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9 Attorneys for the Joining Limited Partners of
10 COPELAND PROPERTIES TWO, a Limited
11 Partnership; COPELAND PROPERTIES FIVE, a
12 Limited Partnership; COPELAND PROPERTIES
13 SEVEN, a Limited Partnership; COPELAND
14 PROPERTIES 16, L.P.; COPELAND
15 PROPERTIES 17, L.P.

16 UNITED STATES DISTRICT COURT
17 CENTRAL DISTRICT OF CALIFORNIA

18 SECURITIES AND EXCHANGE
19 COMMISSION,

20 Plaintiff,

21 vs.

22 CHARLES P. COPELAND,
23 COPELAND WEALTH
24 MANAGEMENT, A FINANCIAL
25 ADVISORY CORPORATION, and
26 COPELAND WEALTH
27 MANAGEMENT, A REAL ESTATE
28 CORPORATION,

Defendant.

CASE NO.: 11-08607-R-DTB
Ctrm: 8, 2nd Floor
Judge: Hon. Manuel Real

**OBJECTION OF JOINING
LIMITED PARTNERS OF
COPELAND PROPERTIES 2/17, 5, 7
AND 16 TO RECEIVER'S REPORT
4**

Hearing Date: November 5, 2012
Hearing Time: 10:00 a.m.
Courtroom: 8, 2nd Floor
Judge: Hon. Manuel Real

FILE DATE: October 18, 2011
TRIAL DATE SET: No Date Set

29 The certain Joining Limited Partners of CP 2/17, CP 5, CP 7 and CP 16
30 (“Objectors”) object to this latest Receiver’s report for the following reasons:

- 31 1. The Receiver continues to defy this court’s order of February 6, 2012
32 to justify the retention of each individual partnership in the receivership and to
33 validate all outstanding, unpaid inter-partnership transfers of funds by

1 Mr. Copeland.

2 And the ruling is within 30 days of the date of this order
3 . . . and that would be 30 days of today because I'm going
4 to sign the order . . . the receiver is required to report
5 findings on the validity of any notes receivable by all . . .
6 all limited partnerships as a single creditor and provide
7 justification for continued inclusion of such limited
8 partnerships in the receivership.

6 (Reporter's Transcript, February 6, 2012, emphasis added.)

7 The court further ruled:

8 Within 90 days -- no, within 60 days of the date of this
9 order, the receiver is required to report his findings as to
10 the validity of complex notes receivable and payable
11 between and among other limited partnership entities and
12 fixed-income funds and justification for continued
13 inclusion of such limited partnerships in the receivership
14 on the grounds that cross-transactions amount to actual
15 commingling such that the equities require a receiver to
16 unwind.

13 (Reporter's Transcript, February 6, 2012, emphasis added.)

14 None of the Receiver's reports address these requirements; rather, in each report he
15 makes vague references to indecipherable inter-partnership transfers from the
16 "Copeland Piggy Bank" that he argues are too difficult to unravel and which require
17 treating all receivership claimants equally. In his Forensic Report #1 the Receiver
18 plugs in numerous transfers he claims prove a Ponzi scheme, but he does not
19 analyze any single partnership in detail. He just throws feathers into a fan and
20 points to the result as proof of impossibility.

21 2. The Receiver's Report #4 is the latest in a continuing volley of
22 obfuscation designed to avoid revealing to the court that the partnerships named CP
23 2/17, CP 5, CP 7 and CP 16 are independently registered California entities that are
24 solvent holders of commercial property that produce positive cash flow; and that
25 have no material obligations to other Copeland entities but are net creditors of the
26 receivership estate.

27 3. The Receiver is not acting as a neutral agent of this court. Rather, he
28 seeks to mislead the court about the difficulty he claims in accounting for inter-

1 partnership transfers because his report # 4 reveals that the Copeland Wealth
 2 Management and Real Estate entities have been depleted of all but about
 3 \$80,000.00, after Receiver and legal fees; that the Copeland Fixed Income Funds 1,
 4 2 and 3 have been depleted of all but \$160,000.00, mostly for Receiver and legal
 5 fees and that CP 4, CP 9, CP 10, CP 15 and CP 18 limited real estate partnerships
 6 hold property worth less than their mortgages and cannot produce enough income
 7 to pay debt and expenses. What this means is that the Receiver must persuade this
 8 court to use its equitable power to confiscate and allow the receiver to destroy the
 9 four solvent partnerships (CP 2/17, 5, 7 and 16) so he has funds to pay more fees.
 10 He can only do that by glibly reporting without performing the simple task of
 11 identifying any transfers related to the four entities and validating any outstanding
 12 obligations by them to other entities – there are just four partnerships at issue now.
 13 It is not a hard task to perform.

14 **1. IT IS AN EASY TASK TO IDENTIFY ALL TRANSFERS INTO AND**
 15 **OUT OF CP 2/17, CP 5, CP 7 AND CP 16 AND VALIDATE ANY**
 16 **OUTSTANDING OBLIGATIONS**

17 The objectors advised both the S.E.C. counsel and the receiver's counsel in
 18 writing of their adamant position that an honest accounting would reveal no
 19 material obligations of these four partnerships to any other Copeland entity in the
 20 receivership estate that could not be resolved easily. The S.E.C.'s response was to
 21 advise challenging the receiver when he seeks to sell property of the four
 22 partnerships. The receiver's counsel said essentially the receiver has the power to
 23 do anything he wants and the limited partners may not interfere.

24 Both sets of counsel ignored the hard facts outlined in correspondence so the
 25 objectors hired an expert to review the records the receiver disclosed in his four
 26 reports and in his so-called "1st forensic report." Fortunately, the receiver reported
 27 in both his forensic report and his four numbered reports that he was relying on Mr.
 28 Copeland's general ledger, balance sheets and other QuickBooks accountings. The

1 Receiver agreed that the Copeland accountings were reliable. (Receiver's Forensic
2 Accounting Report #1, filed June 29, 2012, at page 5 – "The QuickBooks
3 accounting was traced and agreed to the 2010 federal tax returns for the partnership
4 entities with no material exceptions.") This finding of the Receiver validates the
5 capital accounts for each limited partner as reported to the IRS and FTB.

6 In a few hours, Mr. Conner, a CPA and former Deloitte partner, examined all
7 of the accountings and identified a few transfers by general ledger entries, which he
8 detailed in his declaration. In the case of all but three transfers there is clear
9 evidence in the accounting that money was repaid or offset. In the case of each
10 partnership, Mr. Conner found them to be solvent, producing positive cash flow and
11 financially able to resolve any valid, outstanding transfers which Mr. Conner found
12 immaterial in any event.

13 Mr. Conner's executive summary of his findings is below:

14 My review of the Copeland Properties 2/17, 5, 7
15 and 16 limited partnerships accounting introduced by the
16 receiver in his several reports led to the following key
findings:

- 17 • The receiver's reports reflect that he has adopted
18 Mr. Copeland's accounting wholesale and pronounced it
reliable.
- 19 • All of the four partnerships I reviewed [CP 2/17, 5,
20 7 and 16] are solvent and carry substantial equity; and
21 their balance sheets as introduced by the receiver in his
22 reports reflect no outstanding debt or accounts payable to
other Copeland entities as of October 27, 2011, with an
immaterial exception in CP-16 amounting to \$127,584,
which can be resolved from operating cash flow and
surplus bank funds if it has not already been repaid.
- 23 • The few cross-entity transactions that involved
24 funds lent to these four partnerships are at arms-length
25 and completely resolved by repayment reflected in the
26 accounting records introduced by the receiver (except as
to CP-16 above). I saw no evidence of borrowings from
other Copeland entities to pay unearned distributions to
the limited partners.
- 27 • Other Copeland entities owe funds borrowed from
28 CP 2/17 and CP 5 but have not repaid them. In addition,
CP 2/17 and CP 5 hold investment interests in several

1 other CP entities. Assuming none of these are repaid, the
 2 losses to CP 2/17, 5, 7 and 16 will not be material to the
 operations of the affected partnerships.

3 • The cross movement of funds between and among
 4 these four entities previously under the control of Mr.
 Copeland as general partner may represent an apparent
 5 breach of fiduciary duty but not a Ponzi or even Ponzi-
 like scheme. Mr. Copeland's accounting tracks all money
 6 movement by each transaction. The amounts of funds lent
 to, borrowed from or invested by the partnerships were
 7 not material to the solvency of the partnerships, and to the
 extent not previously resolved by repayment, may be
 8 written off or repaid without impact on current
 partnership operations.

9 (Declaration of James R. Conner at pp. 3 and 4 filed herewith.)

10 **2. THE RECEIVER HAS FAILED TO PERFORM THE SIMPLE TASK**
 11 **OF EXAMINING BANK ACCOUNT RECORDS TO COMPLY WITH**
 12 **THIS COURT'S ORDER**

13 The Receiver's reports reveal that he has either not examined the bank
 14 accounts of each partnership to, in accounting parlance, "tie-off" any questioned
 15 transfers, or he has done so and will not reveal the results. He is in possession of all
 16 of the bank records and could easily determine whether these four partnerships
 17 received funds from other Copeland entities that amount to obligations to pay. He
 18 could also validate obligations owed by other Copeland entities to these four
 19 partnerships. The declaration of Mr. William Steele, a limited partner in two of the
 20 four objectors' partnerships and an accounting and legal professional, contains a
 21 chart that demonstrates the point that it is not hard to display the movement of
 22 funds and determine whether there is any equitable basis for destroying solvent,
 23 unencumbered partnerships to benefit the investors in entities that failed. (Chart is
 24 attached as Exhibit A to this Objection.)

25 Mr. Steele's chart documents the information on CP 2/17 and CP 5 (his own
 26 partnership interests) contained in the general ledgers and balance sheets updated
 27 and adopted by the Receiver. The chart contains sums reflecting the movement of
 28 funds out of CP 2/17 and CP 5 to Copeland entities (Copeland Wealth Management

1 and Copeland Realty), as well as other Copeland named partnerships and fixed
2 income funds. This chart demonstrates that CP 2/17 and CP 5 are creditors of other
3 entities under receivership and not beneficiaries of the "Copeland Piggy Bank."
4 The lower half of the chart reflects movement of funds to other Copeland named
5 entities, CP 3, 4, 6, 8, 9 and 10. These are either failed or failing partnerships.
6 There is no doubt from this chart that the four solvent partnerships owned by
7 Objectors have been victims of Mr. Copeland's unauthorized transfers to the
8 failing/failed partnerships, but the reverse is not true.

9 The chart also reflects CP 16 may owe \$53,000 to CP 9, a sum it can pay
10 from surplus funds.

11 The objectors maintain that the Receiver is obligated to perform his
12 fundamental accounting tasks and honestly report to the court whether each of these
13 four partnerships have benefited improperly from transfers out of the "Copeland
14 Piggy Bank." Mr. Conner's declaration shows that none of the partnerships have
15 improperly benefited. Mr. Steele's chart shows the same. There is no excuse for
16 the Receiver not having done this task.

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1 **3. RECOMMENDATION**

2 This Report #4 is disingenuous and should be rejected. The receiver should
3 be ordered to comply as directed by this court on February 6, 2012 and not report
4 again until after consulting with counsel and experts for objectors to resolve all
5 outstanding issues. Further, the receiver's motion for consolidation of the Copeland
6 assets should be taken off calendar until this court receives, inspects and approves
7 an honest report as requested herein. The receiver should not be allowed to file a
8 bogus report one week then ambush investors a few days later with a nuclear strike
9 motion to consolidate assets that destroys their retirement funds without any
10 justification in fact.

11 Respectfully submitted.

12 Dated: October 16, 2012

NEWMEYER & DILLION LLP

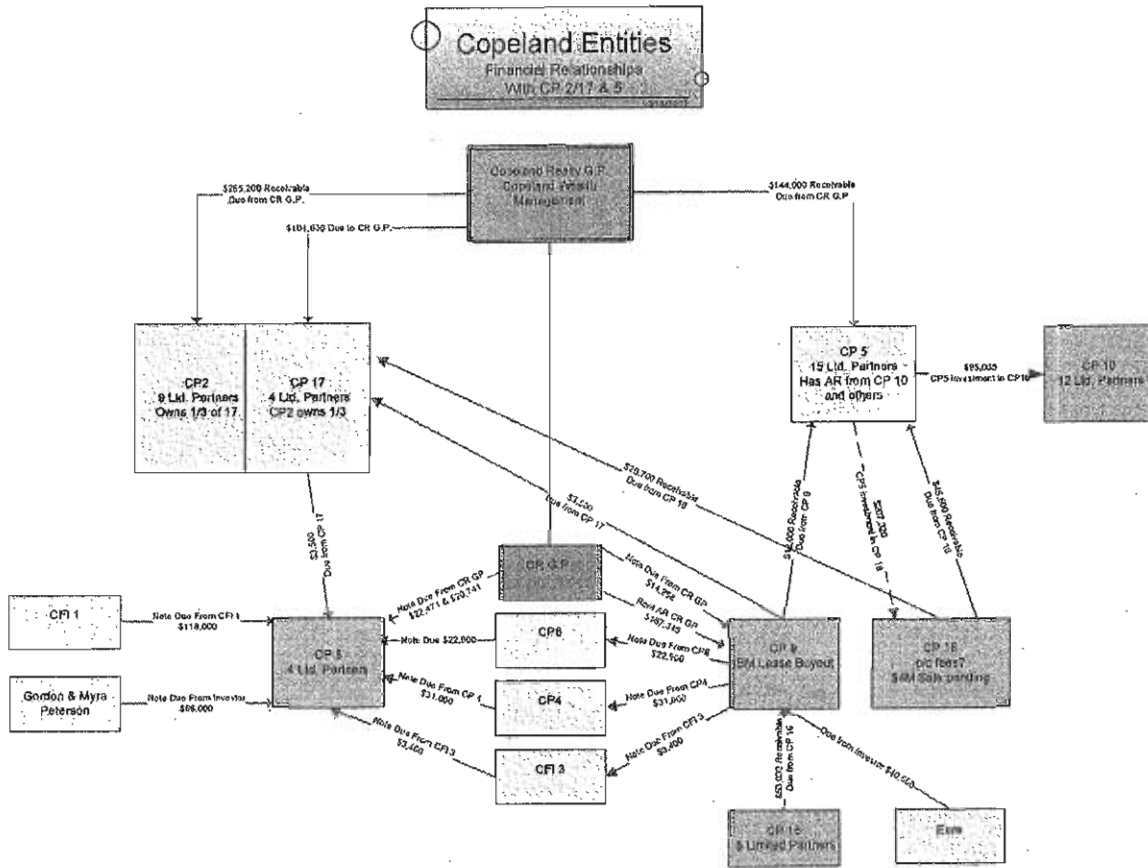
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14
15 By: 

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the Joining Limited Partners of
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EXHIBIT A



CERTIFICATE OF SERVICE

I, Joanne Kenney, hereby certify that on October 15, 2012, the attached document was electronically transmitted to the Clerk of the Court using the CM/ECF System which will send a Notice of Electronic Filing to the following CM/ECF registrants:

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I further certify that copies of the foregoing were sent on October 15, 2012, via U.S. Mail to the following parties:

Charles P. Copeland
Copeland Group
25884 Business Center Drive, Suite B
Redlands, CA 92374

I am readily familiar with the firm’s practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

I declare 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 October 15, 2012, at Newport Beach, California.

/s/ Joanne Kenney

Joanne Kenney

NEWMAYER & DILLION LLP