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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
9 COUNTY OF SAN DIEGO

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11 PEOPLE OF THE STATE OF CALIFORNIA,  
by and through the COMMISSIONER OF  
12 BUSINESS OVERSIGHT,

13 Plaintiff,

14 v.

15 SILVER SADDLE COMMERCIAL  
DEVELOPMENT, LP, a California limited  
16 partnership; SILVER SADDLE RANCH &  
CLUB, INC., a California corporation; THE  
17 GALILEO COMMERCIAL PROPERTY  
OWNERS ASSOCIATION, INC., a California  
18 non-profit corporation; THOMAS M. MANEY,  
an individual; and DOES 1 through 100,  
19 inclusive,

20 Defendants.

21 And,

22 MARIAN G. DUCREUX, an individual;  
CLIFFORD J. REYNOLDS, an individual;  
23 WAYNE A. PEDERSEN, an individual; and  
Relief Does 1 through 10, inclusive,  
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25 Relief Defendants.  
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Case No. 37-2019-00049151-CU-MC-CTL

**RECEIVER'S SECOND INTERIM  
STATUS REPORT**

**IMAGED FILE**

Judge: Hon. Joel R. Wohlfeil  
Dept.: C-73  
Action filed: September 9, 2019  
Trial Date: July 9, 2021

1 TO THIS HONORABLE COURT, THE PARTIES, AND OTHER PARTIES IN  
2 INTEREST AND/OR THEIR COUNSEL OF RECORD:

3 Thomas W. McNamara, as Court-appointed receiver (“Receiver”), hereby submits this  
4 Second Interim Report of receivership activities for the period of March 13, 2020 through  
5 September 15, 2020. This Report also serves as the Receiver’s notice of fees and expenses for  
6 the months of February 2020 to July 2020. Due to the limited resources of the receivership  
7 estate, the Receiver will temporarily withhold payment of these fees and expenses.

8 **I.**

9 **INTRODUCTION**

10 The Receiver previously filed his Preliminary Report (ROA #65) on October 15, 2019  
11 and First Interim Status Report (ROA #140) on March 13, 2020. These reports are incorporated  
12 by reference. The Preliminary Report provided details on the initial implementation of the  
13 receivership and the Receiver’s conclusion that the Receivership Defendants<sup>1</sup> could not be  
14 operated lawfully and profitably. The First Interim Status report discussed the status of various  
15 Receivership Estate assets (the Silver Saddle Ranch & Club, the leased corporate office, the  
16 undeveloped property in Kern County, and property insurance), the Receivership Defendants’  
17 liabilities (delinquent invoices and SS Purchco, LLC’s claim), and notice and updates provided  
18 to investors. The First Interim Status Report also provided an inventory of the property, an  
19 accounting, and notice of payment of Receiver’s fees and costs. This Second Interim Report will  
20 not restate past findings and reports, but will focus on activity since the last report was made to  
21 the Court.

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24 <sup>1</sup> Receivership Defendants are defined in the TRO and PI as Defendants Silver Saddle  
25 Commercial Development, LP (“SS Development”); Silver Saddle Ranch & Club, Inc. (“SS  
26 Ranch”); The Galileo Commercial Property Owners Association, Inc., as well as any other entity  
27 that has conducted any business related to Defendants’ offering and selling of the Galileo Project  
28 investment contracts, including receipt of assets derived from any activity that is the subject of  
the Complaint in this matter, and that the Receiver determines is controlled or owned by any  
Defendant. On or around October 13, 2019 the Receiver determined that MCQ Corporation  
 (“MCQ”) and High Plains Mesa LLC were also Receivership Defendants and he informed all  
parties of such.

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**II.**

**SUMMARY OF THE RECEIVER'S ACTIVITIES**

Since the last report to the Court, the Receiver's primary focus has been on maintaining and selling the real property owned by the Receivership Defendants, as described in more detail below.

**A. Maintenance of the Real Property**

The real property owned by the Receivership Defendants largely falls into two groups: the Ranch, which is located in California City and was operated by Defendants as both a sales piece and vacation resort, and 1,022 acres of vacant desert land in which Galileo Project investors (the "investors") hold a fractionalized interest (the "Galileo Project land").<sup>2</sup> While the Ranch was used as a sales tool, investors did not purchase or have any interest in the Ranch. The Galileo Project land is undeveloped and has essentially no maintenance costs. Maintenance of the Ranch, however, remains the Receivership Estate's single largest expense – one the Receiver has tried to reduce, as discussed in greater detail below.

**Staff** – As noted in the Receiver's First Interim Status Report, given the size of the Ranch and its remote location, and the difficulty of obtaining outside help, the Receiver elected to retain the former Resort Facilities Director for the Ranch to manage and protect the property as its full-time caretaker. The hiring of the former Director has allowed the Receiver to keep the Ranch maintained and secured with minimal staff and personnel expense. The longer the Ranch remains vacant, however, the more likely it is that vandalism and security issues will become a concern. More security – which the Receiver has not yet hired, but may ultimately need to – would increase the costs associated with the daily operations at the Ranch. To date, the labor cost to the Receivership Estate has been nearly \$100,000.

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<sup>2</sup> These categories exclude the non-contiguous desert land in Kern County. This property varies in nature and size, with some parcels having significant acreage and other consisting largely of smaller lots within specific tracts. Some of the lots may be subject to tax sale. A former employee reported that Defendants' practice was to only pay the property tax for a handful of properties. For the remaining properties, they would not pay the property taxes, allowing them to proceed to tax sale.

1           **Utilities** – With the delinquent invoices now addressed, the electric bills remain relatively  
2 reasonable with the last five months totally nearly \$8,800. Total electricity cost to date for the  
3 Ranch is approximately \$21,000.

4           The water bills, however, have grown more significant. While the Receiver was able to  
5 lower the water bills significantly (as low as \$4,500 per month) by limiting watering of the  
6 property and addressing numerous leaks, as well as allowing some lakes to drain and the pools to  
7 be emptied. However, the most recent bill was significantly higher at \$31,656. The sharp  
8 increase is due to two factors: the record-setting heat waves in the summer months (necessitating  
9 increased water usage to keep the Ranch in a saleable condition) and a handful of leaks, which  
10 have since been addressed. Water costs for the past five months was nearly \$79,000. To date,  
11 water costs for the Ranch has exceeded \$230,000.

12           The Receiver has continued to keep in contact with California City leadership to  
13 regarding a decrease in the water rates. On August 11, 2020, the California City Council passed  
14 a resolution to reduce commercial water rates. The Receiver understands that the Ranch will  
15 qualify for the reduced rate, which will lower the rate from \$1,700 per acre foot to \$648 per acre  
16 foot, which will hopefully reduce the water bill significantly. The application which the Ranch  
17 will need to file with the City to take advantage of the new rates is still being finalized. Once it  
18 is available, the Receiver will submit an application for lower water rates for the Ranch.

19           While a decrease in the water bill will ease the strain on the Receivership Estate, the  
20 expenses associated with maintenance of the Ranch remain significant. Accordingly, the  
21 Receiver still believes it is in the best interest of the Receivership Estate to sell the Ranch as soon  
22 as reasonably possible. See section B for full details regarding the status of the sale of the  
23 Ranch.

24           **Insurance** – In compliance with the Preliminary Injunction, the Receiver has maintained  
25 an insurance policy on the property with Seneca Insurance Company. The policy is \$79,308.07  
26 per year (payable on a monthly basis) and to date, the Receiver has paid \$46,312.07 for  
27 insurance.  
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1           **Other Items** – In early August and in preparation for an eventual sale of the Ranch, the  
2 Receiver’s team traveled to the Ranch to preserve all business records that remained onsite. The  
3 team organized and filed all the records into roughly 1,000 bankers boxes and prepared them for  
4 transport to a storage facility at a later date. Until sale of the Ranch has been approved and  
5 finalized, the business records will remain safely stored at the Ranch to save the Receivership  
6 Estate the additional costs necessary to store the documents off-site.

7           Additionally, on or around September 1, 2020, the City of California City Public Works  
8 Director contacted a member of the Receiver’s team to discuss alleged historical artifacts located  
9 at the Ranch. The city official claimed that many older pieces such as vehicles and trailers had  
10 been loaned to Receivership Defendants for display, and expressed concern that the pieces would  
11 be sold with the Ranch. The city official was instructed to provide additional information about  
12 its claim that items were loaned to the Receivership Defendants. We have yet to receive  
13 additional information. The Receiver will continue to hold the items until further notice.

14           **B.       Sale of the Ranch and Galileo Project Land**

15           The Receiver took a number of steps to prepare for sale and market the Ranch and  
16 Galileo Project land, all of which are discussed at length in the Receiver’s Motion to Approve  
17 Sale of Real Property (ROA #160). Initially, the Receiver proceeded with sale of the Ranch (of  
18 which Silver Saddle Ranch & Club, Inc. is the sole owner) alone, accepting an offer for the  
19 property from Kevin Feterik. (*Id.* at p. 5-6.) In accepting Mr. Feterik’s offer, the Receiver also  
20 agreed to sell Mr. Feterik the Galileo Project land, should the Court approve its sale. (*Id.*)  
21 Defendant Thomas Maney and a third party, who claimed his offer was not given a full and fair  
22 evaluation, both opposed the Receiver’s motion. (ROA #174, 180.) Believing that the Court  
23 would not approve Mr. Feterik’s offer given the third party’s claim, the Receiver determined it  
24 was necessary to reopen the sales process. (ROA #256 at p. 3.) Mr. Feterik resisted cancellation  
25 of the two escrows (one for the Ranch and one for the Galileo Project land) initially, however,  
26 forcing the Receiver to ask the Court to intervene. (See generally *id.*) Ultimately Mr. Feterik  
27 agreed to join the Receiver in canceling the escrows, and the Receiver withdrew his motion.  
28 (ROA #285 at p. 1.)

1 The Receiver has since relisted the Ranch and, separately, the Galileo Project land.  
2 There is renewed interest in the properties, and the Receiver expects to soon bring another offer  
3 before the Court for its consideration.

4 **C. Motion for Payment of Law Firm Invoices**

5 One of Receivership Defendants' former attorneys (whose services the Receiver  
6 employed a handful of times post-appointment) filed a motion with the Court to compel payment  
7 of his pre-Receivership invoices. (ROA #248, 251.) Because the Preliminary Injunction  
8 prohibits the Receiver from pay pre-Receivership invoices absent further order, the Receiver  
9 deemed it in the best interests of the Receivership Estate not to do so and filed an opposition.  
10 (ROA #276.) The Court agreed with the Receiver and denied the motion. (ROA #303.)

11 **D. Notice to Investors**

12 The Receiver has continued to keep the investors apprised of the status of the case and to  
13 field inquiries from investors, whether those inquiries are by email or by phone. Since the  
14 Receiver's last report, his team has sent two additional email updates to investors providing the  
15 status of the case, as well as responded to numerous phone and email inquiries from investors.  
16 The Receiver will continue to respond to consumers, provide email updates and update the  
17 website as information becomes available.

18 **III.**

19 **RECEIVERSHIP ACCOUNTING**

20 Attached as Exhibit A is a Receipts and Disbursements Summary for the Receivership for  
21 the period March 13, 2020 through September 15, 2020. During this time period, receipts were  
22 \$339.61. Disbursements were \$438,088.76, the largest components of which were fees and  
23 expenses for the Receiver, his counsel, and computer forensics professionals (\$243,963.73) and  
24 expenses related to Silver Saddle Ranch (\$193,875.03), including water (\$78,658.67), onsite  
25 staff (\$56,124.79), property insurance (\$39,696.06), electricity (\$10,562.37), and appraisal  
26 (\$7,500). In aggregate, the Receivership bank accounts have a current balance of \$204,227.28.

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IV.

**RECEIVER'S FEES AND COSTS**

The Preliminary Injunction provides that the Receiver, his employees and agents, and professionals employed by the Receiver are entitled to monthly payment of interim compensation for their services at their normal hourly rates and monthly reimbursement for all expenses. The Receiver is also authorized to make such payments without further order of the Court. (ROA #66 at p. 13 ¶ 26.). The Preliminary Injunction further provides that “[i]nterim monthly fees paid shall be subject to review and approval by this court, on a quarterly basis.” (*Id.* at p. 13 ¶ 27.)

Concurrent with the filing of this Report, the Receiver provides notice of the following fees and expenses of the Receiver and his professionals for the months of February – July 2020:


	<b>TWM Receiverships, Inc. d/b/a Regulatory Resolutions</b>		<b>McNamara Smith LLP</b>	
	<b>Fees</b>	<b>Expenses</b>	<b>Fees</b>	<b>Expenses</b>
February 2020	\$13,547.00	\$564.00	\$5,635.50	\$1.00
March 2020	\$6,752.50	\$564.00	\$8,784.00	\$45.75
April 2020	\$7,410.50	\$661.15	\$2,695.50	\$15.75
May 2020	\$4,676.50	\$636.63	\$2,812.50	\$1.80
June 2020	\$14,571.00	\$582.43	\$17,410.00	\$21.85
July 2020	\$14,188.00	\$1,407.39	\$12,616.50	\$502.28
<b>Totals:</b>	<b>\$61,145.50</b>	<b>\$4,415.60</b>	<b>\$49,954.00</b>	<b>\$588.43</b>

During the six-month period of February 2020 to July 2020, the total fees for the Receiver and his staff are \$61,145.50 as set forth in the invoices from TWM Receiverships, Inc. d/b/a Regulatory Resolutions attached as Exhibit B. The invoices also include expenses totaling \$4,415.60. During the same time period, the total fees for the Receiver’s counsel, McNamara Smith LLP, are \$49,954.00 in fees and \$588.43 in expenses as set forth in the invoices attached as Exhibit C.

1 While the Receiver is authorized to monthly payment of fees and monthly reimbursement  
2 for all expenses, due to the Receivership Estate's limited funds, the Receiver is temporarily  
3 withholding payment of his fees and expenses to ensure the Receivership Estate can continue to  
4 pay the significant expenses for the Ranch. Nevertheless, the invoices are included as exhibits  
5 for the Court's review.

6 Dated: September 15, 2020

MCNAMARA SMITH LLP

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8 By:   
9 Edward Chang  
Attorneys for Receiver,  
Thomas W. McNamara

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