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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 THIRD 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 Third Interim Report of receivership activities for the period of September 16, 2020 through
5 January 13, 2021. This Report also serves as the Receiver’s notice of fees and expenses for the
6 months of February 2020 to November 2020.¹

7 **I.**

8 **INTRODUCTION**

9 The Receiver previously filed his Preliminary Report (ROA #65) on October 15, 2019,
10 First Interim Status Report (ROA #140) on March 13, 2020, and Second Interim Status Report
11 (ROA #325) on September 15, 2020. These reports are incorporated by reference. The
12 Preliminary Report provided details on the initial implementation of the receivership and the
13 Receiver’s conclusion that the Receivership Defendants² could not be operated lawfully and
14 profitably. The First Interim Status report discussed the status of various Receivership Estate
15 assets (the Silver Saddle Ranch & Club, the leased corporate office, the undeveloped property in
16 Kern County, and property insurance), the Receivership Defendants’ liabilities (delinquent
17 invoices and SS Purchco, LLC’s claim), and notice and updates provided to investors. The First
18 Interim Status Report also provided an inventory of the property, an accounting, and notice of
19 payment of Receiver’s fees and costs. The Second Interim Status Report discussed efforts and
20 expenses related to maintenance of the property, ongoing efforts to sell Receivership Estate

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22 ¹ The Receiver previously withheld payment of the fees and expenses for the months of
23 February 2020 to July 2020 (addressed in the Receiver’s Second Interim Status Report, ROA
325) due to the limited resources of the Receivership Estate.

24 ² 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.

1 assets, and summarized communications to keep investors apprised of the status of the case.

2 This Third Interim Report will not restate past findings and reports, but will focus on activity
3 since the last report was made to the Court.

4 **II.**

5 **SUMMARY OF THE RECEIVER'S ACTIVITIES**

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

9 **A. Maintenance of the Silver Saddle Ranch³**

10 On November 6, 2020, the Court approved the sale of the Silver Saddle Ranch to Aaron
11 Mamann for \$2,100,000. (See ROA # 342.) The Ranch sale is set to close imminently, but until
12 it does the estate remains responsible for maintenance of the Ranch while minimizing expenses.

13 **Security** – As noted in the Second Interim Report, the former Resort Facilities Director
14 for the Ranch was retained to manage and protect the property as its full-time caretaker.
15 However, vandalism and security issues have increasingly become a concern. As a result, a
16 security services firm was recently engaged to patrol the premises. This seems to have alleviated
17 the security issues. The engagement of a security services firm has increased the Receivership
18 Estate's recurring expenses by an average of a little more than \$2,000 per week, but the expense
19 is necessary to curb vandalism and theft and preserve the value of the Ranch until the sale has
20 closed. (See Section B.)

21 **Water** – As previously reported, many steps have been taken to reduce the Ranch's water
22 bill. On September 17, 2020, the Receiver filed an application with the City of California City to
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24 ³ As the Receiver has previously noted, the real property owned by the Receivership Defendants
25 largely falls into two groups: the Ranch, which is located in California City and was operated by
26 Defendants as both a sales piece and vacation resort, and 1,022 acres of vacant desert land in
27 which Galileo Project investors (the "investors") hold a fractionalized interest (the "Galileo
28 Project land").

27 Maintenance costs for the Galileo Project land are minimal to nonexistent and will likely
28 be limited in the future to property tax expenses deducted from escrow in order to bring property
taxes current.

1 allow the Ranch to take advantage of the City’s newly reduced commercial water rates. The
2 application was approved on September 29, 2020, and the rate reduction has gone into effect,
3 reducing the cost of water from \$1,700 per acre foot to \$648 per acre foot.

4 This has resulted in a significant savings. The Ranch’s water bill for the service month
5 ending on October 13, 2020 totaled \$12,190. For roughly the same period in 2019, the water bill
6 was \$43,366. Although this decrease is substantial, water remained the Receivership Estate’s
7 largest expense during the time since the Receiver filed his Second Interim Report.

8 **Other Items** – Since filing our last report, we have received further communications
9 from the East Kern Historical Museum Society regarding items on loan to Silver Saddle Ranch
10 for the last twenty years. The Museum Society identified a 1940’s water truck, a large Ingersoll
11 Rand air compressor/generator, a mule drawn road grader, and a horse drawn farm plow among
12 the items which it owns. The Museum Society is working with the City of California City to
13 arrange for the removal of the equipment. We have not seen any evidence that the identified
14 equipment is property of the Receivership Estate, and therefore intend to allow the City to
15 remove the items.

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

17 The Receiver filed a motion to approve sale of the Ranch on October 13, 2020. (ROA
18 #342.) On November 6, the Court held a hearing on the motion, granting it after determining
19 that “[t]he Receiver ha[d] sufficiently demonstrated the necessity of selling the ranch property,”
20 and that “the buyer’s offer [wa]s the result of a competitive process among motivated buyers,
21 making the offer inherently fair and reasonable.” (ROA # 375, p. 2.) As noted above, the
22 Receiver expects the sale to close soon. Mr. Mamann’s \$100,000 escrow deposit for the sale of
23 the Ranch was transferred to the Receiver on November 12, 2020.

24 At the time Mr. Mamann submitted an offer to purchase the Ranch for \$2,100,000, he
25 also submitted an offer to purchase the adjacent, undeveloped Galileo Project Land for \$900,000.
26 Neither offer was contingent on the other, but the Receiver accepted both as a package. As part
27 of that package, the \$100,000 escrow deposit for the sale of the Galileo Project Land was

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1 released to the Receiver on November 30, 2020. The Receiver intends to submit a motion to
2 approve the sale of the Galileo Project land to Mr. Mamann in the near term.

3 **C. Notice to Investors**

4 The Receiver's office continues to keep the investors apprised of the status of the case
5 and to field inquiries from investors, whether those inquiries are by email or by phone. The
6 Receiver provided a case update by email on October 14, 2020, and a website update concerning
7 the Court's ruling on the motion to sell the ranch on November 10, 2020. The office has
8 responded to numerous phone and email inquiries from investors, including investors who have
9 inquired regarding their credit reports. The Receiver's letters provide a detailed overview of the
10 case, direct investors to the frequently asked questions section of the case website, and clearly
11 state that defendants are no longer in operation. Investors may share the contents of these letters
12 with their lenders in order to explain the situation.

13 The Receiver will continue to respond to consumers, provide email updates and update
14 the website as information becomes available.

15 **III.**

16 **RECEIVERSHIP ACCOUNTING**

17 Attached as Exhibit A is a Receipts and Disbursements Summary for the Receivership for
18 the period September 16, 2020 through January 13, 2021.⁴ During this time period, receipts
19 were \$237,013.24, the largest components of which were two non-refundable deposits of
20 \$100,000 by the Mr. Mamann. Additionally, the Receiver sold the remaining five Fleetwood
21 RVs for \$4,000. Disbursements were \$124,221.97, the largest component of which was
22 expenses related to Silver Saddle Ranch (\$123,623.03), including water (\$57,478.00), onsite
23 staff (\$26,376.04), property insurance (\$26,464.04), electricity (\$3,575.96), and security
24 (\$9,264.00). In the aggregate, the Receivership bank accounts have a current balance of
25 \$317,018.55.

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27 ⁴ Although the Second Interim Status Report presented the Receiver's fees and expenses for the
28 period of February 2020 through July 2020, it summarized the receivership's receipts and
disbursements from March 13, 2020 through September 15, 2020. Accordingly, this report
summarizes receipts and disbursements from September 16 going forward.

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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 intends to pay the following fees and expenses of the Receiver and his professionals for the months of February through November 2020:


	TWM Receiverships, Inc. d/b/a Regulatory Resolutions		McNamara Smith LLP	
	Fees	Expenses	Fees	Expenses
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
August 2020	\$18,064.50	\$1,608.72	\$18,281.00	\$1,524.89
September 2020	\$14,633.50	\$303.85	\$6,536.50	\$262.40
October 2020	\$7,660.00	\$316.04	\$12,322.50	\$318.03
November 2020	\$9,997.00	\$571.36	\$8,569.00	\$567.77
Totals:	\$111,500.50	\$7,215.57	\$95,663.00	\$3,261.52

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1 During the four-month period of August 2020 to November 2020, the total fees for the
2 Receiver and his staff are \$50,355.00 as set forth in the invoices from TWM Receiverships, Inc.
3 d/b/a Regulatory Resolutions attached as Exhibit B. The invoices also include expenses totaling
4 \$2,799.97. During the same time period, the total fees for the Receiver’s counsel, McNamara
5 Smith LLP, are \$45,709.00 in fees and \$2,673.09 in expenses as set forth in the invoices attached
6 as Exhibit C.

7 Dated: January 14, 2021

MCNAMARA SMITH LLP

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9 By: 
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11 Cornelia J. B. Gordon
12 *Attorneys for Receiver,*
13 *Thomas W. McNamara*

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