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[Exempt from filing fees pursuant to Government Code section 6103]

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11 SUPERIOR COURT OF THE STATE OF CALIFORNIA

12 COUNTY OF SAN DIEGO

13 PEOPLE OF THE STATE OF CALIFORNIA, by)
14 and through the COMMISSIONER OF)
15 BUSINESS OVERSIGHT,)

16 Plaintiff,

17 v.

18 SILVER SADDLE COMMERCIAL)
DEVELOPMENT, LP, a California limited)
19 partnership; SILVER SADDLE RANCH &)
CLUB, INC., a California corporation; THE)
20 GALILEO COMMERCIAL PROPERTY)
OWNERS ASSOCIATION, INC., a California)
21 non-profit corporation; THOMAS M. MANEY, an)
individual; ACCELERATED ASSETS, LLC, an)
22 Arizona limited liability company; SS PURCHCO,)
LLC, a Delaware limited liability company;)
23 PAHRUMP VALLEY REAL ESTATE CO., LLC,)
a Nevada limited liability company; and DOES 1)
24 through 100, inclusive,)

25 Defendants.

26 And,

27 MARIAN G. DUCREUX, an individual,)
28 CLIFFORD J. REYNOLDS, an individual,)

CASE NO.: 37-2019-00049151-CU-MC-CTL
SECOND AMENDED COMPLAINT FOR
TEMPORARY RESTRAINING ORDER;
PRELIMINARY INJUNCTION; PERMANENT
INJUNCTION; RESTITUTION;
APPOINTMENT OF A RECEIVER; CIVIL
PENALTIES; ASSET FREEZE; AND
ANCILLARY RELIEF
FRAUD IN THE OFFER AND SALE OF
SECURITIES IN VIOLATION OF
CORPORATIONS CODE SECTION 25401
OFFER AND SALE OF UNQUALIFIED
SECURITIES IN VIOLATION OF
CORPORATIONS CODE SECTION 25110
[VERIFIED ANSWER REQUIRED
PURSUANT TO CALIFORNIA CODE OF
CIVIL PROCEDURE SECTION 446]

1 WAYNE A. PEDERSEN, an individual, and Relief)
Does 1 through 10, inclusive,)

2)
3 Relief Defendants.)
4)
5)

6 Plaintiff Manuel P. Alvarez, Commissioner of Business Oversight for the State of California
7 (Plaintiff), acting to protect the public from the unlawful and fraudulent sale of unqualified securities,
8 brings this action in the public interest in the name of the People of the State of California. The
9 People of the State of California allege on information and belief as follows:

10 **I.**

11 **SUMMARY**

12 1. At all times herein, the term “Defendants” shall refer collectively and inclusively to
13 Thomas M. Maney (Maney), Silver Saddle Commercial Development, LP (Silver Saddle
14 Commercial Development), Silver Saddle Ranch & Club, Inc. (Silver Saddle Ranch & Club), The
15 Galileo Commercial Property Owners Association, Inc. (Galileo Association), SS Purchco, LLC (SS
16 Purchco), Accelerated Assets, LLC (Accelerated Assets), and Pahrump Valley Real Estate Co., LLC
17 (Pahrump Valley RE), and Does 1 through 100, and the Relief Defendants Marian G. Ducreux
18 (Ducreux), Clifford J. Reynolds (Reynolds), Wayne A. Pedersen (Pedersen), and Relief Does 1
19 through 10.

20 2. Beginning in 2011, Defendants implemented highly aggressive sales techniques and
21 contrived information in order to offer and sell securities in California through an investment called
22 “LandBanking Plus” or “The Galileo Project” (hereinafter Galileo Project). Defendants aggressively
23 peddled investments in the real estate investment scheme by selling highly overpriced fractionalized
24 interests in vacant desert land in rural Kern County to thousands of unsophisticated investors by the
25 deliberate omission of material information and blatant misrepresentations. Defendants comingled
26 and diverted funds that they promised to save and preserve for the investors’ benefit. Malfeasant
27 financial accounting was designed to coverup the wrongful comingling and diversion of funds. Each
28 of these misrepresentations was a separate violation of the Corporate Securities Law of 1968

1 (Corporations Code section 25000, et seq.) (CSL).¹

2 3. Through misleading and targeted advertising in ethnic supermarkets and free buffet
3 dinners, Defendants succeeded in attracting their intended audience—a large group of
4 unsophisticated investors without the experience or education in investing, over 2,000 of whom paid
5 tens of thousands of dollars of their hard-earned savings based on misrepresentations and a lack of
6 truthful information. Defendants threatened the investors with financial harm and lawsuits if they
7 complained.

8 4. The centerpiece of the offering was a circa 1000-acre parcel of undeveloped, vacant,
9 desert land in Kern County that was split into four thousand undivided, fractionalized interests to sell
10 to investors. In addition to purchasing the highly overpriced undivided property interest, the investors
11 were required to contribute \$2,000.00 additional funds for each full unit to a pooled development
12 fund, the “Capital Improvement Fund”—touted as a “built in property development account”—that
13 would, according to Defendants, eventually exceed \$8,000,000.00. In addition, the investors were
14 required to make recurring payments for membership in the Silver Saddle Ranch & Club and “travel
15 club” and other assessments and received an option to purchase the Silver Saddle Ranch & Club for
16 \$500,000.00.

17 5. Defendants violated California law by offering and selling unqualified, non-exempt
18 securities to thousands of unsophisticated investors. Defendants failed to apply to the Department of
19 Business Oversight (DBO) for a permit to sell securities. Security offerings must undergo a review
20 process where the issuer must demonstrate that the terms of the investment are “fair, just and
21 equitable.” Defendants sold thousands of securities in California without completing this obligatory
22 process and each sale was a separate violation of selling unqualified securities.²

23 6. Defendants wrongfully received tens of millions of dollars of investor funds, and
24 Defendants continue to receive and squander substantial investor funds. Defendants have
25 demonstrated that they cannot be trusted with investor assets, to comply with the Corporate Securities
26

27 ¹ Cal. Corporations Code, § 25401.

28 ² Cal. Corporations Code, § 25110.

1 Laws, or to provide truthful information to investors. The remaining investor assets should not be
2 permitted to remain under the control of Defendants, given their involvement in an ongoing scheme
3 to defraud investors in violation of the CSL.

4 II.

5 JURISDICTION AND VENUE

6 7. The Commissioner is authorized to administer and enforce the provisions of the CSL,
7 and the rules and regulations promulgated thereunder, which control the qualification, offer, and sale
8 of securities in California, specifically Corporations Code sections 25110 and 25401. The
9 Commissioner's authority to obtain preliminary and permanent injunctive relief, rescission,
10 restitution, disgorgement, civil penalties, costs, appointment of receiver, and other equitable relief for
11 violations of the CSL derives from sections 25000 *et seq.* of the Corporations Code.

12 8. This Court has jurisdiction of the parties and the subject matter of this action. Venue
13 as to all matters between the parties relating to this action is proper in this court. The Defendants
14 maintain and have maintained systematic, continuous and substantial contacts with California
15 consumers by their presence, in the form of investment offerings, websites, individual financial
16 transactions, real property sales, and extensive other business activities within and throughout
17 California, including the County of San Diego. Defendants advertised and solicited consumers
18 throughout California for the purpose of inducing California consumers to purchase the Defendants'
19 investment. Defendants' websites and technology provide Defendants the means of marketing and
20 offering their investments and communicating with investors over the phone, on the internet, by
21 email and by facsimile transmission. Defendants' activities in California are and were highly
22 interactive, systemic and continuous, and have and continue to victimize California consumers, so as
23 to support a finding of general jurisdiction in the State.

24 III.

25 DEFENDANTS

26 9. At all relevant times, defendant Thomas M. Maney was a control person and/or
27 managing member, within the meaning of Corporations Code sections 25160 and 25403, of Silver
28 Saddle Commercial Development, LP; Silver Saddle Ranch & Club, Inc.; and The Galileo

1 Commercial Property Owners Association, Inc. Defendant Maney is an individual residing in the
2 State of California.

3 10. At all relevant times, defendant Silver Saddle Commercial Development was a limited
4 partnership formed in California with a business address of 15315 Magnolia Boulevard, Suite 201,
5 Sherman Oaks, California 91403. Silver Saddle Commercial Development’s general partner, SSCD
6 Management, LLC, is a forfeited Texas limited liability company.

7 11. At all relevant times, defendant Silver Saddle Ranch & Club was a California
8 corporation with a business address of 7635 North San Fernando Road, Suite A, Burbank, California
9 91505. Silver Saddle Ranch & Club runs and operates a resort facility in California City called the
10 Silver Saddle Ranch and Club (Ranch), located at 20751 Aristotle Drive, California City, California
11 93505.

12 12. At all relevant times, defendant the Galileo Association was a California non-profit
13 corporation with a business address of 7635 North San Fernando Road, Suite A, Burbank, California
14 91505.

15 13. At all relevant times, defendant SS Purchco was a Delaware limited liability company
16 primarily doing business at 255 East Brown Street, Suite 300, Birmingham, Michigan 48009. At all
17 relevant times, Thomas S. Balames, an individual residing in Michigan, was SS Purchco’s managing
18 member and primary control person.

19 14. At all relevant times, defendant Accelerated Assets was an Arizona limited liability
20 company primarily doing business at 255 East Brown Street, Suite 300, Birmingham, Michigan
21 48009. At all relevant times, Thomas S. Balames, an individual residing in Michigan, was
22 Accelerated Assets’ managing member and primary control person.

23 15. At all relevant times, defendant Pahrump Valley RE was a Nevada limited liability
24 company primarily doing business at 255 East Brown Street, Suite 300, Birmingham, Michigan
25 48009. At all relevant times, Thomas S. Balames, an individual residing in Michigan, was Pahrump
26 Valley RE’s managing member and primary control person.

27 16. On information and belief, defendant Maney controls all of the other named
28 Defendants’ business activities within the State of California and throughout the nation. There is such

1 a unity of interest, ownership, dominion and control by Maney of all other Defendants that any
2 corporate, company or entity forms of Defendants should be disregarded. Defendants have functioned
3 as Maney's alter ego. Maney, in using the other Defendants as his alter ego, violated numerous
4 provisions of California law. At all times herein mentioned and continuing, Maney engaged in,
5 caused, permitted, and/or ratified untrue and misleading statements and material fact omissions made
6 by the other Defendants to consumers in order to induce consumers to purchase Defendants' illegal
7 securities as described herein.

8 17. Defendant Maney has controlled and continues to control all fees, commissions and
9 compensation paid to him and other Defendants.

10 18. Plaintiff is informed and believes, and on such information and belief alleges, that, at
11 all relevant times, Defendants and each of them acted as managers, officers, agents or employees, and
12 acted in such capacities in connection with the acts, practices and schemes of business set forth
13 below.

14 19. Plaintiff is not aware of the true names and capacities of the Defendants sued by the
15 fictitious names Does 1 through 100, inclusive. Each of the fictitiously named Defendants is
16 responsible in some manner for the activities alleged in this Complaint. Plaintiff will amend this
17 Complaint to add the true names of the fictitiously named defendants once they are discovered.

18 20. Defendants Does 1 through 100, inclusive, are persons, corporations, or other entities
19 that have done or will do acts otherwise alleged in this Complaint. Plaintiff is informed and believes,
20 and thereon alleges, that all Defendants, including the Doe Defendants 1-100, were at all times
21 mentioned, principals, agents, employers, employees, co-venturers, or co-conspirators, and were
22 acting in their respective capacities in doing the acts complained of, thereby imputing liability to each
23 other.

24 21. Relief Doe Defendants 1-10 are named herein solely as relief defendants as they are
25 or may be in possession of investor assets that were acquired by them as a result of the fraudulent and
26 illegal conduct by the other named defendants and equitable and injunctive relief is sought against
27 them to preserve and protect those assets and facilitate return to the rightful owners or as restitution
28 as the court may direct.

1 marketing and operations of the Silver Saddle Ranch & Club and received compensation through
2 sales of the Galileo Project investment contracts to California consumers.

3 28. At all relevant times, Relief Defendant Ducreux was an individual residing in the State
4 of California. On information and belief, Ducreux acted as a real estate broker/sales agent on behalf
5 of Defendants and directly offered and sold the Galileo Project investment contracts to California
6 investors in return for commissions of up to \$300,000.00 per year.

7 29. At all relevant times, Relief Defendant Pedersen was an individual residing in the
8 State of California. On information and belief, Pedersen was involved in the marketing of the Galileo
9 Project and received over \$1,000,000.00 from Defendants through sales of the Galileo Project
10 investment contracts to California consumers.

11 **V.**

12 **SUMMARY OF FACTS**

13 30. Beginning in 2011, Maney, through Silver Saddle Commercial Development, Silver
14 Saddle Ranch & Club, and the Galileo Association, offered and sold securities in California in the
15 form of an investment contract called “LandBanking Plus+” or “The Galileo Project.” The
16 investment contract purportedly comprised a total of 4,000 available “units,” offered in one-quarter,
17 one-half, or full units. Each unit consisted of four bundled components:

18 (a) A payment by the investor of money, generally between \$10,000.00 to \$30,000.00,
19 for an undivided, 1/4000th fractionalized interest in a parcel of circa 1,020 acres of undeveloped,
20 commercially zoned, desert real estate in Kern County, California.

21 (b) A payment by the investor of \$500.00, \$1,000.00 or \$2,000.00 (for, respectively,
22 one-quarter unit, one-half unit, or one full unit) into a pool of investors’ funds called the “Capital
23 Improvement Fund.” The stated purpose of the Capital Improvement Fund, according to the
24 Declaration of Covenants, Conditions and Restrictions for The Galileo Commercial & Industrial
25 Development (CC&Rs) that governed the investments, was for “capital improvements or major
26 renovations” to the 1,020-acres of undeveloped land. Investors were told that the capital contributions
27 of \$500.00, \$1,000.00 or \$2,000.00 made to the Capital Improvement Fund would appreciate in value
28 and that the investors would later use the funds to develop the 1,020 acres of undeveloped land into

1 viable commercial and industrial properties.

2 (c) A payment by the investor of several hundreds of dollars per year to establish and
3 maintain a “membership” in the Ranch and pay other recurring assessments and fees.

4 (d) A right of first refusal option for the investors to jointly purchase the Silver Saddle
5 Ranch & Club in California City, California, for \$500,000.00.

6 31. Defendants’ offering materials and investment contracts portrayed the Galileo Project
7 as an “active” investment where investors would participate in the management and control of the
8 investment. For that purpose, each investor, by purchasing a full-, half-, or quarter unit, became a
9 member of the Galileo Association and, allegedly, could vote on how to develop the investment
10 property and spend the money in the Capital Improvement Fund (those decisions required a majority
11 vote (51 percent) of all investors, excluding the developer Silver Saddle Commercial Development).
12 In reality, however, only full-unit owners who were current on their payment obligations to Silver
13 Saddle Commercial Development, Silver Saddle Ranch & Club and the Galileo Association had the
14 right to vote. Thus, those investors who purchased half- and quarter units – a total of 653 separate
15 investments as of 2019 – could not vote and were passive.

16 32. Moreover, all decisions of the Galileo Association were made by a “Board of
17 Directors.” At least until mid-2019, the Galileo Association Board of Directors consisted of five
18 Board Members, two Silver Saddle Commercial Development/Silver Saddle Ranch & Club
19 staff/employees, Maney, and two investors. Thus, Maney, individually and through Defendants
20 Galileo Commercial Property Owners Association, Inc., Silver Saddle Commercial Development, LP
21 and Silver Saddle Ranch & Club, Inc. could effectively make and did make all of the management
22 decisions, with investors having no control in the development of the property or the management of
23 the Capital Improvement Fund, despite each having contributed (or contractually committed to
24 contribute) \$500.00 to \$2,000.00 to the Capital Improvement Fund. Thus, even as to the full-unit
25 investors, for the period 2011 to mid-2019, the Galileo Project was a “passive” investment because all
26 decisions of the Galileo Association were made by a Board of Directors that was controlled by
27 Defendants.

28 33. The Galileo Project investment contracts were not qualified or registered as securities

1 with the DBO or any federal securities regulatory bodies. In fact, investment documents provided to
2 investors stated that “[n]either the subject property nor this Disclosure Statement have been reviewed
3 or approved by any national, state or local governmental body or regulatory agency.”

4 34. Beginning as early as 2011, more than 2,000 California investors collectively gave or
5 contractually committed millions of dollars to Defendants, including to Maney, through Silver Saddle
6 Commercial Development, Silver Saddle Ranch & Club, and the Galileo Association, for the purpose
7 of investing in the Galileo Project securities. Defendants, including Maney, through Silver Saddle
8 Commercial Development, Silver Saddle Ranch & Club, and the Galileo Association, specifically
9 targeted certain ethnic groups with limited understanding of English and with no regard to investment
10 experience.

11 35. To lure prospective investors to the Ranch, Defendants, including Maney, through
12 Silver Saddle Commercial Development, Silver Saddle Ranch & Club, and the Galileo Association,
13 set up raffles at various ethnic supermarkets throughout California that promised prizes in the form of
14 gift cards, televisions, watches, cameras, and buffet dinners, culminating with a free night stay at the
15 Ranch. The buffet dinners were internally referred to as the “Latino dinner parties,” “Filipino dinner
16 parties,” and “Chinese Dinner.” The consumers who accepted the offer to stay at the Ranch were
17 subjected to high-pressure sales tactics to make payments and sign contracts to become investors.
18 Although many attendees were non-English speaking or spoke English as a second language, they
19 received and signed investment documents in English without clearly understanding the content of
20 the documents.

21 36. From 2011 to 2019, as Defendants received investor funds for the Galileo Project,
22 those funds were comingled among Defendants’ other accounts. Defendants maintained a very low
23 total cash balance in the accounts and withdrew most of the investor funds out of the accounts. Thus,
24 Defendants uniformly, year after year, moved millions of dollars, virtually all the investors’ funds,
25 from the corporate bank accounts quickly after the Defendants received the investors’ money.

26 37. Defendants’ financial accounting for the Galileo Project evidences gross
27 mismanagement and reveals a highly suspicious number of transfers among the various accounts,
28 including widespread comingling among Defendants’ bank accounts.

1 38. The investors in the Galileo Project were required to make individual contributions to
2 the Capital Improvement Fund. From 2011- 2018, Defendants diverted investor funds intended for
3 the Capital Improvement Fund into other Silver Saddle accounts and failed to conserve those funds
4 for the benefit of the investors, as promised. Defendants have continued to divert cash funds and
5 make significant cash withdrawals from the Capital Improvement Fund accounts.

6 39. Beginning as early as 2011, in connection with the offer and sale of the Galileo Project
7 securities, Defendants made, or caused to be made, misrepresentations of material facts or omitted to
8 state material facts necessary in order to make the statements made, in light of the circumstances
9 under which they were made, not misleading, including, but not limited to:

10 (a) Promising that investors would make the decisions as to how to use the money they
11 contributed to the Capital Improvement Fund. In fact, Defendants had comingled and diverted the
12 money from the Capital Improvement Fund for their own purposes.

13 (b) Falsely representing in the marketing materials and investment documents that the
14 investors would control the investment and make decisions on how to develop the investment
15 property. In fact, half- and quarter-unit owners had no right to vote and could not participate in the
16 management decisions and control of the development of the property.

17 (c) Omitting from the investment offerings the fair market value of the fractionalized
18 interests in the undeveloped property, resulting in the investors substantially overpaying for their
19 property interests.

20 (d) Misrepresenting the value of the undivided interest in the undeveloped Galileo
21 Project property purchased by investors.

22 (e) Falsely assuring investors that there was no risk in the investment.

23 (f) Misrepresenting that the Galileo Project offered high investment returns and that
24 investors could realize a “tremendous return virtually overnight.”

25 (g) Misrepresenting the value of the Ranch for purposes of falsely inflating the value
26 of the purchase option that the investors were granted as part of the Galileo Project investment.

27 (h) Misrepresenting that the Galileo Project property was already serviced with paved
28 roads, piped water, electricity and telephones, when it was not.

1 (i) Representing to some investors that the investors would play an active role in
2 developing the Galileo Project property, while representing to other investors that they would play a
3 passive role.

4 (j) Falsely representing to some investors that they could build their own residential
5 home on the Galileo Project property that they purchased.

6 (k) Misrepresenting the terms of the investment and then, when the investors
7 complained after they purchased the investment, threatening the investors with consumer harm and
8 lawsuits.

9 (l) Failing to disclose that Defendant Thomas M. Maney, as signatory, Vice-President
10 and General Counsel for several companies, was the subject of a 1977 Consent and Final Judgment in
11 the United States District Court for the Central District relating to unlawful real estate sales in
12 California City, California, levying civil penalties and permanently enjoining the companies and its
13 officers from, among other things, violating a Final Order to Cease and Desist issued by the Federal
14 Trade Commission on October 20, 1972, and from failing to pay \$3,950,000.00 to prior real estate
15 purchasers.

16 40. On information and belief, most of the unsophisticated Galileo Project investors, who
17 could not otherwise afford to pay, purchased their investment with a down-payment and a ten-year,
18 high-interest financing (promissory) note. Defendants SS Purchco, Accelerated Assets, and Pahrump
19 Valley RE, individually, and by and through interrelated and associated businesses and control
20 persons, willfully and knowingly aided and abetted, conspired with, and provided advice,
21 encouragement, and substantial assistance (within the meaning of Corporations Code section 25403,
22 subdivision (b)) to all other Defendants, and each of them, at all times with full knowledge of the
23 illegal and fraudulent nature of the Galileo Project investment, including, but not limited to, the
24 following:

25 (a) Assisting and facilitating the Galileo Project investment scheme by infusing
26 substantial operating capital by way of purchasing “Undivided Interest Receivables” related to the
27 Galileo Project investor financing notes from the Silver Saddle-related defendants and attempting to
28 disguise the transaction as arms-length, all the while having knowledge of the illegal and fraudulent

1 nature of the Galileo Project investment, and knowingly profiting and continuing to profit from the
2 Galileo Project scheme by receiving the ill-gotten gains from the illegal scheme.

3 (b) Knowingly benefitting from the illegal Galileo Project scheme by effectively
4 turning over control of the servicing and collections on many of the purchased Galileo Project
5 “Undivided Interest Receivables” to the Silver Saddle-related defendants.

6 (c) Knowingly furnishing and selling to the Silver Saddle-related Defendantsof
7 numerous undeveloped real property residential lots located in Pahrump, Nevada, used as a deceptive
8 and illusory “bonus” incentive to misleadingly persuade California investors to pay the full price of
9 the Galileo Project investment within a short period of time.

10 . 41. Defendants SS Purchco, Accelerated Assets, and Pahrump Valley RE continue to
11 harm the Galileo Project investors by continuing to collect money from Galileo Project investors and
12 profit by way of the illegal and fraudulent promissory notes, arguing that they are separate and
13 distinct from the Silver Saddle-related defendants and therefore not subject to this Court’s orders
14 pertaining to the Silver Saddle-related defendants, when in fact, as more fully alleged herein, they
15 willfully and knowingly aided and abetted, conspired with, and provided advice, encouragement, and
16 substantial assistance (within the meaning of Corporations Code section 25403, subdivision (b)) to
17 the Silver Saddle-related defendants in operating the fraudulent and illegal scheme.

18 42. The Commissioner is informed and believes that from 2011 to 2019 Defendants have
19 made at least 3,032 offers and sales of the Galileo Project investment contracts for a total purchase
20 price of approximately \$56,517,148.00.

21 43. On June 18, 2019, the Commissioner issued administrative actions against Defendants
22 Thomas Maney, Silver Saddle Commercial Development, LP, Silver Saddle Ranch & Club, Inc. and
23 The Galileo Commercial Property Owners Association, Inc., ordering Defendants to desist and
24 refrain from the further offer or sale of securities in the State of California in violation of
25 Corporations Code sections 25110 and 25401, requesting ancillary relief in the form of a repurchase
26 offer, and requesting penalties. The administrative actions are currently pending hearing before the
27 Office of Administrative Hearings.

28 //

FIRST CAUSE OF ACTION
OFFER AND SALE OF UNQUALIFIED, NON-EXEMPT SECURITIES
IN VIOLATION OF CORPORATIONS CODE SECTION 25110
(AGAINST ALL DEFENDANTS)

44. Plaintiff realleges and incorporates herein by reference paragraphs 1 through 43, inclusive, as though set forth at length herein.

45. Corporations Code section 25110, in pertinent part, provides:

It is unlawful for any person to offer or sell in this state any security in an issuer transaction...unless such sale has been qualified...or unless such security or transaction is exempted or not subject to qualification under Chapter 1 [commencing with CSL section 25100] of this part.

46. Beginning in at least 2011, Defendants, and each of them, offered or sold at least 3,032 securities in the form of investment contracts to over 2,000 investors for a total purchase price of \$56,517,148.00³. Approximately seventy of the investors are residents of the County of San Diego.

47. From at least 2011, Defendants offered and sold to California’s investing public, securities in the form of investment contracts in the Galileo Project. The investment contracts offered and sold by Defendants are “securities” within the meaning of Corporations Code section 25019.

48. Defendants offered and sold the securities within the State of California within the meaning of Corporations Code sections 25008 and 25017.

49. The offer and sale of these securities were issuer transactions within the meaning of Corporations Code sections 25010 and 25011.

50. The Commissioner has not issued a permit or other form of qualification authorizing Defendants to offer or sell the securities referred to herein.

51. The offer and sale of the securities referenced herein were not exempt from the qualification requirements of Corporations Code section 25110.

52. Unless enjoined by this Court, Defendants will continue to violate Corporations Code

³ This represents only the aggregate purchase price for the undivided property interests, excluding the investors’ contributions for the Capital Improvement Fund and the recurring membership fees and association dues.

1 section 25110. Further, Defendants’ pattern of conduct demonstrates the need for the appointment of
2 a receiver and the granting of the ancillary relief prayed for.

3 **SECOND CAUSE OF ACTION**
4 **MISREPRESENTATION OR OMISSION OF MATERIAL FACTS**
5 **IN VIOLATION OF CORPORATIONS CODE SECTION 25401**
6 **(AGAINST ALL DEFENDANTS)**

7 53. Plaintiff realleges and incorporates herein by reference paragraphs 1 through 52,
8 inclusive, as though set forth at length herein.

9 54. Corporations Code section 25401 makes it unlawful to offer or sell securities by
10 means of untrue statements or omissions of material fact. This section states:

11 It is unlawful for any person to offer or sell a security in this state, or to buy or
12 offer to buy a security in this state, by means of any written or oral
13 communication that includes an untrue statement of a material fact or omits to
14 state a material fact necessary to make the statements made, in the light of the
15 circumstances under which the statements were made, not misleading.

16 55. From at least 2011, in connection with the offer and sale of the Galileo Project
17 investment contracts, Defendants made, or caused to be made, written and oral misrepresentations of
18 material facts and omitted to state material facts necessary to make the statements made, in light of
19 the circumstances under which the statements were made, not misleading, including, but not limited
20 to:

21 (a) Promising that investors would make the decisions as to how to use the money they
22 contributed to the Capital Improvement Fund. In fact, Defendants had comingled and diverted the
23 Capital Improvement Fund for their own purposes.

24 (b) Falsely representing in the marketing materials and investment documents that the
25 investors would control the investment and make decisions on how to develop the investment
26 property. In fact, half- and quarter-unit owners had no right to vote and could not participate in the
27 management decisions and control of the development of the property.

28 (c) Omitting from the investment offerings the fair market value of the fractionalized
interests in the undeveloped property, resulting in the investors substantially overpaying for their
property interests.

1 (d) Misrepresenting the value of the undivided interest in the undeveloped Galileo Project
2 property purchased by investors.

3 (e) Falsely assuring investors that there was no risk in the investment.

4 (f) Misrepresenting that the Galileo Project offered high investment returns and that
5 investors could realize a “tremendous return virtually overnight.”

6 (g) Misrepresenting the value of the Ranch for purposes of falsely inflating the value of
7 the purchase option that the investors were granted as part of the Galileo Project investment.

8 (h) Misrepresenting that the Galileo Project property was already serviced with paved
9 roads, piped water, electricity and telephones, when it was not.

10 (i) Representing to some investors that the investors would play an active role in
11 developing the Galileo Project property, while representing to other investors that they would play a
12 passive role.

13 (j) Falsely representing to some investors that they could build their own residential home
14 on the Galileo Project property that they purchased.

15 (k) Misrepresenting the terms of the investment and then, when the investors complained
16 after they purchased the investment, threatening the investors with consumer harm and lawsuits.

17 (l) Failing to disclose that Defendant Thomas M. Maney, as signatory, Vice-President and
18 General Counsel for several companies, was the subject of a 1977 Consent and Final Judgment in the
19 United States District Court for the Central District relating to unlawful real estate sales in California
20 City, California, levying civil penalties and permanently enjoining the companies and its officers
21 from, among other things, violating a Final Order to Cease and Desist issued by the Federal Trade
22 Commission on October 20, 1972, and from failing to pay \$3,950,000.00 to prior real estate
23 purchasers.

24 56. Unless enjoined by this Court, Defendants will continue to violate Corporations Code
25 section 25401. Further, Defendants’ pattern of conduct demonstrates the need for the appointment of
26 a receiver and the granting of the ancillary relief prayed for.

27 Plaintiff prays for Judgment as follows:

28 **A. INJUNCTIVE RELIEF**

1 57. For a temporary restraining order, issued on *ex parte* application, followed by a
2 preliminary and permanent injunction issued pursuant to Corporations Code section 25530,
3 subdivision (a), restraining and enjoining the Defendants, their officers, directors, successors in
4 interest, agents, employees, attorneys in fact, and all persons acting in concert or participating with
5 them, or any of them, except the receiver in the lawful exercise of his duties under the receivership,
6 directly or indirectly:

7 a. Selling or purchasing or offering to sell or purchase any security as defined by
8 California law, without first qualifying that security as required by law.

9 b. Violating Corporations Code section 25110 of the Corporate Securities Law of 1968
10 (CSL) by offering or selling unqualified, non-exempt securities, including, but not limited to, the
11 Galileo Project (also known as Landbanking Plus) investment contracts.

12 c. Violating Corporations Code section 25401 by offering or selling or buying or
13 offering to buy any securities by means of any written or oral communication which includes an
14 untrue statement of a material fact or omits to state a material fact necessary in order to make the
15 statements made, in light of the circumstances under which they were made, not misleading,
16 including, but not limited to, the Galileo Project.

17 d. Removing, destroying, mutilating, concealing, altering, transferring, or otherwise
18 disposing of, in any manner, any books, records, documents, correspondence, brochures, manuals, or
19 other documentation of any kind in the possession, custody or control of any of the Defendants that
20 relate in any way to the offer and sale of securities, specifically, but not limited to, the Galileo
21 Project.

22 e. Transferring, changing, disbursing, selling, dissipating, converting, pledging,
23 assigning, foreclosing or otherwise disposing of any real or personal property or other assets, in their
24 possession or under their control, or in the possession of, or under the control of, any of them, which
25 property or other assets are or were to be held for the benefit of Defendants' investors and/or
26 creditors, or by any person for the benefit of any investors and/or creditors of Defendants, and each of
27 them, whether in trust or otherwise, without further Order from this Court.
28

1 f. Withdrawing from any bank account, transferring, changing, disbursing, selling,
2 dissipating, converting, pledging, assigning, foreclosing, or otherwise disposing of any real property
3 or personal property in their possession or under their control, or in the possession of, or under the
4 control of, any of the Defendants, which property or other assets were derived or emanated from
5 directly, or indirectly, the sale or purchase or offer to sell or purchase, investment contracts or other
6 securities, without further Order from this Court.

7 **B. RESCISSION, RESTITUTION, AND DISGORGEMENT**

8 58. For a Final Judgment and Order pursuant to Corporations Code section 25530,
9 subdivision (b), requiring Defendants, and each of them, to disgorge all profits and compensation
10 obtained as a result of the violations of law complained of herein, and pay full restitution to each
11 person determined to have been subjected to Defendants' acts or practices which constitute violations
12 of the CSL in the amounts and manner provided for by law and according to proof.

13 **C. CIVIL PENALTIES**

14 59. As against all Defendants for a Final Judgment and Order pursuant to Corporations
15 Code section 25535, that each of them, individually, jointly and severally, pay to the Plaintiff, a civil
16 penalty in the maximum approximate sum of \$150,000,000.00 or according to proof, which
17 represents \$25,000.00 for each act in violation of Corporations Code sections 25110 and 25401, in a
18 total amount as according to proof at trial.

19 **D. REPURCHASE OFFER**

20 60. For an order that Defendants shall repurchase the Galileo Project securities as to each
21 purchaser who accepts the repurchase offer, on the following terms and conditions:

22 (i) Pursuant to Corporations Code section 25507, subdivision (b), and California
23 Code of Regulations, tit. 10, section 260.507 (10 CCR 260.507), with respect to all investors who
24 purchased a security from Defendants in the form of a Galileo Project investment contract,
25 Defendants shall offer to repurchase the security or offer to rescind the transaction. As set forth in
26 Corporations Code section 25507(b), and 10 CCR 260.507, Defendants shall submit an application
27 for approval as to the form of the offer to repurchase securities to the Securities Regulation Division
28 of the Department of Business Oversight. Defendants shall complete the repurchase offer and

1 repurchase the securities or rescind the transaction as to all investors who accept the offer.

2 (ii) The repurchase offer shall be accompanied by all of the information required
3 under Corporations Code section 25507 and 10 CCR 260.507, including, but not limited to, a
4 disclosure informing the offeree of the findings set forth herein, and describing the current status of
5 Defendants' business operations.

6 **E. APPOINTMENT OF A RECEIVER**

7 61. For an order appointing a receiver, namely Thomas McNamara of Regulatory
8 Resolutions, 655 West Broadway, Suite 1600, San Diego, California 92101, issued pursuant to
9 Corporations Code section 25530 subdivision (a), upon an ex parte application, to remain in effect
10 during the pendency of this action or until further order of the court, to take possession of all real and
11 personal property and assets of Defendants SILVER SADDLE COMMERCIAL DEVELOPMENT,
12 LP; SILVER SADDLE RANCH & CLUB, INC.; THE GALILEO COMMERCIAL PROPERTY
13 OWNERS ASSOCIATION, INC., as well as any other entity that has conducted any business related
14 to Defendants' offering and selling of the Galileo Project investment contracts, including receipt of
15 assets derived from any activity that is the subject of the Complaint in this matter, and that the
16 receiver determines is controlled or owned by any Defendant (hereinafter "Receivership
17 Defendants"), and their respective subsidiaries and affiliates, and their successors and assigns
18 wherever situated, or to which Receivership Defendants have any right of possession, custody or
19 control, beneficially or otherwise, irrespective of whosoever holds such assets, including all such
20 assets which Receivership Defendants carry or maintain, or which may be received during the
21 pendency of this receivership, in order to obtain an adequate accounting of Receivership Defendants'
22 assets and liabilities and to secure a marshalling of said assets; and,

23 62. For an order further providing that:

24 a. Receiver be authorized and directed to take possession of all real and personal
25 property and assets of Defendants SILVER SADDLE COMMERCIAL DEVELOPMENT, LP;
26 SILVER SADDLE RANCH & CLUB, INC.; THE GALILEO COMMERCIAL PROPERTY
27 OWNERS ASSOCIATION, INC. as well as any other entity that has conducted any business related
28 to Defendants' offering and selling of the Galileo Project investment contracts, including receipt of

1 assets derived from any activity that is the subject of the Complaint in this matter, and that the
2 Receiver determines is controlled or owned by any Defendant and/or Receivership Defendants, and
3 their respective subsidiaries and affiliates, and their successors and assigns wherever situated, or to
4 which Receivership Defendants have any right of possession, custody or control, beneficially or
5 otherwise, irrespective of whosoever holds such assets, including all such assets which Receivership
6 Defendants carry or maintain, or which may be received during the pendency of this receivership, in
7 order to obtain an adequate accounting of Receivership Defendants' assets and liabilities and to
8 secure a marshalling of said assets.

9 b. For good cause appearing, the Receiver's bond be set by the court at a fair amount.

10 c. Upon his appointment and entering upon his duties, the Receiver be authorized,
11 empowered and directed: to marshal, collect, review, observe, discover and take charge of all the real
12 and personal property, premises and other assets of, or in the possession of or under the control of,
13 Receivership Defendants, beneficially or otherwise, or wherever else situated, including, but not
14 limited to the following premises:

15 A. Silver Saddle Ranch & Club, Inc.: 20751 Aristotle Dr, California City, CA
16 93505, and 7635 North San Fernando Road, Suite A; Burbank, CA 91505;

17 B. Silver Saddle Commercial Development, LP: 7635 North San Fernando Road,
18 Suite A; Burbank, CA 91505, and 15315 Magnolia Boulevard, Suite 201,
19 Sherman Oaks, CA 91403;

20 C. The Galileo Commercial Property Owners Association, Inc.: 7635 North San
21 Fernando Road, Suite A; Burbank, CA 91505;

22 and all accounts or safe deposit boxes of Receivership Defendants in financial depository or other
23 institutions, including, but not limited to the following:

24 A. JP Morgan Chase Bank, N.A.;

25 B. Wells Fargo Bank, N.A.;

26 C. Mission Bank;

27 D. One West Bank;

28 E. Frost Bank;

1 and of any other property in which Receivership Defendants have an interest, regardless by whom it
2 may be held, beneficially or otherwise, on an ongoing and continual basis pursuant to this Court's
3 order. No other signatory, including spouses or relatives of Receivership Defendants, on any bank
4 account, investment account or safe deposit box may withdraw or cause to be withdrawn any amount
5 from the accounts frozen by this or related order, except by Order from the Court. Periodically, as set
6 forth in paragraphs 66 and 67, below, the Receiver shall report to this Court the results of the review,
7 observation, discovery and abstracts resulting from the activities of the Receiver as ordered by this
8 Court, and specifically on any commingling of funds, unauthorized loans or other disposition of
9 property of whatever description between any and each of the Receivership Defendants herein and/or
10 any person, corporation, entity, sole proprietorship, affiliate, association of whatever type or
11 structure, whether or not said entities are or are not Receivership Defendants in this action.

12 63. For an order further providing that the Receiver take all steps necessary to secure all
13 premises that Receivership Defendants are using to conduct business operations that relate to the
14 unlawful activity alleged in the Complaint, including, but not limited to the premises listed in
15 paragraph 62, subdivision (c), above. Steps to secure premises may include, but are not limited to,
16 any of the following, as Receiver deems necessary or advisable: (a) serving the receivership Order;
17 (b) completing a written inventory of all receivership assets; (c) obtaining pertinent information from
18 all employees and other agents of Receivership Defendants, including, but not limited to, requiring
19 such employees and agents to complete a questionnaire provided by Receiver; (d) photographing and
20 videotaping any or all portions of the premises; (e) securing the location by changing any locks or
21 security codes and disconnecting any computer modems or other means of access to the computer or
22 other records maintained at that location; (f) obtaining access to any locked storage containers
23 believed to contain assets or documents; (g) requiring any persons present on the premises at the time
24 this Order is served to leave the premises, to provide Receiver with proof of identification, or to
25 demonstrate to the satisfaction of Receiver that such persons are not removing from the premises
26 assets or documents of Receivership Defendants or otherwise subject to this Order; and (h) securing
27 the assistance of law enforcement officers. Law enforcement officers may assist Receiver in
28 implementing these provisions to keep the peace and maintain security.

1 64. For an order further providing that the Receiver employ the law firm of McNamara
2 Smith LLP where the Receiver is a partner and may employ such other attorneys and persons upon
3 further order of this Court to assist the Receiver in the performance of his duties and responsibilities,
4 such employment to be approved by the Court upon ex parte application of the Receiver.

5 65. For an order further providing that the Receiver employ other such persons, including
6 accountants, investigators, clerical and professional personnel, and the Receiver's in-house staff and
7 counsel, to perform such tasks as may be necessary to aid the Receiver in the performance of his
8 duties and responsibilities, without further order of the Court.

9 66. For an order further providing that the Receiver file, within 30 days of his
10 qualification and appointment hereunder, an initial inventory of all property which he shall then have
11 reviewed, observed and/or discovered pursuant to this Court's Order. Additionally, the Receiver is to
12 file one or more supplemental inventories when and if he shall subsequently come into knowledge of
13 additional items appropriate to the inventory.

14 67. For an order further providing that the Receiver undertake an independent review into
15 the affairs and transactions of Receivership Defendants and to file with this Court, within 120 days,
16 and every six months thereafter, a report detailing the Receiver's findings of his review of the
17 condition of Receivership Defendants, other affairs and transactions of Receivership Defendants,
18 reflecting the existence of any liabilities, both those claimed by others to exist and those to which the
19 Receiver believes to be the legal obligations of each of said Receivership Defendants, including a
20 review of any possible conflicts of interest and any further information the Receiver believes may
21 assist in an equitable disposition of this matter, and to include in the report the Receiver's opinion
22 regarding the ability of said Receivership Defendants to meet their obligations as they come due, and
23 the Receiver's recommendation regarding the necessity for, and the best method of handling,
24 preserving, or disposing of said assets.

25 68. For an order further providing that the Receiver invest funds of the receivership estate
26 in any interest-bearing obligations of the United States or in any interest-bearing accounts in financial
27 institutions approved by the United States Trustee as an authorized depository for funds of
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1 bankruptcy estate, without further order of the Court; and to be the signatory on all bank accounts of
2 Receivership Defendants, and each of them, including, but not limited to:

- 3 A. JP Morgan Chase Bank, N.A.;
- 4 B. Wells Fargo Bank, N.A.;
- 5 C. Mission Bank;
- 6 D. One West Bank;
- 7 E. Frost Bank;

8 and of any depository or investment account in any financial institution that the Receiver may
9 discover at a later date containing any investor funds, upon presentation of this Order.

10 69. For an order further providing that the Receiver bring such proceedings as are
11 necessary to enforce the provisions hereof, including issuance of subpoenas to compel testimony or
12 production of documents as to the existence or location of assets or any other information pertinent to
13 the business, financial affairs, and other transactions of Receivership Defendants.

14 70. For an order further providing that the Receiver bring such proceedings as are
15 necessary to modify the provisions hereof, as the Receiver deems appropriate.

16 71. For an order further providing that the Receiver make such payments and
17 disbursements from the funds so taken into custody, control and possession of the Receiver or
18 otherwise received by him, as may be necessary and advisable in discharging his duties as receiver,
19 without further order of the Court, including, without limitation, the payment of interim
20 compensation to the Receiver and persons or entities under subparagraphs (64) and (65) above,
21 subject to the provisions of subparagraph (86) and (87). The Receiver shall apply to the Court for
22 prior approval of any payment of any debt or obligation incurred by the Receivership Defendants
23 prior to the date of entry of this order, except payments that the Receiver deems necessary or
24 advisable to secure assets of the Receivership Defendants.

25 72. For an order further providing that the Receiver carry on any lawful business activity
26 of the entities and persons or entities in receivership, to preserve investors' assets and to foreclose
27 and/or actively seek and negotiate with potential buyers, assignees or other parties who may be
28 interested in acquiring, purchasing, leasing, subleasing or renting real or personal property of

1 Receivership Defendants and to sell, lease, sublease or rent such real or personal property of
2 Receivership Defendants, subject to court approval.

3 73. For an order further providing that the Receiver institute, prosecute, defend,
4 compromise, intervene in and become a party, either in his own name or in the name of Receivership
5 Defendants, to such suits, actions or proceedings as may be necessary for the protection,
6 maintenance, recoupment or preservation of the assets or property of Receivership Defendants, or in
7 his custody, in his discretion, without further order of the Court.

8 74. For an order further providing that the Receiver divert, take possession of and secure
9 all mail of Receivership Defendants, in order to screen such mail, retaining so much as it relates to
10 the business of Receivership Defendants, and forwarding to the individual or other appropriate
11 addresses so much as is not, in the Receiver's opinion, appropriate for retention by him, and to effect
12 a change in the rights to use any and all post office boxes and other mail collection facilities used by
13 Receivership Defendants.

14 75. For an order further providing that the Receiver be empowered to undertake an
15 immediate review of all readily available assets of the Receivership Defendants in order to determine
16 the economic viability of a receivership. Upon such review, if the Receiver determines that sufficient
17 assets are readily available to fund the receivership, then the Receiver shall file such finding with the
18 Court, and the receivership shall continue until further order of the Court. If upon initial review the
19 Receiver determines that readily available assets are insufficient to maintain the receivership, then the
20 Receiver shall so notify the Court, and may request that the Court dissolve the receivership, or
21 modify the duties and responsibilities of the Receiver, and Plaintiff will not oppose such request, it
22 being understood that the Receiver and professionals employed by the Receiver shall not be expected
23 to perform services unless readily available assets exist to pay the expenses of the receivership.

24 76. For an order further providing that the Receiver shall cooperate fully with the Plaintiff,
25 and any other state and federal law enforcement and regulatory agencies having jurisdiction over
26 matters relating to the conduct or business of Receivership Defendants so as not to impair the ability
27 of said state and federal law enforcement regulatory agencies to perform their duly authorized
28 investigative and enforcement duties.

1 77. For an order further providing that the Receiver's powers shall be in addition to, and
2 not by way of limitation of, the powers described in Corporations Code section 25530, subdivision
3 (a), and Government Code section 12896 and Code of Civil Procedure section 564 et seq.

4 78. For an order further providing that any state or federal law enforcement or regulatory
5 agency having jurisdiction over matters related to Receivership Defendants' business shall be
6 permitted to review, without exception, all reports of the Receiver and all books, records, and files of
7 Receivership Defendants at any time during normal business hours, with reasonable notice, and to
8 make any abstracts or copies of said documents as it desires, provided that nothing herein shall waive
9 or abrogate any applicable attorney-client or other legally recognized privilege.

10 79. For an order further providing that the Receiver be vested with, and is authorized,
11 directed and empowered to exercise, all of the power of Receivership Defendants, their officers,
12 directors, shareholders, general partners or persons who exercise similar powers and perform similar
13 duties; Receivership Defendants, their officers, agents, employees, representatives, directors,
14 successors in interest, attorneys in fact and all persons acting in concert or participating with them,
15 are hereby divested of, restrained and barred from exercising any of the powers vested herein in the
16 Receiver.

17 80. For an order further providing that, if the Receiver identifies a nonparty entity as a
18 Receivership Defendant, the Receiver shall promptly notify the entity as well as the parties and
19 inform the entity that it can challenge the Receiver's determination by filing a motion with the Court.
20 Provided, however, that the Receiver may delay providing such notice until the Receiver has
21 established control of the nonparty entity and its assets and records, if the Receiver determines that
22 notice to the entity may result in the destruction of records, dissipation of assets, or any other
23 obstruction of the Receiver's control of the entity.

24 81. For an order further providing that defendants, including, but not limited to the
25 Receivership Defendants, their officers, directors, shareholders, agents, servants, employees,
26 attorneys, salespersons, successors, assigns, subsidiaries, affiliates, and other persons or entities under
27 their control and all persons or entities in active concert or participation with Receivership
28 Defendants, and all persons owing a duty of disclosure to Receivership Defendants, and each of

1 them, and all individually named Defendants, shall cooperate with the Receiver in his investigation
2 and shall immediately turn over to the Receiver records, computers and passwords, and/or access
3 codes for all computers and any security systems, documentation, charts and/or descriptive material
4 of all funds, assets, property owned beneficially or otherwise, and all other assets of Receivership
5 Defendants wherever situated, and all books and records of accounts, title documents and other
6 documents in the possession or under their control, which relate, directly or indirectly, to assets of
7 Receivership Defendants.

8 82. For an order further providing that, except by leave of this Court and during the
9 pendency of this receivership, all claimants, creditors, lessors and other persons seeking relief of any
10 kind, in law or in equity, from Receivership Defendants, and all others acting on behalf of any such
11 persons, including sheriffs, marshals, servants, agents, attorneys and employees, be restrained and
12 enjoined, directly or indirectly, from:

13 a. Commencing, prosecuting, continuing or enforcing any suit or proceeding,
14 except by motion before this Court;

15 b. Executing or issuing or causing the execution or issuance of any court
16 attachment, subpoena, replevin, execution or other process for the purpose of impounding or taking
17 possession of or interfering with or creating or enforcing a lien upon any property owned or in the
18 possession of Receivership Defendants, their subsidiaries or affiliates, or the receiver appointed
19 therein, wherever situated;

20 c. Commencing or continuing judicial or non-judicial foreclosure proceedings or
21 proceedings for the appointment of a receiver for any property owned or claimed by Receivership
22 Defendants in this action;

23 d. Creating, perfecting, or enforcing any lien or encumbrance against any real or
24 personal property;

25 e. Accelerating the due date of any obligation or claimed obligation;

26 f. Exercising any right of set-off;

27 g. Taking, retaining, retaking or attempting to retake possession of any real or
28 personal property;

- 1 h. Withholding or diverting any rent or other obligation; and
- 2 i. Doing any act or thing whatsoever to interfere with the possession of or
- 3 management by the Receiver herein and of the property and assets owned, controlled or in the
- 4 possession of Receivership Defendants or to, in any way, interfere with the Receiver or to interfere in
- 5 any manner during the pendency of this proceeding with the exclusive jurisdiction of this Court over
- 6 Receivership Defendants.

7 83. For an order further providing that the Receiver Order not stay:

- 8 a. The commencement or continuation of a criminal action or proceeding;
- 9 b. The commencement or continuation of an action or proceeding by a
- 10 government unit, to enforce such government unit’s police or regulatory power;
- 11 c. The enforcement of a judgment, other than a money judgment, obtained in an
- 12 action or proceeding by a government unit to enforce such government unit’s police or regulatory
- 13 power; or
- 14 d. The issuance to a Receivership Defendant of a notice of tax deficiency.

15 84. For an order further providing that any and all provisions of any agreement entered

16 into by and between any third party and Receivership Defendants, including, by way of illustration,

17 but not limited to, the following types of agreements (as well as any amendments or modifications

18 thereto), mortgages, partnership agreements, financial guarantee bonds, joint venture agreements,

19 promissory notes, remarketing agreements, loan agreements, security agreements, indemnification

20 agreements, subrogation agreements, subordination agreements, deeds of trust, pledge agreements,

21 assignments of rents and other collateral, financing statements, letters of credit, leases, insurance

22 policies, guarantees, escrow agreements, management agreements, real estate brokerage and rental

23 agreements, servicing agreements, consulting agreements, easement agreements, license agreements,

24 franchise agreements, construction contracts, or employment contracts that provide in any manner

25 that the selection, appointment, or retention of a receiver or trustee by any court, or the entry of an

26 order such as hereby made, shall be deemed to be, or otherwise operate as a breach, violation, event

27 of default, termination, event of dissolution, event of acceleration, insolvency, bankruptcy, or

28 liquidation, shall be stayed, and the assertion of any and all rights, remedies relating thereto shall also

1 be stayed and barred, except as otherwise ordered by this Court, and this Court shall retain
2 jurisdiction over any causes of action that have arisen or may otherwise arise under any such
3 provision.

4 85. For an order further providing that, in the event Receiver receives notice that a
5 bankruptcy has been filed by any Defendant and part of the bankruptcy estate includes assets that are
6 the subject to this Order, Receiver shall immediately contact the People and determine whether the
7 People intend to move in the bankruptcy court for an order for (i) relief from the automatic stay, and
8 (ii) relief from Receiver's obligation to turn over assets in the receivership estate (11 U.S.C. § 543).
9 If the People have no intention to make such a motion, Receiver shall immediately turn over the
10 appropriate receivership assets to the appropriate entity – either to the trustee in bankruptcy if one
11 has been appointed or, if not, to the debtor in possession – and otherwise comply with 11 U.S.C. §
12 543. If the People intend to seek relief from the automatic stay and from Receiver's obligation to
13 turn over assets in the receivership estate, Receiver may remain in possession and preserve the
14 receivership estate pending ruling on those motions (11 U.S.C. § 543, subd. (a).) Receiver's authority
15 to preserve assets that are subject to the bankruptcy shall be limited as follows: (a) Receiver may
16 continue to collect rents and other income; (b) Receiver may make only those disbursements
17 necessary to preserve and protect those assets; (c) Receiver shall not execute any new leases or other
18 long-term contracts; and (d) Receiver shall do nothing that would affect a material change in the
19 circumstances of those assets.

20 86. For an order further providing that the Receiver, the Receiver's employees and agents,
21 and professionals employed by the Receiver, are entitled to monthly payment of interim
22 compensation for services rendered, at their normal hourly rates, and monthly reimbursement for all
23 expenses incurred by them on behalf of the receivership estate, and the Receiver is authorized to
24 make such payments without further order of the Court. Within 10 days after such monthly payments,
25 the Receiver shall serve written notice upon the counsel of record for Receivership Defendants of the
26 amount paid to each payee, with an itemization of the services rendered or expenses incurred.

27 87. For an order further providing that interim monthly fees paid shall be subject to review
28 and approval by this Court, on a quarterly basis. This Court retains jurisdiction to award a greater or

1 lesser amount as the full, fair and final value of such services. In the event that extraordinary services
2 are performed by the Receiver, or any professionals employed by the Receiver, the Court may
3 approve extraordinary compensation to such persons.

4 88. For an order further providing that neither Plaintiff, nor any officer, employee or agent
5 of Plaintiff, shall have any liability for the payment, at any time, for any such fees or expenses in
6 connection with said receivership.

7 89. For an order further providing that it further be ordered that Defendants and their
8 officers, agents, servants, employees and attorneys, and any other persons who are in custody,
9 possession or control of any assets, collateral, books, records, computers, papers or other property of
10 Receivership Defendants shall forthwith give access to and control of such property to the Receiver.

11 90. For an order further providing that until further order of the Court and in order to
12 ensure the effectiveness of the Court's appointment of Receiver, as follows:

13 A. Each Receivership Defendant shall provide the People and Receiver with the
14 following information regarding its assets (Asset Information):

- 15 a. For any real property (i) owned in whole or in part or controlled by any
16 Receivership Defendant, in whole or in part, (ii) in the actual or constructive
17 possession of any Receivership Defendant, (iii) held by an agent of any
18 Receivership Defendant on its behalf, or (iv) owned, controlled by, or in the actual
19 or constructive possession of, or otherwise held for the benefit of, any
20 Receivership Defendant or any corporation, partnership, or other entity directly or
21 indirectly owned or controlled by any Receivership defendant, as of the date of
22 this Order, the legal description and address of each property.
- 23 b. For each and every bank account or investment account, including checking
24 accounts, saving accounts, money market accounts, retirement accounts, mutual
25 fund and stock brokerage accounts, that are (i) owned in whole or in part or
26 controlled by any Receivership Defendant, in whole or in part, (ii) in the actual or
27 constructive possession of any Receivership Defendant, (iii) held by an agent of
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1 any Receivership Defendant on its behalf, or (iv) owned, controlled by, or in the
2 actual or constructive possession of, or otherwise held for the benefit of, any
3 Receivership Defendant or any corporation, partnership, or other entity directly or
4 indirectly owned or controlled by any Receivership Defendant, as of the date of
5 this Order, the account number, name(s) on the account, current balance, and the
6 name and contact information of the financial institution.

7 c. For all personal property with a fair market value in excess of \$2,500, that is (i)
8 owned in whole or in part or controlled by any Defendant, in whole or in part, (ii)
9 in the actual or constructive possession of any Receivership Defendant, (iii) held
10 by an agent of any Receivership Defendant on its behalf, or (iv) owned, controlled
11 by, or in the actual or constructive possession of, or otherwise held for the benefit
12 of, any Receivership Defendant or any corporation, partnership, or other entity
13 directly or indirectly owned or controlled by any Receivership Defendant, as of the
14 date of this Order, a list of the property, the location of the property, and a
15 reasonably detailed description of the property, including, as applicable, serial
16 numbers or other identification numbers and registration information.

17 B. Each Receivership Defendant shall provide this Asset Information by overnight
18 delivery service, facsimile, email, or hand delivery to:

19 a. Senior Counsel Robert Lux, 1350 Front Street, Suite 2034, San Diego, California
20 92101, fax (619) 525-4045, email Robert.Lux@dbo.ca.gov; and

21 b. Receiver Thomas McNamara of Regulatory Resolutions, 655 West Broadway,
22 Suite 1600, San Diego, California 92101, fax (619) 269-0401, email
23 tmcnamara@mcnamarallp.com

24 C. The Asset Information must be received by the People and Receiver within three (3)
25 business days of service of this Order on Receivership Defendants or their counsel.

26 91. For an order further providing that no officer, agent, servant, employee, or attorney of
27 Receivership Defendants or their subsidiaries or affiliates, shall take any action or purport to take any
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1 action, in the name of or on behalf of any Receivership Defendant or any of their subsidiaries and
2 affiliates, without the written consent of the Receiver or order of this Court.

3 92. For an order further providing that, except by leave of this Court, during the pendency
4 of this receivership, all clients, investors, trust beneficiaries, note holders, creditors, claimants,
5 lessors, and all other persons or entities seeking relief of any kind, in law or equity, from Defendants
6 and all persons acting on behalf of any such investor, trust beneficiary, note holder, creditor,
7 claimant, lessor, or other person, including sheriffs, marshals, servants, agents, employees, and
8 attorneys, are hereby restrained and enjoined from, directly or indirectly with respect to Receivership
9 Defendants:

- 10 A. using self-help or executing or issuing or causing the execution or issuance of any court
11 attachment, subpoena, replevin, execution or other process for the purpose of impounding
12 or taking possession of or interfering with or creating or enforcing a lien upon any
13 property or property interest owned by or in the possession of Receivership Defendants
14 and any partnerships or joint ventures for which Receivership Defendants are the
15 Managing General Partner, wherever situated; and
- 16 B. doing any act or thing whatsoever to interfere with taking control, possession or
17 management by the Receiver appointed hereunder of the property and assets owned,
18 controlled or in the possession of Receivership Defendants or in any way to interfere with
19 or harass the temporary receiver or to interfere in any manner with the discharge of his or
20 her duties and responsibilities hereunder.

21 93. For an order further providing that that Receivership Defendants and their subsidiaries
22 and affiliates and their officers, agents, servants, employees and attorneys, shall cooperate with and
23 assist the Receiver and shall take no action, directly or indirectly, to hinder, obstruct, or otherwise
24 interfere with the Receiver in the conduct of his duties or to interfere in any manner, directly or
25 indirectly, with the custody, possession, management, or control by the Receiver of the funds, assets,
26 collateral, premises, and chooses in action described above.

27 94. For an order further providing that the Receiver shall determine upon taking
28 possession of the property whether in the Receiver's judgment there is sufficient insurance coverage.

1 With respect to any insurance coverage in existence or obtained, the Receiver shall be named as an
 2 additional insured on the policies for the period that the Receiver shall be in possession of the
 3 property. If sufficient insurance coverage does not exist, the Receiver shall immediately notify the
 4 parties to this lawsuit and shall have thirty (30) calendar days to procure sufficient all-risk and
 5 liability insurance on the property (excluding earthquake and flood insurance) provided, however,
 6 that if the Receiver does not have sufficient funds to do so, the Receiver shall seek instructions from
 7 the Court with regard to whether insurance shall be obtained and how it is to be paid for. If
 8 consistent with existing law, the Receiver shall not be responsible for claims arising from the lack of
 9 procurement or inability to obtain insurance.

10 **F. ASSET FREEZE**

11 95. For an Order that a freeze be placed on all funds, negotiable instruments and/or assets
 12 held in any bank, savings or checking, brokerage or other accounts, certificates of deposit, safe
 13 deposit box, or otherwise, without limitation, in the name of Defendants SILVER SADDLE
 14 COMMERCIAL DEVELOPMENT, LP; SILVER SADDLE RANCH & CLUB, INC.; and THE
 15 GALILEO COMMERCIAL PROPERTY OWNERS ASSOCIATION, INC., or for the benefit of
 16 said Defendants directly or indirectly, and each of them.

17 **G. OTHER RELIEF**

18 96. For an Order that this court will retain jurisdiction of this action in order to implement
 19 and carry out the terms of all orders and decrees that may be entered herein or to entertain any
 20 suitable application or motion by Plaintiff for additional relief within the jurisdiction of this court.

21 97. That plaintiff recovers its costs of suit herein, including costs of investigation.

22 98. For such and further relief as the court may deem just and proper.

23 Dated: June 11, 2020

MANUEL P. ALVAREZ
 Commissioner of Business Oversight

24
 25
 26 By: _____

ROBERT R. LUX
 Senior Counsel
 California Department of Business Oversight
 Attorney for the People of the State of California