

1 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
2 DAVID R. ZARO (BAR NO. 124334)
PETER A. GRIFFIN (BAR NO. 306201)
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
pgriffin@allenmatkins.com

6 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
7 EDWARD G. FATES (BAR NO. 227809)
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 THOMAS A. SEAMAN

13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA**
15 **SOUTHERN DIVISION**

16 SECURITIES AND EXCHANGE
COMMISSION,

17 Plaintiff,

18 v.

19 EMILIO FRANCISCO; PDC CAPITAL
GROUP, LLC; CAFFE PRIMO
INTERNATIONAL, INC.; SAL
20 ASSISTED LIVING, LP; SAL
CARMICHAEL, LP; SAL CITRUS
21 HEIGHTS, LP; SAL KERN
CANYON, LP; SAL PHOENIX, LP;
22 SAL WESTGATE, LP;
SUMMERPLACE AT SARASOTA, LP;
23 SUMMERPLACE AT
CLEARWATER, LP; SUMMERPLACE
24 AT CORRELL PALMS, LP;
TRC TUCSON, LP; CLEAR
25 CURRENTS WEST, LP; CAFFE
PRIMO MANAGEMENT, LP; et al.,

26 Defendants.
27
28

Case No. 8:16-cv-02257-CJC-DFM

RECEIVER'S REPORT CONCERNING
OVERBIDS RE: MOTION FOR
ORDERS APPROVING: SALE OF
CITRUS HEIGHTS PROPERTY,
SACRAMENTO PROPERTY,
LINCOLN RED ROCK PROPERTY,
CARMICHAEL PROPERTY, AND
REQUEST FOR CONTINUANCE

Date: February 26, 2018
Time: 1:30 p.m.
Ctrm: 9B, 9th Floor
Judge: Hon. Cormac J. Carney

1 **TO THE HONORABLE COURT, ALL PARTIES, AND THEIR**
2 **COUNSEL OF RECORD:**

3 **PLEASE TAKE NOTICE** that Thomas A. Seaman ("Receiver"), the
4 Court-appointed receiver for the Receivership Entities,¹ hereby submits this Report
5 Concerning Overbids and Request for Continuance to provide notice to this Court
6 and all parties that two overbids have been received in connection with the Receiver's
7 proposed sale of the real properties commonly known as the Citrus Heights Property,
8 the Sacramento Property, the Lincoln Red Rock Property and the Carmichael
9 Property including all permits, entitlements and architectural plans (collectively, the
10 "California Properties"). Both offers are technically non-conforming offers,
11 however, the Receiver wishes to pursue these offers for the reasons discussed below
12 prior to conducting the public auction. The Receiver believes that it is in the best
13 interest of the receivership estate and, in particular the investor claimants, to pursue
14 these offers because these offers will likely generate the highest returns to the
15 receivership upon sale of the California Properties while possibly eliminating the

17 ¹ As used herein, "Receivership Entities" refers to the following specifically named entities:
18 PDC Capital Group, LLC; Caffe Primo International, Inc.; SAL Assisted Living, LP; SAL
19 Carmichael, LP; SAL Citrus Heights, LP; SAL Kern Canyon, LP; SAL Phoenix, LP; SAL
20 Westgate, LP; Summerplace at Sarasota, LP; Summerplace at Clearwater, LP; Summerplace at
21 Correll Palms, LP; TRC Tucson, LP; Clear Currents West, LP; Caffe Primo Management, LP;
22 Caffe Primo Management 102, LP through Caffe Primo Management 108, LP (collectively,
23 "**Named Entities**"); and their subsidiaries and affiliates Summerplace Management, LLC;
24 PDC Partners Management, Inc.; FDC Partners Management, Inc.; KPF Capital, LLC;
25 FDC Capital Partners, LLC; MSL US Fund I, LLC; MPoint Land & Development, Inc.;
26 Woodcrest Construction Management, Inc.; Professional Loading Service, LLLP; WDC Capital
27 Group, LLC; WDC Capital Partners, LLC; KPF Investment Management, Inc.; Meridian
28 Summerplace at Snug Harbor, LLC; Meridian Summerplace at Snug Harbor, LP; Summerplace
at Correll Palms, LLC; Summerplace at Correll Palms, LP; Summerplace at Winter
Haven, LLC; Summerplace at Winter Haven, LP; Summerplace at Sun City, LLC;
Summerplace at Sun City, LP; Meridian at Sun City, LLC; Summerplace at Orlando-
Summerfield, LLC; Summerplace at Orlando-Summerfield, LP; Summerplace at
Kissimmee, LLC; Summerplace at Kissimmee, LP; Summerplace at Merced, LLC;
Summerplace at Merced, LP; SAL-PDC, LLC; SLALMC, LLC; SAL Lincoln Village, IL;
Lincoln Village IL, LLC; Lincoln Village IL, LP; Lincoln Village SNF, LLC; Lincoln
Village SNF, LP; FCM Development Group, LLC; ADC Capital Group, LLC; NCDC Capital
Partners, LLC; Summerplace at Bonney Lake MC, LLC; Summerplace at Bonney
Lake MC, LP; Summerplace Management, LLC; Summerplace Development, LLC; Defiance
Charters, LLC; and Red Sunshine Holdings, Ltd. (collectively, "**Affiliated Entities**").

1 largest secured claim against the Receivership Entities. Accordingly, the Receiver
2 requests that the Court continue the hearing on the Sale Motion and auction for two
3 (2) weeks to enable the parties to conclude their negotiations in advance of the
4 hearing and the auction. The Receiver wishes to proceed with the balance of the
5 matters on the Court's calendar.

6 The Receiver's Motion for Order Approving: (1) Sale of Citrus Heights
7 Property, the Sacramento Property, the Lincoln Red Rock Property and the
8 Carmichael Property and (2) Overbid Procedures ("Sale Motion"), included a
9 proposed deadline for submission of qualified overbids by no later than 10 calendar
10 days before the hearing date ("Overbid Deadline"). In this instance, the Receiver has
11 been presented with two non-conforming bids, one of which was received before the
12 Overbid Deadline and the other was received after the Overbid Deadline. As
13 discussed below, given the significant value associated with both of these bids, the
14 Receiver continues to negotiate with all of the interested parties, including the
15 stalking horse buyer. For the Court's information, the two non-conforming bids are
16 as follows:

17 1. Danny Pakravan or Assignee Overbid.

18 Mr. Pakravan delivered an offer of \$8.8 million to the Receiver, along with an
19 earnest money deposit of \$800,000, on February 16, 2018, prior to the Overbid
20 Deadline. However, Mr. Pakravan's offer was not accompanied with the required
21 proof of the buyer's ability to close the transaction (i.e. proof of funds.) The
22 Receiver has since worked with the buyer to get this information and believes he will
23 be successful in obtaining the information.

24 2. MCC Overbid and Settlement Offer.

25 After the deadline for making a qualifying bid, MCC US, Inc. ("MCC") made
26 the following proposal to purchase solely the Lincoln Property and to settle all
27 outstanding disputes with the Receiver with regard to MCC's \$5.0 million loan to
28

1 MPoint, (secured by the Lincoln and Sarasota Properties), and all other disputes with
2 the Receiver:

- 3 • The Receiver would sell MCC the Lincoln Red Rock Property for
4 \$8,050,000.
- 5 • MCC would pay for the property as follows: MCC will pay the
6 Receiver \$1,950,000 in cash and pay the balance of the purchase price
7 by credit bidding \$6,100,000 at the sale closing.
- 8 • The sale would be conditional upon the Court approving the Receiver's
9 Motion to Approve the Sale of Lincoln Red Rock Property and
10 Settlement of MCC Claims (to be filed promptly after the settlement
11 agreement is executed.)
- 12 • The settlement with MCC would include a release of claims, releases of
13 MCC's liens on the proceeds of the Sarasota Sale, the Lincoln Red Rock
14 Property, and all of the personal property liens and pledges of security.
- 15 • MCC and the Receiver would execute a settlement agreement and
16 mutual release, subject to Court approval, in which the parties would
17 mutually release each other for all claims arising out of or related to the
18 MPoint Loan and the Receivership Entities. MCC waives any further
19 claims against the Receivership Entities, the Receiver and/or the
20 receivership estate.

21 The MCC proposal would net the Receivership Entities significant cash after
22 closing costs from the transfer of the Lincoln Property to MCC. In addition, the
23 Receiver would then be able to market and sell the remaining 3 California properties.
24 The settlement with MCC would also eliminate the entirety of MCC's secured claim
25 and significant litigation costs associated with the Receiver's proposed lawsuit
26 against MCC. MCC proposes to provide Receiver with a \$200,000 earnest money
27 deposit in connection with this transaction.

28

1 In light of the non-conforming offers, the Receiver has been involved in
2 negotiations with all parties. Further time is needed to conclude these negotiations in
3 advance of the auction. As such, the Receiver asks the Court to continue the hearing
4 on the Sale Motion for two weeks.

5 The Receiver wishes to proceed with the balance of matters on the calendar for
6 Monday, February 26, 2018.

7
8 Dated: February 23, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

By: /s/ David R. Zaro
DAVID R. ZARO
Attorneys for Receiver
THOMAS A. SEAMAN