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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
20 GROUP, LLC; CAFFE PRIMO
INTERNATIONAL, INC.; SAL ASSISTED
21 LIVING, LP; SAL CARMICHAEL, LP; SAL
CITRUS HEIGHTS, LP; SAL KERN
22 CANYON, LP; SAL PHOENIX, LP; SAL
WESTGATE, LP; SUMMERPLACE AT
23 SARASOTA, LP; SUMMERPLACE AT
CLEARWATER, LP; SUMMERPLACE AT
24 CORRELL PALMS, LP; TRC TUCSON, LP;
CLEAR CURRENTS WEST, LP; CAFFE
25 PRIMO MANAGEMENT, LP; CAFFE
PRIMO MANAGEMENT 102, LP; CAFFE
26 PRIMO MANAGEMENT 103, LP; CAFFE
PRIMO MANAGEMENT 104, LP; CAFFE
27 et al.,

28 Defendants.

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

(Assigned to the Hon. Cormac J.
Carney, Courtroom 9B, 9th Floor)

**RECEIVER'S OPPOSITION TO
MCC U.S. INC.'S MOTION FOR
ORDERS AND RELIEF FROM
STAY**

[Filed concurrently with
Memorandum, Declarations and
Exhibits]

Hearing

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1 Thomas A. Seaman ("Receiver"), the Court-appointed receiver for the
2 Defendant entities¹ (collectively, "Receivership Entities"), hereby submits this
3 opposition to MCC U.S., Inc.'s Motion For Orders and Relief From Stay ("Motion").
4 The Receiver objects to MCC ("MCC") Motion on the following grounds:

- 5 • The factors set forth in *SEC v. Wencke*, 742 F.2d 1230, 1231-1232 (9th Cir.
6 1984) weigh heavily in favor of the stay remaining in place in order to allow
7 the Receiver the opportunity to investigate the Defendants' transactions and
8 assets, marshal and preserve those assets, and determine how they should be
9 distributed to provide a fair recovery for investors and creditors.
- 10 • The status quo is preserved by keeping the stay in place which will allow the
11 Receiver to recover and sell properties for the benefit of all investors and
12 creditors, not just MCC. *Id.*; see also *SEC v. Universal Financial*, 760 F.2d
13 1034, 1038 (9th Cir. 1985).
- 14 • The Receiver is proceeding in an orderly, timely and efficient fashion for the
15 benefits of all creditors, not just MCC. Declaration of Thomas A. Seaman in
16 Support of Receiver's Opposition to MCC U.S., Inc.'s Motion For Orders and

18 ¹ The entities included in the receivership are PDC Capital Group, LLC ("PDC"); Caffe Primo
19 International, Inc. ("Caffe Primo"); SAL Senior Living, LP ("SAL Senior Living");
20 SAL Carmichael, LP ("SAL Carmichael"); SAL Citrus Heights, LP ("SAL Citrus Heights");
21 SAL Kern Canyon, LP ("SAL Kern Canyon"); SAL Phoenix, LP ("SAL Phoenix");
22 SAL Westgate, LP ("SAL Westgate"); Summerplace at Sarasota, LP ("Sarasota");
23 Summerplace at Clearwater, LP ("Clearwater"); Summerplace at Correll Palms, LP ("Correll
24 Palms"); TRC Tucson, LP ("TRC Tucson"); Clear Currents West, LP ("Clear Currents"); Caffe
25 Primo Management, LP ("CPM"); Caffe Primo Management 102, LP ("CPM 102"); Caffe
26 Primo Management 103, LP ("CPM 103"); Caffe Primo Management 104, LP ("CPM 104");
27 Caffe Primo Management 105, LP ("CPM 105"); Caffe Primo Management 106, LP
28 ("CPM 106"); Caffe Primo Management 107, LP ("CPM 107"); Caffe Primo
Management 108, LP ("CPM 108"); and their subsidiaries and affiliates, including but not
limited to, Summerplace Management, LLC ("Summerplace Management"); PDC Partners
Management, Inc. ("PDC PM"); and FDC Partners Management, Inc. ("FDC PM"); and their
subsidiaries and affiliates including but not limited to Summerplace Management, LLC;
PDC Partners Management, Inc.; FDC Partners Management, Inc.; KPF Capital, LLC;
FDC Capital Partners, LLC; MSL US Fund I, LLC; MPoint Land & Development, Inc;
Woodcrest Construction Management, Inc.; 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; Summerplace Management, LLC; and Summerplace
Development, LLC.

1 Relief From Stay ("Seaman Declaration"), ¶ 3-5. Accordingly, there is no
2 basis to burden the receivership estate with additional reporting requirements
3 or arbitrary timelines or to require the Receiver to address MCC's claims
4 ahead of all others.

- 5 • MCC has no right to recover \$2.31 million from Receiver or commence a
6 foreclosure sale with regard to the real property and improvements located at
7 850 Red Rock Road, Lincoln, California (the "Lincoln Property" or the
8 "Lincoln Project") or the real property and improvements located at 5710
9 Draw Line, Sarasota, Florida ("Sarasota Property") because MCC is required
10 to exhaust all of its remedies against its borrower, MPoint Land &
11 Development, Inc. ("MPoint"), before proceeding against the guarantor
12 owners of the Lincoln Property and the Sarasota Property (collectively, the
13 "Guarantors"). *See* California Civil Code § 2845 (lender is obligated to
14 exhaust all remedies against the principal prior to pursuing any claims against
15 the guarantor.)
- 16 • MCC has no right to recover \$2.31 million from Receiver or commence a
17 foreclosure sale with regard to the Lincoln Property or the Sarasota Property
18 (collectively the "Properties") because MCC breached its contracts with
19 MPoint to the detriment of the Guarantors by dispersing loan proceeds in
20 contravention of the terms of the loan documents. *California Bank & Trust v.*
21 *Del Ponti*, 232 Cal.App.4th 162 (2014).
- 22 • It would be inequitable and unjust to allow MCC to collect on its claim ahead
23 of the EB-5 Investors and other creditors. MCC appears to be involved in a
24 joint venture with MPoint and Mr. Francisco, Mr. Ferrante and Mr. Fox
25 (collectively, the "Principals") involving the development of the Lincoln
26 Property and other projects owned by the Receivership Entities. As an insider
27 and joint venturer, MCC has, at most, an unsecured claim equivalent to that of
28

1 other investors and creditors and should not be permitted to pursue their claim
2 ahead of all other investors and creditors.

3 Based upon the foregoing, the Receiver respectfully requests that the Court
4 deny the Motion in its entirety.

5 **I. FACTUAL BACKGROUND**

6 **1. The Guarantors and Projects**

7 **a. The Lincoln Project.**

8 As described in the Receiver's First Report and Recommendations dated
9 January 20, 2017 ("First Report") [Docket 32] and Receiver's Second Interim Report
10 and Recommendations as of May 31, 2017 ("Second Report") [Docket 68], PDC
11 issued a Private Placement Memorandum for the purpose of raising funds for
12 development of the Lincoln Project from immigrant investors ("EB-5 Investors")
13 seeking to qualify to become United States citizens under the United States Citizen
14 and Immigration Services ("USCIS") program commonly known as the EB-5
15 Program. The money was to be used for the development of a senior living and
16 memory care facility on the Lincoln Property. PDC raised \$6 million (plus
17 administrative fees) from 12 EB-5 Investors. These investment funds were pooled
18 or commingled in various PDC controlled bank accounts prior to the purchase of the
19 Lincoln Property. Title to the Lincoln Property was vested in the name of the
20 guarantor, SLALMC, LLC.

21 In the month prior to the Receiver's appointment, MPoint borrowed
22 \$5 million from MCC, ostensibly for construction of improvements at the Lincoln
23 Property. Seaman Declaration ¶ 6. Only a portion of the MCC loan proceeds were
24 actually used for the Lincoln Property. Seaman Declaration ¶ 8.

25 As of the date of the Receiver's appointment, the entitlement process was
26 nearly complete and there were plans for proceeding with the development of the
27 Lincoln Project. The Receiver was initially told that financing for the Lincoln
28 Project was set to close within a few weeks of the Receiver's appointment. Id. The

1 Receiver spent significant time at the outset of the case to understand and evaluate
2 the proposed bond financing for the Lincoln Project. *Id.* The Receiver's
3 investigation and analysis of the proposed bond offering revealed significant issues
4 and risks associated with the proposed transaction. *Id.* Ultimately, the Receiver
5 decided to not proceed with bond financing. *See* Receiver's Second Report, Docket
6 No. 68, pp. 12-14.

7 **b. Sarasota Property.**

8 The Sarasota Property is owned by PDC. The Sarasota Property consists of
9 the remaining 14 acres of a much larger 134 acre parcel of land which was
10 originally purchased by PDC using \$11.0 million raised from EB-5 Investors. PDC
11 sold off 120 acres of land for \$9.0 million, leaving the remaining 14 acres at issue
12 here. None of MCC loan proceeds were used for construction or development at the
13 Sarasota Property.

14 **2. The MCC and MPoint Joint Venture And Related Loan**
15 **Transaction**

16 **a. Joint Venture Agreements.**

17 In or around November 2015, PDC entered into a long term agreement with
18 MCC, entitled Engineering Procurement Construction Contract ("EPC Contract").
19 Seaman Declaration ¶ 14, Exhibit 1. The EPC Contract was executed by Robert
20 Ferrante as PDC's authorized agent. According to this agreement, PDC and MCC
21 were to jointly engage in the development of projects located in California, Arizona
22 and Florida, owned by Receivership Entities. *Id.* MCC was to provide engineering,
23 procurement and construction work for the projects. PDC was to work with MCC
24 on a variety of development matters associated with each of the identified projects.
25 The EPC Contract also provided that MCC was to receive \$550 million in
26 connection with development of the projects identified in the EPC Contract. *Id.* At
27 the same time, the EPC Contract provided that MCC was to finance 20% of
28 payments due to MCC from each project.

1 At or around the same time as the EPC Contract, Mr. Richardson, Mr. Fox,
2 Summerplace Development and Meridian Summerplace were announcing a
3 "partnership" between MCC and certain of the Receivership Entities to develop and
4 manage senior living facilities and residences. Seaman Declaration, ¶ 17, Exhibit 7.

5 In furtherance of MCC's joint venture with PDC and the EPC Contract,
6 MPoint and MCC entered into a series of additional contracts on October 26, 2016
7 and October 27, 2016, as follows: Finance Development Agreement; Construction
8 Advance Agreement (Lincoln); Co-Construction Coordination Agreement;
9 Procurement Agreement; California Co-Construction Development Agreement; Co-
10 Development Agreement and the Co-Construction Development Agreement
11 (collectively "MCC/MPoint Agreements".) Seaman Declaration ¶ 14, Exhibits 2-6;
12 Declaration of Lisa Lim in Support of Motion For Orders and Relief From Stay,
13 ("Lim Declaration") ¶¶ 5, 7-8. Each of the foregoing described MCC/MPoint
14 Agreements was signed by Mr. Fox or Mr. Francisco and contain recitals and other
15 terms that affirm MPoint's affiliation with PDC and that it is the desire of MCC,
16 MPoint and PDC to work together for the purpose of developing and constructing
17 senior residential facilities. Id.

18 The MCC/MPoint Agreements also set forth the terms whereby MCC would
19 advance or lend money to MPoint and described their roles in the development of
20 each project. Among other things, the parties agreed that MCC would receive
21 management fees, due diligence fees, as well as procurement fees. For example, the
22 Construction Advancement Agreement (Lincoln), provides that in connection with a
23 loan from MCC to MPoint, Borrower is obligated to pay MCC \$300,000 for
24 management, procurement, and due diligence fees. Under the Procurement
25 Agreement, MCC and MPoint established an elaborate scheme for MCC and
26 MPoint to jointly share in so-called "Surplus Savings" from the Lincoln Project as
27 well as other projects. See Seaman Declaration, ¶ 3. Procurement Agreement,
28 Section 2.02.1.

1 **b. The Loan to MPoint.**

2 On December 2, 2016, MCC made a \$5 million loan to MPoint. According to
3 the loan documents and, in particular, the "Side Agreement," MCC was to disburse
4 the construction loan proceeds solely for the construction of the Lincoln Project.
5 Lim Declaration ¶ 18, Exhibit 10. As detailed in the Receiver's Second Report,
6 Section F, only a fraction of the MCC loan proceeds were used for the Lincoln
7 Project. Instead, MCC gave the \$5 million in loan proceeds to Woodcrest
8 Development, (or another affiliated entity), who promptly disbursed the money for
9 purposes other than the construction of the Lincoln Project. Of the \$5 million that
10 was disbursed, only a small portion was used for the Lincoln Project.

11 **3. The Receivership.**

12 The Receiver was made the permanent receiver on January 23, 2016. As
13 reflected in his First Report, Second Report, and Motion of Receiver For Order
14 Authorizing the Receiver to Market Receivership Assets for Sale, Establish Sale
15 Procedures and Engage Brokers ("Sale Procedures Motion") [Dkt. No. 81], the
16 Receiver has been acting diligently to discharge his duties under the Preliminary
17 Injunction Against All Defendants [Dkt. No. 36.]

18 Much of the Receiver's work during the first 90 days or so of his appointment
19 involved assuming control over and obtaining records from the complex web of
20 Receivership Entities. As part of this work, the Receiver marshalled and secured the
21 assets, analyzed existing development proposals for the various projects, and
22 explored the prospects for development and disposition of the various projects.

23 As noted in the Sale Motion, the Lincoln Project was of paramount concern at
24 the outset of the receivership because it had been represented to the Receiver that
25 bond financing had been arranged prior to the Receiver's appointment. Id. Only
26 after repeated meetings, calls and other attempts to gain information concerning the
27 sources and uses of funds for the bond financing, as well as other information
28

1 regarding the bonds, did the Receiver come to the conclusion that bond financing
2 was premised upon false information and concepts. Id.

3 The Receiver has since actively pursued both the development and the
4 marketing of the Lincoln Project, as well as the other properties owned or controlled
5 by the Receivership Entities. This work has involved, among other things,
6 reviewing title and financing issues, obtaining appraisals, analysis of entitlements,
7 and ongoing meetings with developers, brokers, architects and city officials. Based
8 upon this work the Receiver is preparing to market and sell a number of the
9 properties. See Sale Motion [Dkt. 81.]

10 **II. ARGUMENT**

11 **A. Granting MCC Relief from Stay to Pursue Foreclosure Is Not** 12 **Warranted.**

13 A court may impose a stay for the purpose of protecting the assets in a
14 receivership estate against claims by investors and creditors. *SEC v. United Fin,*
15 *Grp., Inc.*, 576 F.2d 217, 221 n.8 (9th Cir. 1978); *see also SEC v. Vescor Capital*
16 *Corp.*, 599 F.3d 1189, 1196 (10th Cir. 2010) ("A receiver must be given a chance to
17 do the important job of marshaling and untangling a company's assets without being
18 forced into court by every investor or claimant.").

19 The Ninth Circuit has set fourth three factors to consider in determining
20 whether to lift a receivership stay in an SEC action:

21 (1) whether refusing to lift the stay genuinely preserves the
22 status quo or whether the moving party will suffer
23 substantial injury if not permitted to proceed; (2) the time
24 in the course of the receivership at which the motion for
relief from the stay is made; and (3) the merit of the
moving party's underlying claim.

25 *Wencke*, 742 F.2d at 1231 (*citing Superior Motels v. Gould*, 622 F.2d 1363, 1373
26 (9th Cir. 1980)). This test differs from the criteria for determining whether to grant
27 or continue a preliminary injunction in one important respect. While the traditional
28 preliminary injunction test "would require the receiver to show a probability of

1 success on the merits and irreparable harm to the receivership if the stay is not
2 continued," the *Wencke* test, simply balances the interest of the receiver against that
3 of the moving party. *Universal Financial*, 760 F.2d at 1038. Accordingly, the
4 Court's authority is broad and the interests of the receiver are defined to include not
5 only protection of the receivership property, but also the protection of defrauded
6 investors. *Id.*

7 MCC argues that the Court should modify the PI Order to lift the stay, require
8 the Receiver to pay MCC \$2.31 million, and adhere to MCC's requested reporting
9 requirements and timeline. MCC's reasoning is primarily based upon the false
10 premise that it has an undisputed loan secured by a deed of trust. MCC argues that
11 because the Receiver has not been able to secure constructing financing for the
12 Lincoln Project and the Sarasota Property, MCC's claim is in jeopardy. MCC also
13 notes that interest is accruing on its loan and the combined amount of the MCC debt
14 and the amount of the EB-5 Investors' contribution to the Lincoln Project potentially
15 exceed the value of the Lincoln Property.

16 As detailed below, the Receiver disputes the entirety of MCC's claim. With
17 that said, even if their claim had merit, the ongoing accrual of interest and the
18 existence of capital investors cannot under any circumstances serve as the basis to
19 lift the stay. There is simply no evidence that MCC is at any greater risk today than
20 it was when the MCC made the loan to MPoint. MCC must have known at the time
21 it made the loan to MPoint that MPoint had no money and no source of revenue
22 aside from money converted from EB-5 Investors. How MCC thought MPoint was
23 going to repay the loan when MPoint had no source of income is a mystery.

24 The amount of EB-5 Investor funds invested in the Lincoln Property is simply
25 irrelevant to the stay analysis. Obviously, MCC knew of the EB-5 Investor interests
26 at the time the so-called loan was made to MPoint. Moreover, as discussed below,
27 the amount of equity in the Lincoln Project is irrelevant because MCC has no right
28

1 to foreclose on the Lincoln Property or the Sarasota Property until it exhausts its
2 claims against MPoint.

3 The *Wencke* factors weigh heavily in favor of keeping the stay in place and
4 denying MCC's other requested relief. Maintaining the stay promotes the status quo
5 as does allowing the Receiver to continue to manage the receivership including the
6 claims process in the ordinary course. In *SEC v. Universal Financial*, the Ninth
7 Circuit affirmed the district court's refusal to lift a stay, where the stay preserved the
8 status quo by preventing senior lienholders from extinguishing the rights of
9 investors who held inferior liens. 760 F.2d at 1038. Likewise, in *SEC v. Byers*, the
10 court rejected the movants' attempts to challenge an injunction imposed involving a
11 Ponzi scheme, applying *Wencke*, and concluding that "the best way to maintain the
12 status quo is to permit [the receiver] to carry on with his investigation." 592 F.
13 Supp. 2d 532, 537 (S.D.N.Y. 2008).

14 This Court ordered a stay on January 23, 2017 in order to, among other
15 things, give the Receiver the opportunity to investigate Defendants' transactions and
16 assets, to marshal and preserve those assets, and to determine how they should be
17 distributed to provide a fair recovery for investors and creditors. The Receiver has
18 discretion to use the limited time and resources to ensure maximum recovery for the
19 receivership. *See Bennett v. Williams*, 892 F.2d 822, 824 (9th Cir. 1989) (in the
20 context of a bankruptcy, courts "are deferential to the business judgment decisions
21 of a bankruptcy trustee."). Here the Receiver has acted in a prudent fashion to
22 maintain the status quo as to the receivership assets, including the Properties for the
23 benefit of the receivership estate. Here, too, the best way to maintain the status quo
24 is for the Receiver to continue marshaling the assets and marketing and selling the
25 Properties in a timely, efficient and equitable manner.

26 MCC has failed to demonstrate any substantial injury and has not
27 demonstrated that their request is timely. The Receiver was appointed as permanent
28 receiver only 6 months ago and the alleged loan has only been in default since

1 April 2017. Balancing the benefits of preserving the status quo as the lack of harm
2 to MCC, against the cost, disruption and harm to the receivership from complying
3 with MCC's requests as well as the disputed nature of MCC's claims favors
4 continuing the stay.

5 **B. There Is No Merit To MCC's Claim Because MCC Has No Right**
6 **To Foreclose on The Lincoln Property or the Sarasota Property.**

7 The Receiver disputes the merits and validity of MCC's claims. MCC has a
8 disputed claim that should be considered at such time as the Court approves the
9 claims process for the receivership. Even then, the Receiver asserts and hereby
10 demands that MCC must exhaust all remedies against its "Borrower" MPoint before
11 proceeding against the guarantors, SLALMC and PDC.

12 **1. MCC Must First Pursue Its Claim Against The Principal**
13 **Before Pursuing A Foreclosure Against the Guarantor's**
14 **Property**

15 Pursuant to California Civil Code § 2787 one who "hypothecates property as
16 security" for the debt of another is a surety. It is not necessary for a separate
17 guaranty to be executed. California Mortgages, Deeds of Trust and Foreclosure
18 Litigation, § 9.105, pp. 9-100 – 9-101 (14th ed. Cal. CEB 2014).

19 California Civil Code § 2845 provides that the surety, as in this case, may
20 require the lender to exhaust all of its remedies against the principal obligor before
21 pursuing lender's claims against the guarantor. Failure of the lender to pursue the
22 principal first may exonerate the guarantor. *Union Bank v. Ross*, 54 Cal.App.3d.
23 290 (1976).

24 Here, MCC lent money to MPoint. SLALMC, LLC hypothecated its interest
25 in the Lincoln Property as security for the MPoint loan. Similarly, PDC
26 hypothecated its interest in the Sarasota Property to MCC as security for the MPoint
27 loan. The Receiver demands that MCC pursue and exhaust all of its remedies
28

1 against MPoint prior to pursuing any claims against the real property security owned
2 by Guarantors.²

3 In the meantime, MCC has no right to commence foreclosure proceedings
4 against the Guarantors or the Properties. Accordingly, the stay should remain in
5 place with regard to the Guarantors and the Motion should be denied.

6 **2. MCC Has No Right To Pursue Claims Against The**
7 **Guarantors Based Upon MCC's Breach of Contract**

8 Where, as here, the lender breaches its loan agreements to the detriment of the
9 guarantors, the guaranty obligations may be released. *California Bank & Trust v.*
10 *Del Ponti*. 232 Cal.App.4th 162 (2014).

11 In this case, MCC was obligated pursuant to the terms of the "Side
12 Agreement" dated December 2, 2016, the "Letter of Entrustment", and other loan
13 agreements, to advance \$5,000,000 to pay for the costs of construction and
14 entitlements at the Lincoln Project. *See Lim Declaration*, ¶ 18, Ex. 10. MCC
15 released 100% of the loan proceeds without regard to how the money was used, or
16 by whom.

17 As previously reported, few of the loan proceeds actually went to the
18 construction of the Lincoln Project. Instead the money was used by Mr. Fox, Mr.
19 Ferrante and others to pay themselves and for other purposes unrelated to the
20 Lincoln Project. MCC's failure to take any steps to control the release and use of
21 loan proceeds reflects a breach of its contractual obligations.

22 As a result of MCC's failure to control the disbursement of funds, SLALMC
23 has been directly damaged by not having its property improved and by subjecting it
24 to liability for repayment of funds which were diverted elsewhere.

25

26

27 ² MCC may argue that a claim against MPoint is futile based on the stay or otherwise.
28 However, it is premature for the Court to make such a determination. The amounts available
for distribution to MCC and other claimants in the case has not been determined. MCC will be
able to file a claim in the receivership with regard to its loan to MPoint at such time as the
Receiver proposes and the Court approves the claims process.

1 To some degree, it appears that MCC's actions gave rise to the loan default
2 MCC now seeks to exploit. Had the \$5.0 million been spent on improvements to the
3 Lincoln Property, it is possible that the Receiver would be in a position to obtain
4 financing to complete the project and repay the MCC loan. The diversion of funds
5 stripped the Lincoln Property of much of its equity while leaving it an unimproved
6 condition. Under these circumstances, the guaranty obligations of SLALMC and
7 PDC should be released.

8 Based on the foregoing, the MCC claim is without merit and the stay should
9 remain in place. *Wencke*, 742 F.2d at 1231.

10 **3. MCC Acted as a Joint Venturer With MPoint.**

11 MCC's claim that they are "not related to or in any way affiliated with any of
12 the Receivership Defendants" is belied by the MCC/MPoint Agreements as well as
13 the public announcements by the parties. Lim Declaration ¶ 20. While the Receiver
14 has not completed his investigation, the documents and records reviewed to date
15 show that MCC was actively engaged as a joint venturer with MPoint and its
16 affiliates to develop the projects owned by the Receivership Entities. Seaman
17 Declaration, ¶ 14-17; Lim Declaration, ¶¶ 5, 7-8. As noted above, the MCC/MPoint
18 Agreements show that MCC and MPoint intended to take advantage of Mr.
19 Ferrante's and Mr. Fox's positions as principals of the Receivership Entities in order
20 to generate large management, development, procurement and other fees. This close
21 relationship among the Principals and MCC is contrary to any notion that the MCC
22 Loan was an arm's length transaction. Rather, it is consistent with MCC's role as a
23 joint venturer with MPoint who was acting to the detriment of the EB-5 Investors
24 involved in the Lincoln Project and the Sarasota Property. In each of these cases, as
25 a direct result of the MCC loan, the EB-5 Investors went from owning real property
26 free and clear of liens to owning real property that MCC claims is encumbered with
27 \$5.0 million of secured debt.

28

1 Based on MCC's actions, the Receiver asserts that MCC should be treated as a
2 joint venturer or partner to the extent its funds went to benefit the Lincoln Property.
3 Beyond that, its claim should be subordinate to the interest of the EB-5 Investors. In
4 either case, the MCC claim lacks merit and therefore there is no basis to lift the stay
5 in order to allow MCC to pursue its interests ahead of all other creditors and
6 investors.

7 **III. CONCLUSION**

8 MCC has failed to show that there is any basis to lift the stay, or to modify the
9 stay to require the Receiver to pay MCC's claim ahead of all others and to file
10 additional reports with the Court. The Receiver is maintaining the status quo for
11 benefit of all creditors and investors. As shown with the First Report, Second
12 Report and Sale Motion the Receiver is making substantial progress in the case.

13 MCC has also failed to show that it has a present right to pursue the requested
14 relief against the Guarantors or the Properties. Instead the evidence calls into
15 question the merits of the MCC claims.

16 Under these circumstances, MCC's Motion should be denied and MCC's
17 claim will be addressed through the claims process along with the other similarly
18 situated investors and creditors.

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20 Dated: July 24, 2017

ALLEN MATKINS LECK GAMBLE
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By: /s/ David R. Zaro

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