 only remaining business operations are at the Keller Co-work located in Petaluma,  
6 which operations continue under pandemic compliant restrictions. Other than the  
7 manager of the Keller Co-work, only one ANI employee remains, albeit in a part-  
8 time role.

9 To date, in total, the Receiver has closed sales of real properties and leasehold  
10 interests with an aggregate gross sale price of over \$35 million. As previously  
11 discussed, all but one real property was encumbered with significant debt. Thus, in  
12 connection with the Court-approved sale closings, the Receiver has paid off a total  
13 of more than \$22 million in secured debt through escrow, thereby eliminating those  
14 secured claims against the receivership estate. Not only was the Receiver able to  
15 satisfy most debt obligations and, by working very closely with lenders, eliminate  
16 potential material default interest issues, but she and her team were also able to  
17 successfully sell several assets which were pending foreclosure, resulting in material  
18 recovery for the estate (over \$600,000).

19 As with prior reports, it is important to remember that this report's contents  
20 may need to be materially modified upon continued consideration and based on  
21 uncontrollable changes in the marketplace (e.g. COVID pandemic). Nothing herein  
22 shall be construed as an offer or admission, but simply reflects a summary of the  
23 Receiver's current understanding of the enterprise information as of the date of the  
24 report. As discussed herein, the Receiver and her professionals have made an  
25 extraordinary amount of progress, however, work remains to be done – notably on  
26

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27 <sup>1</sup> The Court has approved the sale of the former Mission Beach Surf Rider; the  
28 sale is pending liquor license transfer/approval for the buyer.

the completing the forensic accounting,<sup>2</sup> the recovery/monetization of receivership assets, including pursuing causes of action against third parties, and a claims and distribution process.

### III. SUMMARY OF RECEIVER'S ACTIVITIES

#### A. Fourth Quarter 2020 Funds Recovered

With the sales of real property, business interests and personal property, the Receiver has recovered additional funds for the benefit of investors. A few recovery highlights during the fourth quarter of 2020 include:

- \$261,418 of net sale proceeds from the sale of the 7569-7571/7565 University Property (this asset was in foreclosure);
- \$1,349,216 of net sale proceeds from the sale of the 737 Windemere Property;
- \$467,303 of net sale proceeds from the sale of the 4030-4034 Randolph Property;
- \$1,552,795 of net sale proceeds from the sale of the 812 San Rafael Property;
- \$105,898 of sale proceeds from the sale of the Valle Vista Property (completing this asset sale frees up the recovery of material net sale proceeds from the former Mission Beach Surf Rider sale and the Bandini Street Property settlement funds);
- \$1,292,325 of net sale proceeds from sale of the 750 Yarmouth Property; and
- \$234,669 recovered from a Certificate of Deposit at Endeavor Bank.

As discussed below, the Receiver's asset sales and investigation into the use of funds and recovery efforts are ongoing; more comprehensive recovery details are included on the receipts and disbursements schedule attached hereto as Exhibit B.

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<sup>2</sup> The Receiver filed a preliminary, investor-specific report on December 1, 2020 (Dkt. No. 516-1).

1 **B. Status of Real and Personal Property Assets**

2 The Receiver has continued steps to implement the Appointment Order,  
3 including managing all assets controlled, operated, leased, or owned by the  
4 Receivership Entities. Attached as Exhibit A is an updated schedule of all known  
5 real property, businesses/operations (former and current), third-party  
6 investments/loans, and liquor license assets of the Receivership Entities. Notes and  
7 applicable values regarding the status of each of the assets are reflected on  
8 Exhibit A.

9 In addition to the highlights noted above, since January 1, 2021 through the  
10 date of this report, the Receiver has realized approximately \$780,000 in additional  
11 recoveries with approximately \$2,136,000 of anticipated net sales proceeds  
12 currently pending closing, Court and/or ABC approval.

13 The following summarizes the status of the Receiver's real-time progress on  
14 real and personal property asset dispositions:

- 15 1. 26 real property plus two (2) leasehold interest (with personal property)  
16 sales have been completed;
- 17 2. Sales of liquor licenses and personal property associated with five (5)  
18 former restaurant operations (Patio on Goldfinch, Patio 101, Chicken  
19 Pharm in Petaluma, La Mesa Surf Rider and Ocean Beach Surf Rider)  
20 have been completed;
- 21 3. One (1) leasehold interest (with personal property) sale is Court-  
22 approved and pending ABC approval;
- 23 4. One (1) property sale has just been approved (Dkt. 614) and one has  
24 been submitted to the Court for approval (Dkt. 615).
- 25 5. Seven (7) joint motions concerning real properties (for which limited  
26 ownership-related expenses have been paid by the receivership estate  
27 on a net, aggregate basis) were filed and approved by the Court for  
28 limited relief from the Receivership stay order.



- a. Three (3) foreclosures have occurred – the former Patio on Lamont, Hancock Street, and former Himmelberg's (also known as 10<sup>th</sup> and J Street) properties.
  - b. One (1) property is in the process of being adjudicated by the interested parties, *i.e.*, general contractor and lender (301 D. Street Property).
  - c. Two (2) properties were sold by the Receiver (in lieu of foreclosure); these transactions closed on October 30, 2020 (7569-7571 University Property) and January 22, 2021 (901 – 915 West Washington Property).
  - d. In addition, the Bandini Street property, which is owned by Ms. Champion-Cain and her husband Steven Cain is approved to be refinanced upon closing of the sale of the Valle Vista property (a receivership property); completion of this transaction is expected to result in \$1.3 million<sup>3</sup> of proceeds for the receivership estate.
6. Three (3) real properties remain unsold, one of which was just approved and one of which is pending Court approval (as previously noted in item #4 above):
- a. One (1) property (3816 Mission Blvd.) is a mixed-use property that has a first-floor commercial unit with a two-story residence above it that is currently being used as a vacation rental property; the Receiver was able to increase this sale price by \$380,000 at auction and the sale was just approved (Dkt. 614);
  - b. One (1) is the Keller Co-work property located in Petaluma, California (this property is pending Court approval, Dkt. 615);

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<sup>3</sup> This number has not been included in the Receiver's previously estimated \$13-\$15 million net sale recovery.

1 c. One (1) is a residential property that is occupied by a non-paying  
2 former employee. After initiating a foreclosure action against  
3 the tenant, a settlement is being finalized to give the Receiver  
4 possession of the property on March 31, 2021.

5 7. The Receiver has completed auctions for the vast majority of the  
6 personal property.

7 As only a few properties remain unsold, the Receiver's property management  
8 related activities have been significantly reduced. The Receiver expects to take  
9 possession of the final tenant-occupied property in the second quarter of 2021 and  
10 will report further in future reports.

11 Based upon the best information currently available, the Receiver currently  
12 estimates the total net sales proceeds from the assets listed on Exhibit A to be in the  
13 \$15 million range,<sup>4</sup> over \$12.5 million of which has been recovered as of the date of  
14 this report. This total estimate remains speculative and may well change. As sales  
15 are completed, the Receiver is reflecting the actual recoveries on the exhibit as well  
16 as on the receipts and disbursements schedule included as Exhibit B hereto.

17 As previously discussed, the extensive secured debt encumbering the assets  
18 had a substantial impact on the gross numbers presented in prior reports (and as  
19 presented in the current version of) Exhibit A, thus the net sale proceeds for most of  
20 the assets are small (relative to the prior or currently estimated market values of the  
21 assets, as applicable). It is important to note that the \$15 million estimate does not  
22 include any amounts associated with potential recoveries from causes of action or  
23 third parties recoveries not reflected specifically on Exhibit A hereto (discussed  
24 further below). It also is reflective of actual net sales proceeds and does not reflect  
25 revenue or expenses associated with the listed assets leading up to the sale thereof.

26  
27  
28 <sup>4</sup> This estimate does not include the anticipated \$1.3 million recovery from the  
Bandini Street Property.

1 **C. Property Taxes**

2 First half installments for 2020/2021 property taxes were paid in  
3 December 2020, as appropriate.

4 **D. Insurance**

5 All remaining properties are insured pursuant to the insurance broker's  
6 recommendations. As properties continue to be sold, the Receiver continues to  
7 remove coverage and right size the policies in the portfolio.

8 As previously discussed, the Receiver has one remaining open insurance  
9 claim: a claim against the policy covering theft and other criminal acts arising from  
10 the actions of the former Chief Financial Officer of ANI, Crispin Torres. The claim  
11 remains open and under consideration by the respective carriers.

12 **E. Debt Service**

13 The Receiver has maintained the debt service payments owed under the  
14 various mortgages encumbering the properties except for the one (1) remaining  
15 property with a pending joint motion. As a result, and likely due to the significant  
16 communication and subsequent payoffs of various loans as part of the completed  
17 sale transactions, the Receiver has maintained effective working relationships with  
18 the various lenders. As a result of these efforts, as mentioned above, two properties  
19 that were previously earmarked for foreclosure due to the amount of debt on them  
20 were sold by the Receiver and approximately \$629,000 of additional net sale  
21 proceeds were recovered.

22 **F. Loans and Other Investments**

23 Through her investigation, meetings, and document review, the Receiver has  
24 identified numerous loans and investments made by Champion-Cain and the  
25 Receivership Entities, as well as associated business interests and assets. Based  
26 upon interviews with Champion-Cain and records reviewed by the Receiver, it  
27 appears that millions of dollars were spent in connection with investments in various  
28 enterprises and loans to third parties. The Receiver has recovered certain of these

1 items to date (see Exhibit A) and will continue to cost-effectively pursue recovery of  
2 those items if/as deemed collectible.

### 3 **G. Investigation of Third-Party Claims**

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

9 With respect to Chicago Title, the Receiver has filed a motion seeking  
10 authority to file a related action in this Court against Chicago Title. Dkt. 323. An  
11 initial hearing on the motion was held on August 26, 2020, and a continued hearing  
12 occurred on December 17, 2020, at which time the Court continued the hearing  
13 again to April 12, 2021.

14 The Receiver has also been in contact with other third parties who had a role  
15 in the ANI scheme regarding claims held by the receivership estate. This includes  
16 professionals engaged by the Receivership Entities prior to the Receiver's  
17 appointment. The Receiver has negotiated a settlement with one such former  
18 professional and anticipates filing a motion for Court approval of the settlement  
19 shortly. The Receiver has agreed to attend mediation in May 2021 with another  
20 former professional. To the extent the discussions with other third parties do not  
21 result in settlement, the Receiver will seek authority to pursue claims against them.

22 The Receiver also sought authorization to proceed with claims to recover  
23 profits, referral fees, commissions and other amounts paid to profiting investors and  
24 other third parties ("Clawback Claims"). Dkt. 493. As part of this process, the  
25 Receiver has sought approval of settlement parameters to promote the efficient  
26 resolution of Clawback Claims. Depending on the amount of the Clawback Claims,  
27 the Receiver sought approval to settle the claims at amounts between 70% and 90%  
28 of the claim (on a progressive basis), with increased percentages for those claims

1 that go through litigation. A hearing was held on December 17, 2020 and the  
2 motion was granted by order entered on December 18, 2020. Dkt. 551.

3 The Receiver, through her counsel, has been in communication with certain  
4 profiting investors and other third parties to discuss Clawback Claims and potential  
5 settlements. The Receiver has also since signed settlement agreements for two  
6 Clawback Claims and anticipates that additional settlements will be reached soon.  
7 To the extent settlements within the Court-approved settlement parameters cannot  
8 be reached, the Receiver will initiate actions to recover on Clawback Claims.

9 **H. Receivership Estate Operations**

10 After the sale of the La Mesa Surf Rider restaurant during the fourth quarter  
11 of 2020, all restaurant operations were closed. The only remaining operation is the  
12 co-work location in Petaluma, CA that is staffed by one locally-based employee.  
13 Sale of that property is currently pending Court approval and a sale closing is  
14 expected in the second quarter of 2021.

15 At present, in addition to the Keller Co-work manager, one part-time ANI  
16 corporate-level employee remains on staff. The Receiver continues to engage the  
17 temporary, part-time, human resources and tax specialist to assist with the wind-  
18 down of the various entities and related tasks. That employee continues to work  
19 remotely and typically works only a few hours a week. The IT vendor, AMA  
20 Networks, continues to monitor the corporate network operations for a minimal  
21 monthly charge and responds to requests on an as needed basis.

22 The Receiver and her staff continue to commit time to working closely with  
23 the remaining ANI staff, including a weekly conference call to update on the  
24 progress of operations. The remaining corporate employee continues to work from  
25 home for the most part. After the Hancock property was foreclosed in December  
26 2020, a small space was leased from an affiliated receivership entity at the 3816  
27 Mission Blvd. location (the former Luv Surf boutique) to house the remaining  
28 administrative operations. As previously discussed, the 3816 Mission Blvd/733

1 Salem Ct property is currently pending court approval. The buyer has agreed to  
2 assume the lease at the close of the sale. The lease contains various terms favorable  
3 to the receivership estate including low rent and a termination clause.

4 **I. Pending Litigation**

5 At the time of the Receiver's Appointment, there were two pending litigation  
6 matters involving the Receivership Entities. In one of these matters, one of the  
7 Receivership Entities had been sued in San Diego Superior Court by a former  
8 employee. This case has been stayed as a result of the litigation stay contained in  
9 the Appointment Order.

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

16 The Receiver, with assistance of her counsel, gathered information about the  
17 case, spoke to the lawyers in San Diego and Florida, and spoke to the two remaining  
18 co-plaintiffs. The Receiver, one of the co-plaintiffs, and the firm in Florida  
19 ultimately agreed, subject to Court approval, on a new proposed contingent fee  
20 arrangement and allocation of the net recovery. The Receiver filed a motion seeking  
21 authority to engage the Florida law firm as special counsel and for approval of the  
22 parties' agreement, which was approved on April 23, 2020. Dkt. 313. The litigation  
23 is now proceeding in the Florida state court for Pinellas County.

24 **J. Taxes**

25 The Receiver understands that in the past, certain investors may have received  
26 an IRS Form 1099 from one or more of the Receivership Entities. Typically, the  
27 IRS Form 1099 is sent to each person that has received payments from a  
28 Receivership Entity each year. The Receiver is not presently able to report the

1 specific amounts paid to individual investors during the pre-receivership periods.  
2 Before transmitting the payment information or the Form 1099 to investors, the  
3 Receiver must first complete her forensic accounting so she can verify what  
4 payments were made, as well as the nature of the payments.

5 In addition, the Receiver intends to seek approval and authority to commence  
6 a claims process in which investors and the Receiver will work to validate the  
7 amounts received by the Receivership Entities from investors as well as the amounts  
8 paid to investors. Once the foregoing information has been obtained and after  
9 consultation with tax professionals as to the propriety of transmitting the IRS Form  
10 1099 to investors in these circumstances, the Receiver will notify the investors of  
11 her decision as to whether to send out the Form 1099 for any pre-receivership  
12 periods.

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

17 Regarding the Receivership Entities' tax returns, the Receiver is in the process  
18 of filing tax returns for approximately 70 separate entities. A significant number of  
19 prior year returns (2016, 2017 & 2018) had not been completed at the time of the  
20 Receiver's appointment. To date, the Receiver has had 67 tax returns prepared for  
21 28 Receivership Entities. The Receiver will continue to file Receivership Entity tax  
22 returns, as necessary, in the most cost-effective and efficient manner possible.

23 **K. Receipts and Disbursements**

24 The following reflects the cash activity in the receivership estate from the  
25 inception of the receivership on September 3, 2019 through December 31, 2020. A  
26 summary of the receipts and disbursements is as follows:  
27  
28



1	Bank Balance at 09/03/2019 <sup>5</sup> (accounts listed in Appointment Order)	\$368,614
2	Additional Bank Account Recoveries post-takeover	\$1,447,947
3	Chicago Title Funds Received	\$11,311,344
4	Total Receipts	\$19,590,675
5	Total Disbursements	(\$13,343,618)
6	<b>Ending Bank Balance at 12/31/2020</b>	<b>\$19,374,962</b>

7 A more detailed summary of the receipts and disbursements is attached hereto  
8 as Exhibit B. As noted above, since December 31, 2020 through the date of this  
9 report, the Receiver has realized approximately \$780,000 in additional recoveries  
10 with approximately \$2,136,000 of anticipated net sales proceeds currently pending  
11 closing, Court and/or ABC approval.

12 **L. Investor/Creditor Communications**

13 The Receiver continues to maintain a dedicated website which is being used  
14 to provide case information, regular updates, and answers to frequently asked  
15 questions to investors and creditors. The website is not intended to duplicate the  
16 Court's electronic case filing system for this case, but it is intended to provide  
17 investors with important information about the receivership. The Internet address  
18 for the website is: [www.anireceivership.com](http://www.anireceivership.com). In addition, the Receiver maintains a  
19 dedicated e-mail address ([ani@ethreadvisors.com](mailto:ani@ethreadvisors.com)) and telephone line for investor  
20 and creditor inquiries. The Receiver has had her staff attempt to respond to investor  
21 and creditor correspondence to acknowledge receipt of their correspondence (via  
22 email and/or phone).

23 The Receiver has provided communications directing all investors and  
24 creditors to the receivership website for further notices, information, and updates,  
25  
26

27 <sup>5</sup> While September 3, 2019 is the date of the Appointment Order, the order was  
28 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.



1 and notifies them of the opportunity to subscribe to the receive automatic periodic e-  
2 mail updates with links to reports and other relevant documents filed with the Court.

#### 3 **IV. CONCLUSION**

4 The Receiver's efforts to marshal and recover assets and relevant  
5 Receivership Entity documents and records are ongoing. The Receiver and her  
6 professionals make the following recommendations regarding the continued  
7 administration of the receivership.

##### 8 **1. Document Recovery Efforts**

9 The Receiver continues to obtain records from all financial institutions where  
10 the Receivership Entities or other relevant parties maintained accounts as well as  
11 from attorneys and accountants engaged by the Receivership Entities. The Receiver  
12 has served subpoenas on certain institutions, individuals, and entities and proposes  
13 to proceed with these efforts to obtain necessary documents, assets, and information.  
14 It may also be necessary to take the depositions of certain individuals.

##### 15 **2. Asset Investigation and Recovery Efforts**

16 The Receiver will continue to seek to locate any presently unaccounted for  
17 receivership assets that may exist. As noted above, it is believed that additional  
18 assets may be located once the Receiver has completed her forensic accounting.  
19 The Receiver also will continue to investigate third parties who aided Champion-  
20 Cain in connection with this enterprise. As part of her investigation, the Receiver  
21 will evaluate whether such third parties should be liable for damages caused to the  
22 Receivership Entities and their investors.

##### 23 **3. Accounting**

24 The Receiver and her staff have made significant progress with the forensic  
25 accounting; a preliminary investor-specific report was filed on December 1, 2020  
26 (Dkt. No. 516-1). As previously mentioned, this accounting is and will be used to  
27 identify any additional receivership assets, and to establish where the funds obtained  
28 by the Receivership Entities came from and where they went after they were

1 received by the Receivership Entities. The accounting will also provide the  
2 foundation for the Receiver's review and analysis of investor/lender and other  
3 creditor claims, as well as her Clawback Claims.

4 At the Court's direction, the Receiver and her counsel spent significant time in  
5 late December 2020 and January 2021 meeting and conferring with counsel for  
6 CTC, attending telephonic hearings with Judge Goddard, and exchanging  
7 preliminary accounting information regarding losing investors and their loss  
8 amounts with CTC.

9 **4. Continuation of Receivership**

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

13  
14 Dated: March 12, 2021

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

15  
16 By: s/Edward G. Fates

17 EDWARD G. FATES  
18 Attorneys for Receiver  
19 KRISTA FREITAG  
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**EXHIBIT INDEX**

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# EXHIBIT A

# EXHIBIT A

**Preliminary Asset Schedule (not including FF&E)**

*All values and commentary, unless a transaction has occurred, are preliminary based on the best information available to the Receiver at this time. 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
7	724 Zanzibar Ct., San Diego, CA 92109	Vacation Rental	Closed 5/22/2020 - sale price \$1,875,000. Net payment to lender \$1,524,704. Net sales proceeds were \$258,776.	258,776
8	3833 Mission Blvd., San Diego, CA 92109	Commercial Property Restaurant	Closed 6/4/2020 - sale price \$825,000. Net payment to lender \$610,630. Net sales proceeds were \$129,306 after the July 2020 payment of the \$60,000 UCC.	129,306
9	3735 Mission Blvd., San Diego, CA 92109	Quick Service Restaurant -- Bao Beach	Closed 6/5/2020 - sale price \$28,000. Net sales proceeds were \$19,592.	19,592
10	3768 Mission Blvd, San Diego, CA 92109	Restaurant operation	Closed 6/25/2020 - sale price \$2,300,000. Net payment to lender \$2,044,306. Net sales proceeds were \$54,393. The liquor license escrow closed on August 11, 2020 resulting in \$79,367 of additional net sale proceeds (which is not reflected in this number).	54,393
11	3814 Mission Blvd. San Diego, CA 92109	Redondo Parking Lot Next to Surf Rider Pizza - Mission Beach	Closed 6/25/2020 - sale price \$1,011,000. Lender paid off with sale of Saskas (3768 Mission Blvd). Net sales proceeds were \$965,481.	965,481
12	3445 Ingraham Street, San Diego, CA 92109	Commercial Property Restaurant	Closed 7/21/2020 - sale price \$695,000. Net payment to lender \$272,201. Net sales proceeds were \$400,618.	400,618
13	3415 Mission Blvd., San Diego, CA 92109	Retail store and 3 apartments	Closed 8/19/2020 - sale price \$1,550,000. Net payment to lender \$1,212,627. Net sales proceeds were \$273,811.	273,811
14	3548 Tennyson Street, San Diego, CA	Long term rental - Just purchased 8/20/19	Closed 8/21/2020 - sale price \$885,000. Net payment to lender \$551,269. Net sales proceeds were \$263,184. Also recovered prev. transaction for which buyer did not perform - \$8,450.	271,634
15	809 San Rafael Pl., San Diego, CA 92109	Vacation Rental	Closed 9/14/2020 - sale price \$1,630,000. Net payment to lender \$1,313,047. Net sales proceeds were \$252,962.	252,962
16	7569-7571/7565 University Avenue, La Mesa, CA 91942	ANI, Inc. planned condo Units	Property was pending foreclosure. Closed 10/30/2020 - sale price \$1,400,000. Net payment to lender \$1,047,394. Net sales proceeds were \$261,418.	261,418
17	4829 Bella Pacific #215, San Diego, CA 92109	Rental Condo	Closed 10/30/2020 - sale price \$490,000. Net payment to lender \$414,153. Net sales proceeds were \$41,161.	41,161
18	737 Windemere Ct., San Diego, CA 92109	Vacation Rental	Closed 11/02/2020 - sale price \$1,515,000. Net payment to lender \$142,729 (after \$158.45 refund). Net sales proceeds were \$1,349,216 (after \$158.45 refund).	1,349,216

19	8381 La Mesa Blvd., La Mesa CA	Commercial Property Restaurant	Closed 11/13/2020 - sale price \$2,425,000 (for all assets). Net payment to lender \$2,264,386. Net sales proceeds were \$26,366. The liquor license escrow closed on November 20, 2020 resulting in \$49,193 of additional net sale proceeds (which is not reflected in this number).	26,366
20	4030-4034 Randolph Street, San Diego, CA 92103	Rentals Apt - 5 Units; House - 4 Units	Closed 11/18/2020 - sale price \$1,650,000. Net payment to lender \$1,087,150. Net sales proceeds were \$467,303.	467,303
21	7940 University Avenue #9, La Mesa, CA 91941	Rental Condo	Closed 11/25/2020 - sale price \$351,000. Net payment to lender \$303,332. Net sales proceeds were \$25,450.	25,450
22	812 San Rafael Pl., San Diego, CA 92109	Vacation Rental	Closed 12/08/2020 - sale price \$1,622,000. No payment to lender (paid off with Windemere closing). Net sales proceeds were \$1,552,795.	1,552,795
23	4364 Valle Vista, San Diego, CA 92103	SFR - Long Term Rental	Closed 12/17/2020 - sale price \$1,150,000. Net payment to two lenders \$978,272. Net sales proceeds were \$105,898. Payoff of the second loan frees up 3770 Mission Blvd. net sales proceeds for the receivership estate.	105,898
24	750 Yarmouth Ct., San Diego, CA 92109	Vacation Rental	Closed 12/17/2020 - sale price \$1,350,000. No payment to lender (paid off with Windemere closing). Net sales proceeds \$1,292,325.	1,292,325
25	7243 Camino Degrazia, Unit 59, San Diego, CA 92111	Rental Condo	Closed 12/28/2020 - sale price \$450,000. Lender paid \$381,545. Net sales proceeds \$41,323.	41,323
26	901, 903, 904 W. Washington St., San Diego, CA	Commercial Property 1 Commercial Tenants	Closed 1/22/2021 - sale price \$1,910,000. Lender paid \$1,441,856. Net sales proceeds \$367,551.	367,551
27	3792 Mission Blvd. (Suite A), San Diego, CA 92109	Office space	Closed 1/08/2021 - sale price \$399,000. Lender paid \$15,755. Net sales proceeds \$364,014.	364,014
28	2163 Abbott Street, Ocean Beach, CA 92107	Surf Rider Pizza Cafe	Closed 2/18/21 - sale price \$85,000. A payment was made to a secured vendor for \$27,500. Net sales proceeds \$50,504.	50,504
<b>Total Net Sales Proceeds (Plus reduction of loans payable of \$3.188 million for Items 1-3)</b>				<b>10,601,883</b>
<b>Properties Pending Sale Closing/Court Approval:</b>				
	<b>Address</b>	<b>Asset Type or Name</b>	<b>Asset Status &amp; Commentary</b>	<b>Estimated Net Sale Proceeds</b>
1	3770 Mission Blvd., San Diego, CA 92109	Quick Service Restaurant -- Surf Rider Pizza Mission Beach	Sale is Court approved at \$402,500. The estimated net sales proceeds are \$350,000. Because a liquor license is a part of this transaction, ABC approval is required to complete the transaction, which is expected to occur in March 2021.	350,000
2	3816 Mission Blvd./733 Salem Court, San Diego, CA 92109	Mixed Use - Surf Shop Ground Floor Apartment Loft Rented	A Notice of Results of Auction of 3816 Mission Blvd. Property and Request to Approve Sale to Winning Bidder (with a \$1,590,000 sale price) has been filed with the Court for approval. The commercial unit is being occupied by ANI corporate staff on a socially distant basis. The residential unit has been converted to a short term vacation rental. The estimated net sale proceeds are \$1,029,000.	1,029,000
3	140 Keller Street, Petaluma, CA 94952	CoWorking Office Business	Sale is pending Court approval; hearing on which is set for April 30, 2021. Sale price is \$2,040,000. Depending on when the sale closes, the estimated net sale proceeds are \$752,000 to \$762,000.	757,000
<b>Total Estimated Net Sales Proceeds for Transactions Pending Closing or Court Approval</b>				<b>2,136,000</b>
<b>General Residential Real Property Owned:</b>				
	<b>Address</b>	<b>Asset Type or Name</b>	<b>Asset Status &amp; Commentary</b>	<b>Estimated Market Value</b>
1	1775 Diamond Street, #301, San Diego, CA 92111	Condo	Receiver, entered into a settlement with the delinquent tenant for a payment plan and return of the property by March 31, 2021. The Receiver intends to list the property for sale after re-taking possession. EMV based on Realtor automated value. There is no debt on this property.	378,000
<b>Total Estimated Market Value</b>				<b>378,000</b>
<b>Properties Foreclosed/Pending Joint Motion for Relief from Injunction:</b>				
	<b>Address</b>	<b>Asset Type or Name</b>	<b>Asset Status &amp; Commentary</b>	<b>No Value Expected to be Realized</b>
1	3515 Hancock Street San Diego, CA 92110	Commercial Use - Main Office and Parking Lot	Former HQ office space. Foreclosure was completed in December 2020.	
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)	Former Patio on Lamont Restaurant; operations closed as a result of COVID. Foreclosure was completed in November 2020.	

3	369 10th Avenue, San Diego, CA 92101	Real Estate Condo Envelope	Former Himmelberg's restaurant/bar. Foreclosure was completed in December 2020.	
4	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. After significant effort to effectuate a deal, Receiver has agreed to limited relief to allow the lienholders to exercise their limited rights/remedies.	

Other Investments/Loans - Recovery to Date:				
1	Tourmaline Equity, LLC		\$300K Investment in real estate development in Bentonville, Arkansas.	347,040
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
3	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 \$471K. Transaction closed in third quarter.	470,888
4	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. Transaction closed in third quarter.	25,000
5	Endeavor Bank (CBB Venture Group)		CD, MM Recovered December 2020	234,669
Total Other Investments/Loans - Recovery To Date				1,407,597
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. Misirliogou		Loan Receivable	102,324
7	Dash Wagon		Convertible note - child seat/stroller. UCC.	200,000
8	Boormeester		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	Trek Partners		Oil/gas related investment - recovery not anticipated.	90,632
14	Baymedica		Convertible Note	50,000
15	Endeavor Bank		Share Price Est (CD, MM Recovered above) - actively working to transfer these shares (once completed in the coming weeks, will proceed to attempt to sell)	240,000
16	Menon Renewable Energy		Investment	105,000
Total Other Investments/Loans				3,003,919



**Liquor License Closed Transactions:**

	Address	Asset Type or Name	Asset Status (for sale, for lease, operating, closed, etc.)	Net Sales Proceeds
1	4020 Goldfinch St.	On-Sale General Eating Place	Sale to landlord approved by the Court on January 24, 2020. Sale closed August 2020.	142,990
2	3768 Mission Blvd.	On-Sale General Eating Place	Included with sale of real property. Sale closed August 2020.	79,367
3	345 S. Coast Highway 101	On-Sale General Eating Place	Sale to landlord approved by the Court on January 24, 2020. Sale closed June 2020; funds received in Q320.	117,145
4	Petaluma	On-Sale General Eating Place.	Included with sale of real property. Sale closed August 2020.	150,000
5	8381 La Mesa Blvd.	On-Sale General Eating Place	Included in the sale of the real property. Sale closed November 2020.	49,193
6	2163 Abbott St.	On-Sale Beer & Wine - Eating Place	Included in the sale of the leasehold interest.	0
7	2163 Abbott St.	Caterer	Included in the sale of the leasehold interest.	0
<b>Total Liquor License Closed Transactions Net Sales Proceeds</b>				<b>538,695</b>

**Other Liquor License Status:**

	Address	Asset Type or Name	Asset Status (for sale, for lease, operating, closed, etc.)	Estimated Market Value
8	3770 Mission Blvd.	On-Sale General Eating Place	Included in the sale of the leasehold interest.	0
9	4535 Towne Centre Ct.	On-Sale Beer & Wine - Eating Place	To be transferred to new operator or building owner, who previously paid for same.	0
10	8910 University Center Ln.	On-Sale Beer & Wine - Eating Place	To be transferred to new operator or building owner, who previously paid for same.	0
11	400 Spectrum Center Dr.	On-Sale Beer & Wine - Eating Place	Transferred to new operator or building owner, who previously paid for same.	0
12	17877 Von Karman Ave.	On-Sale General Eating Place	Transferred to new operator or building owner, who previously paid for same.	0
13	369 10th Ave.	On-Sale General Eating Place	Under Contract.	52,500
14	4445 Lamont St.	On-Sale General Eating Place	Available for Sale	100,000
15	2855 Perry Rd.	On-Sale General Eating Place	Under Contract.	52,500
16	928 Fort Stockton Dr.	Off-Sale Beer & Wine	Available for Sale	2,500
<b>Total Estimated Market Value</b>				<b>207,500</b>

**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 Enicintas, 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.	
12	3779 Mission Blvd. San Diego, CA 92109	San Jose Parking Lot Across from Saska's Steakhouse	No offers materialized and property transitioned to landlord at the end of the lease term on 12/31/2020	

**SUMMARY OF EXHIBIT A**

Real Property	Total Net Proceeds from Sale of Real Property (includes Q121) Closings To Date	10,601,883
Other Investments/Loans	Total Recovery To Date	1,407,597
Liquor Licenses	Total Liquor License Transactions Closings Net Sales Proceeds To Date	538,695
<b>Total Recovery To Date (includes post 12/31/20 funds (gray highlights))</b>		<b>12,548,175</b>
Real Property	Total Est Net Sales Proceeds for Properties Pending Sale Closings	2,136,000
<b>Total Estimated Net Sales Proceeds for Transactions Pending Completion or Court Approval</b>		<b>2,136,000</b>
Real Property	Total Estimated Market Value/Contract Sale Price of Unsold Real Property	378,000
Other Investments/Loans	Total Other Investments/Loans Unresolved	3,003,919
Other Liquor Licenses	Total Estimated Market Value	207,500
<b>Total Recovery Pending Resolution or Sale</b>		<b>3,589,419</b>
<b>Grand Total (SEE NOTE BELOW)</b>		<b>18,273,594</b>

NOTE: The numbers reflected are as noted and are 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 estimates the net sales proceeds from the portfolio reflected on this schedule to be in the \$15 million range.

# EXHIBIT B

# EXHIBIT B

<b>Beginning Balance at 09/03/2019 (accounts listed in Appointment Order)</b>	<b>\$368,614</b>
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
Rancho Mirage Property Recovery	\$1,271,093
Thomas Avenue Property Recovery	\$224,740
Carmel Property Recovery	\$534,153
Zanzibar Property Recovery	\$258,776
Former Swell Property Recovery [1]	\$129,306
Saska's and Parking Lot Recoveries	\$1,099,241
Bao Recovery	\$19,592
Ingraham Property Recovery	\$400,618
3415 Mission Property Recovery	\$273,811
Tennyson Property Recovery	\$271,634
7569-7571 University Property Recovery	\$261,418
Bella Pacific Property Recovery	\$41,161
809 San Rafael Property Recovery	\$252,962
Former Patio 101 Liquor License, Personal Property Recovery	\$117,145
Former Chicken Pharm Liquor License Recovery	\$150,000
Former Goldfinch Liquor License, Personal Property Recovery	\$142,990
Windemere Property Recovery	\$1,349,058
8381 La Mesa Blvd (SRLM) Property Recovery	\$75,558
University Condo #9 Property Recovery	\$25,450
Randolph Property Recovery	\$467,303
W. Washington Property Recovery	\$250,000
812 San Rafael Property Recovery	\$1,552,795
Valle Vista Property Recovery	\$105,898
Camino Degrazia Property Recovery	\$41,323
Yarmouth Property Recovery	\$1,292,325
Endeavor CD	\$234,669
Legal Retainer Recovery	\$183,204
Tourmaline Investment Recovery	\$347,040
City National Bank CD Recovery	\$76,296
D. Champion Settlement Recovery	\$330,000
Pullman Lofts Earnest Money Deposit Recovery	\$495,888
Personal Property Recovery	\$375,231
Restaurant Receipts (includes Patio Marketplace pre-opening expense receivables collection)	\$5,301,927
Real Estate Rental Receipts	\$801,342
Keller Street Co-Work Receipts	\$345,736
Retail Receipts (includes post-closing product sales (pre-auction))	\$111,487

ANI Miscellaneous Contract Refunds/Recoveries/Receipts	\$225,896
Interest Income	\$73,609
Pre-Receiver Expenses (detail in Initial Verified Report)	(\$87,930)
<b>Restaurant Expenses:</b>	\$0
Payroll and Payroll Related Expense	(\$2,216,583)
Operating Expenses	(\$1,221,783)
Cost of Goods Sold	(\$1,253,516)
Management Fees	(\$336,666)
BOE – Sales Tax	(\$341,064)
Rent Expense	(\$155,014)
Merchant and Bank Fees	(\$35,365)
<b>Real Property Related Expenses:</b>	\$0
Debt Service	(\$1,635,472)
Property Tax Expense	(\$396,832)
Operating Expenses	(\$294,500)
<b>Keller Street Co-Work Expenses:</b>	\$0
Payroll and Payroll Related Expense	(\$106,927)
Operating Expense	(\$126,135)
<b>Retail Expenses:</b>	\$0
Payroll and Payroll Related Expense	(\$18,087)
Operating Expense	(\$20,837)
Cost of Goods Sold	(\$1,463)
General & Administrative Expense	(\$2,175)
<b>Corporate Expenses:</b>	\$0
Payroll and Payroll Related Expense (includes real property related operations)	(\$1,849,980)
Payroll - PTO	(\$197,363)
Insurance (includes real property and operations coverages)	(\$361,874)
General & Administrative Expenses	(\$634,971)
IT Expense	(\$163,619)
Rent Expense	(\$104,567)
Operating Expenses	(\$85,639)
Grant Deed Settlement Payment	(\$100,000)
Receiver Fees & Expenses [2]	(\$506,760)
Receiver Legal Fees & Expenses [3]	(\$1,088,496)
<b>Ending Bank Balance at 12/31/20</b>	<b>\$19,374,962</b>

[\[1\] In July 2020, a UCC payment was made in the amount of \\$60,000, which ultimately offsets this recovery.](#)

[\[2\] Includes credit for Rancho Mirage Property buyer's request for supplemental Court approval - \\$4,990. Q220 approved fee and expense payment cleared in January 2021.](#)

[\[3\] Includes credit for Rancho Mirage Property buyer's request for supplemental Court approval - \\$4,990.](#)