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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

WESTMOORE MANAGEMENT, LLC, et al.,

Defendants.

Case No. 8:10-cv-00849-AG (MLGx)

STIPULATION TO CONTINUE STATUS CONFERENCE

Current Date and Time
Date: January 22, 2018
Time: 9:00 a.m.

Proposed Date and Time
Date: March 26, 2018
Time: 9:00 a.m.
Place: Courtroom 10D
411 West Fourth Street
Santa Ana, California

David A. Gill, the permanent receiver (the "Receiver") appointed in the above-captioned case, and plaintiff Securities and Exchange Commission, by and through counsel, request that the Court approve the within stipulation of the parties:

A. A status conference currently is scheduled to be held in this case on January 22, 2018, at 9:00 a.m.

B. In response to recent inquiries from a few investors regarding the status of this case and likelihood of a distribution to creditors, the Receiver provided them a

detailed case summary and status report. For the benefit of the Court and parties, a copy of that report, updated through December 18, 2017, is attached as Exhibit "1" hereto.

C. For the reasons discussed in the attached report, the Receiver does not anticipate that there will be any funds available for distribution to creditors and/or investors in this case. The Receiver anticipates that all funds available after paying administrative claims will be paid to federal and state taxing authorities.

D. Over the past few years, the Receiver and his professionals (particularly his tax accountants) have focused on preparing and filing various income tax returns that Westmoore did not file during the last few years of its operations (including for 2008, when Westmoore was still aggressively soliciting new and existing investors to make new investments, perpetuating its Ponzi scheme. To the best of the Receiver's knowledge, all appropriate income tax returns have now been filed for those years.

E. The last tax returns filed were for Westmoore Capital Group, LLC ("WMCG"). As anticipated, on January 1, 2018, the IRS notified the Receiver that it has charged late-filing penalties in excess of $300,000. If requested by the Receiver, the IRS likely would agree to abate these penalties, as it has with respect to the other tax returns filed by the Receiver for other Westmoore entities. However, for reasons discussed by the Court and the Receiver's counsel at a prior case status conference, since it appears that abatement of the penalties would not generate additional funds to pay investors, the Receiver may choose not to request abatement of the penalties if doing so will substantially delay the closing of this case.

F. To the best of the Receiver's knowledge, the only notable remaining assets of the receivership estate are as follows:

1. In August 2011, the Court entered a money judgment in favor of the SEC against Matthew Jennings ("Jennings") for $492,235.06. Jennings was to satisfy the judgment by paying such amount directly to the Receiver. The Receiver calculates that, as of January 18, 2018, Jennings still owes $249,855.87 to the SEC.

2. In June 2014, the Receiver entered into a settlement with former borrower Craig Brod ("Brod"), pursuant to which Brod agreed to pay $27,000 to the Receiver over a one-year period. Due to his financial circumstances, Brod failed to make the final payment of $12,000, and that amount remains outstanding. If any further payment is received, 25% of the additional amount received will be owed to the Receiver's special litigation counsel.

3. In March 2015, the Court entered a money judgment against a former investor, Chin Wang ("Wang"), for $289,123.45. The Receiver calculates that, as of January 18, 2018, Wang owes $291,208.70. If payment is received, 35% of the amount received will be owed to the Receiver's special litigation counsel.

4. In June 2015, the Court entered a second money judgment against Jennings, this time in favor of the Receiver, for $5 million. The Receiver calculates that, as of January 18, 2018, Jennings owes $5,034,915.07. If payment is received, 25% of the amount received will be owed to the Receiver's special litigation counsel.

5. Certain Westmoore entities own stock in Lilis Energy, Inc. f/k/a Recovery Energy, Inc. f/k/a Universal Holdings, Inc. ("Lilis"). The number of shares the percentage interest actually held by Westmoore is unclear due to, among other things, stock splits and multiple dilutions in Westmoore's position. Westmoore's shares appear to be subject to security interests granted by Westmoore to numerous investors. For reasons discussed at a prior case status conference, the Receiver is not administering assets that appear fully encumbered. However, before seeking to close the case, the Receiver will make a final effort to identify and, if appropriate, sell the Lilis shares to generate free and clear funds for the receivership estate.

G. The Receiver attempted to sell his interests under the Brod settlement and the judgments against Wang and Jennings to certain entities known to purchase judgments and speculative assets from bankruptcy estates. No offers were received.

H. To avoid the expense of appearing at the status conference on January 22, 2018, the Receiver has requested, and the SEC has agreed to, a continuance of the status conference to March 26, 2018.

WHEREFORE, the parties stipulate and agree that the status conference in this case shall be continued from January 22, 2018, to March 26, 2018, at 9:00 a.m.

DATED: January 18, 2018

JOHN N. TEDFORD, IV, ESQ.
Danning, Gill, Diamond & Kollitz, LLP

/s/ John N. Tedford, IV
Attorneys for David A. Gill, Receiver

DATED: January 18, 2018

GARY Y. LEUNG, ESQ.

/s/ Gary Y. Leung[1]
Attorneys for Plaintiff Securities and Exchange Commission

[1] Pursuant to Local Rule 5-4.3.4, the attorney filing this document, John N. Tedford, IV, attests that Mr. Leung has concurred in the filing's content and has authorized the filing of this document and the use of his /s/ signature.

EXHIBIT 1

Updated: December 18, 2017

Every 4-6 months, we've appeared at a status conference in the District Court to advise the Court as to what has been going on, and what we are currently working on. Early on, the judge asked us to not prepare written status reports because, among other things, requiring written reports makes things unnecessarily expensive. The last time we filed a written summary was the last time we filed fee applications, about two years ago. With the accountants having now finished the last of Westmoore's pre-receivership tax returns (more on that below), we'll probably be filing further fee applications within the next few weeks. However, a general summary of the case, and where we are as of today, is below.

The bottom line is that, for the last few years, the primary focus has been on completing Westmoore's federal and state income tax returns for the pre-receivership period. The process has taken longer than expected, particularly with respect to the returns for an entity called Westmoore Capital Group. The process also has been very expensive, and we knew that it would be. At this point, now that we have a clearer picture of the administrative claims and taxes that need to be paid, we do not expect there to be any funds available to be distributed to investors.

As you may recall, Westmoore's last full year of operations was 2008. It ceased principal operations in early 2009. The SEC filed its complaint in mid-2010 and the judgment appointing the receiver was entered in mid-2011.

By the time the Receiver was appointed, Westmoore had little to no tangible assets. Bank accounts had, of course, long been closed or the funds had been withdrawn. We were able to recover some money from an idle investment account, but not much. The Westmoore entities supposedly owned a lot of (purportedly) valuable stock in a company called ChinaTel, but our investigation revealed that Westmoore transferred away most of its stock as part of a 2009 settlement with ChinaTel, so we could not sell it. The SEC had a judgment against Matt Jennings, but we've only received about half of the judgment; Jennings still owes about $250,000 under that judgment.

Given the lack of funds available to pay administrative costs, much less creditors/investors, we decided not to institute a formal claims process whereby creditors and investors would be required to scour their records and submit proofs of claims stating how much they claim to be owed, and providing us all documents supporting their claims. In our view, such a process would result in substantial, potentially unnecessary administrative costs, and would burden investors by forcing them to spend time and effort doing something that could ultimately prove to be a worthless exercise.

For the same reason, we held off on filing Westmoore's federal and state income tax returns for the pre-receivership periods. We figured (correctly, it turns out), that the time and expense of preparing all of those tax returns would be substantial. We also thought that if those returns showed imputed income to equity investors, those investors would unnecessarily take a hit on their own person returns without any prospect of a recovery from Westmoore. But we also knew that if there was ever money available to pay creditors

and investors, the pre-receivership returns would need to be filed and accepted by the taxing authorities before any distribution could be made to investors.

Under the circumstances, it seemed clear that if we were going to generate monies for investors, we would need to do so through litigation. The Receiver hired special litigation counsel, and filed four lawsuits against numerous defendants.

- Lawsuits against Westmoore's former employees. This lawsuit was against 10 former employees. Even if we got judgments, most of them couldn't have paid much of anything. For almost all of them, after special counsel was satisfied that they lacked sufficient assets to warrant pursuing them, the Receiver agreed to dismiss the lawsuit in exchange for their cooperation. From these defendants, we recovered $47,000 (gross) and got a $5 million stipulated judgment against Matt Jennings.

- Lawsuits against entities that borrowed money from Westmoore. We figured that Westmoore had already collected everything it could from the entities to which Westmoore had loaned money, but we didn't want to leave those receivables hanging without at least trying to recover them. This lawsuit was against about 25 borrowers and some of their principals. Not surprisingly, most proved to be uncollectable, and some had filed for bankruptcy. From these defendants, we recovered $639,500 (gross), of which $500,000 came from one defendant. Technically, a little bit of that hasn't been collected because one settling party is unable to pay the $12,000 balance left on his settlement.

- Lawsuits against Westmoore's former investors. The Receiver's attorneys and accountants did a very substantial amount of work identifying investors who were "net winners" and suing those who received their money back and substantial amounts of interest or dividends. This lawsuit was against about 20 former investors. From these defendants, we recovered $1,542,500, of which $1.2 million came from three intertwined defendants. We also obtained a default judgment against one individual for about $290,000; we have tried to sell that judgment to a couple companies we know who buy judgments in bankruptcy cases, but they all declined to make an offer.

- Lawsuits against Westmoore's former attorneys. In these types of cases, the best potential sources of recovery often are the entity's former attorneys and auditors; but, unfortunately, that did not prove to be the case for us. This lawsuit was filed against one of Westmoore's former attorneys. The matter settled and, under that agreement, the Receiver ultimately netted about $130,000.

To be sure, the results were very disappointing. The Receiver's special counsel was entitled to a contingency fee and reimbursement of its costs. The contingency fee ranged from 25% to 35%, depending on how far along in the litigation they were when the settlement was reached. I haven't tallied up exactly how much special counsel was paid overall. For the largest settlement ($1.2 million), the contingency fee was 35%. For the second largest settlement ($500,000), the contingency fee was 30%. When all was said and

done, they told me that the total amount they received was actually less than what they would have been paid had they charged us their regular hourly rates.

In any event, all of that litigation was completed a few years ago. Until the $1.2 million settlement (which was one of the last settlements) was reached, there was not enough money to pay all of the receivership's administrative expenses, much less creditors and investors. But once that settlement came in and the last payment was received in November 2015, the Receiver finally had enough money to think about making a distribution.

But before making a distribution, the Receiver needed to go back and file tax returns for the pre-receivership period. (Recall from above that the Receiver held off on having his accountants prepare the pre-receivership tax returns until he knew there'd be enough money to fund that process.) The first step was to have the accountants communicate with the taxing authorities to confirm the years for which tax returns had not been filed (we had received tax returns from Westmoore's prior accountants, but needed to be sure). Second, they needed to dive into Westmoore's books – and in some cases recreate parts of them – to prepare tax returns. This process was predictably expensive, and has taken quite a bit longer than we expected.

The process of preparing the returns for Westmoore Capital Group, in particular, was cursed. As I understand it, the taxpayer ID used for that entity's federal returns was different than the ID used for its California returns, so even just figuring out what returns had or had not been filed was more difficult than one would expect. For many months (if not more than a year), the California FTB told us that no returns had been filed for 2007 onward, so the accountants had to delve into the books for 2007 to prepare returns. Although Westmoore's books are better than some we've seen, they're far from perfect. (For example, one thing we discovered was that a couple of people listed as investors in Westmoore Capital Group had actually invested in another entity, but Westmoore's bookkeepers entered the investments in the wrong set of books. The original returns prepared by the Receiver's accountants reflected substantial amounts of income being imputed to the entity's equity investors, so they redid the returns in a way that would have less of a negative impact on investors. And then in the middle of this year the FTB told us that 2007 returns had, in fact, been filed for this entity. We asked for copies of the 2007 returns, but getting 10-year old returns from the FTB apparently takes forever. But during the process we learned from the FTB that Westmoore had not used its usual accountant to prepare the 2007 returns for this entity; instead, it used a company we didn't know about. Fortunately for us, that company is still in business, and they were eventually able to find in their records the 2007 returns that they filed a decade ago. Now that we had the information from the 2007 returns, the accountants needed to revise (yet again) the proposed returns for 2008 and onward. These are the returns that were only recently filed.

Now that these returns are filed, the IRS will assess substantial penalties – as the IRS did with all of the other returns that have been filed over the past few years. The Receiver will probably then ask the IRS to abate those penalties – as the IRS agreed to do with all of the

other returns. But frankly, based on the current state of the estate, it probably doesn't matter to creditors/investors whether the IRS abates the penalties. The FTB also assessed penalties, though in much smaller amounts than the IRS. It is unlikely that the FTB will abate penalties.

Assuming that the IRS abates penalties that will be assessed, the accountants estimate that the receivership estate will owe approximately $275,500 to the IRS and the FTB. By law, these amounts must be paid before anything is paid to Westmoore's creditors and investors.

So I believe that this is where we sit today (amounts are approximated):

Cash on Hand	764,000
Current period	
Receiver	18,500
DGDK (attorneys)	75,000
Crowe (accountants)	435,000
Subtotal	528,500
Balance	235,500
Prior periods	
DGDK (attorneys)	226,000
Balance	9,500
Taxes (estimated)	
IRS	18,000
FTB	257,500
Subtotal	275,500
Balance	(266,000)

I told the judge that my firm would be willing to forego some of the "prior period" fees if it meant that investors would receive more money, but that we wouldn't do so if it just meant that more taxes would be paid. Given the state of things, it appears that any money left over when the case is closed will end up going to the taxing authorities.

I do not believe that we will receive any more funds in this case. Here is what I believe to be out there:

- Matt Jennings still owes the SEC about $250,000. Any payment of that would go to the Receiver. However, I don't expect to receive anything. I don't know what the SEC plans to do with the judgment once the Westmoore case is closed.

- The Receiver has a judgment against Matt Jennings for $5 million, and a default judgment against one of the former investors for about $290,000. We approached a couple of people that are known for buying speculative assets out of bankruptcy estates, but none made an offer. If you have any interest in buying the judgments, the Receiver would at least consider your offer (it would probably need to be subject to "overbids" just in case another investor wants it more). In case you're interested, I'll forward you an email in a moment with the info and documents.

- Westmoore still has stock in a public reporting company now called Lilis Energy. We concluded a long time ago that Westmoore's stock in that entity was encumbered by perfected security interests in favor of a number of investors who held large claims against Westmoore. Also, at one point, the company disputed that Westmoore truly owned some of the stock and threatened to sue if we tried to sell all of it. In any event, at one of the status conferences we sought guidance from the judge as to whether he wanted us incurring fees trying to liquidate stock if all of the proceeds were just going to go to secured creditors, he said no. We may take another quick look at the stock before closing the case, but because of the security interests I don't expect the estate to receive anything further.

One final note: Even if there was money available to pay creditors and investors, we would need to file a motion and ask the judge to make various decisions regarding how the money should be distributed. For example:

- Which Westmoore entities' creditors / investors should be included? Westmoore Investment would definitely be included in the mix. However, there a few other entities that we do not consider to be part of Westmoore's core business (e.g., Fresno Street, LLC, which owned a group of apartment buildings in San Diego). In our view, any distribution should be made only to the creditors / investors of the core business. Creditors and investors of those other entities might disagree.

- Should investors have priority over "normal" creditors? We think that any distribution should be made to the investors, and not "normal" creditors such as utility companies and others who may have still been owed money when Westmoore shut down. But obviously those creditors might feel differently.

- Should "creditor" investors have priority over "equity" investors? Some investments were structured as straight loans, evidenced by promissory notes. Some investments were structured as note offerings. Others were structured as equity offerings. There is an argument that "note" investors should have priority over "equity" investors. But there is also an argument that everyone should be treated the same, since a Ponzi scheme is by definition a fraudulent endeavor and the equity investors should be entitled to assert fraud claims against Westmoore. Personally, I lean toward the latter view.

- For note investors, should interest be included? For equity investors, should promised quarterly dividends be included? I believe the answer should be no, if for no other reason than it would cost six figures just to review every note and placement memorandum, and calculate the amounts.

- Since some investors received interest payments or dividends, and others did not, should claims be reduced to account for those payments having been made? In an ideal world, it would be fair to reduce each investor's claim by the payments the investor actually received. However, again, figuring this out would cost way too much.

- Should people who invested before Westmoore was a Ponzi scheme be treated differently than those who invested after Westmoore was a Ponzi scheme? My view is that all investors should be treated the same. But I can see an argument that investors who put in cash late in the game were defrauded more than those who put in cash early on. For example, the guy who invested $3.75 million of new cash in 2008 – including $2 million in August 2008, about 4 months before Westmoore shut down – arguably was defrauded more than someone who put money in years earlier.

- What, if anything, should be done about the fact that some investors originally made equity investments but then their investments were rolled over into non-equity investments? What, if anything, should be done about the fact that some investors originally made investments in non-Westmoore entities but then their investments were rolled over into Westmoore entities? Investor X's $1.4 million note from Westmoore Investment is a good example. It appears that $850,000 of this actually originated with an equity investment Investor X made in Westmoore Lending. Also, it appears that $500,000 of this originated with a $500,000 investment Investor X made in one of the Harry's Pacific Grill entities, which we do not consider to be one of the core Westmoore entities. If debt investors are treated different than equity investors, there is an argument that $850,000 of the $1.4 million should be treated as equity because that was how Investor X originally invested. There is also an argument that $500,000 of the $1.4 million should be allowed because Westmoore's other investors shouldn't be harmed by the fact that Westmoore "rolled over" Investor X's investment from HPG. My view is that we should not try to differentiate between investors on these grounds, so in Investor X's case my view would be that Investor X should have a claim for $1.4 million, regardless of how it originated. Also, the cost of figuring all that out would be massive.

We have been concerned that if we were to file a motion asking the judge to make these and other decisions, and serve that motion on Westmoore's many investors who have different views on these issues, the investors (and the court) will spend tens of thousands of dollars of legal fees (if not more) over multiple months, litigating these questions. If there were millions of dollars available, it would make sense to go through the process. But since there does not appear to be anything to distribute, we did not want to force investors (and the court) to waste their time.

So the bottom line, again, is that now that we have a clearer picture of the administrative claims and taxes that need to be paid, we do not expect there to be any funds available to be distributed to investors. It appears that whatever is left after paying the costs of administration will go to the taxing authorities.

PROOF OF SERVICE

At the time of service, I was over 18 years of age and **not a party to this action**. I am employed in the County of Los Angeles, State of California. My business address is 1900 Avenue of the Stars, 11th Floor, Los Angeles, CA 90067-4402.

On January 18, 2018, I served true copies of the following document(s) described as **STIPULATION TO CONTINUE STATUS CONFERENCE** on the interested parties in this action as follows:

BY CM/ECF NOTICE OF ELECTRONIC FILING: I electronically filed the document(s) with the Clerk of the Court by using the CM/ECF system. Participants in the case who are registered CM/ECF users will be served by the CM/ECF system. Participants in the case who are not registered CM/ECF users will be served by mail or by other means permitted by the court rules.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on January 18, 2018, at Los Angeles, California.

/s/ Patricia Morris
PATRICIA MORRIS