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2 Permanent Receiver  
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9 **UNITED STATES DISTRICT COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**  
11 **WESTERN DIVISION - LOS ANGELES**

12 SECURITIES AND EXCHANGE  
13 COMMISSION,

14 Plaintiff,

15 v.

16 CHARLES P. COPELAND,  
17 COPELAND WEALTH  
18 MANAGEMENT, A FINANCIAL  
19 ADVISORY CORPORATION, and  
20 COPELAND WEALTH  
21 MANAGEMENT, A REAL ESTATE  
22 CORPORATION,

23 Defendants.  
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Case No. 11-08607-R-DTB

**RECEIVER'S REPORT #4**

Date: September 28, 2012  
Ctmm: 8, 2nd Floor  
Judge: Hon. Manuel L. Real

1 Thomas C. Hebrank ("Receiver"), the Court-appointed permanent receiver for  
2 Copeland Wealth Management, a Financial Advisory Corporation ("CWM"),  
3 Copeland Wealth Management, a Real Estate Corporation ("Copeland Realty"), and  
4 their subsidiaries and affiliates (collectively, the "Receivership Entities"), hereby  
5 submits his Receiver's Report #4.

6 This Report provides the Court and all interested parties with the status of the  
7 Receiver's activities since the issuance of Receiver's Report #3 on June 7, 2012.

## 8 9 **I. THE RECEIVER'S RECENT ACTIVITIES**

10 Since the issuance of the Receiver's Report #3, the following outlines the  
11 primary activities of the Receiver.

### 12 13 **A. Copeland Realty Business Operations**

14 Since the Receiver's appointment, the Receiver has taken over the daily  
15 operations of all of the abovementioned Receivership Entities. The Receiver is  
16 collecting rents, paying mortgages, property taxes and operating expenses on a  
17 current basis (with the exception of Copeland Properties Nine, L.P. which was in  
18 default prior to the Receiver's appointment, and does not produce sufficient cash  
19 flow to pay the monthly mortgage). The Receiver is currently managing the  
20 properties, responding to tenant needs, conducting leasing activities and addressing  
21 other issues that arise. The Receiver continues to maintain separate bank accounts  
22 for each Limited Partnership.

#### 23 **1. Evaluation and Marketing of Properties**

24 The Receiver requested authorization from this Court to engage leasing  
25 agents, appraisers and real estate brokers for the Real Estate Limited Partnerships in  
26 order to evaluate the properties and potentially market the properties for sale. On  
27 March 12, 2012, the Court granted the Receiver's requests. If the Receiver agrees  
28

1 on the terms of a sale with a buyer, the Receiver will file a motion for approval of  
2 the sale with the Court.

3 The Receiver engaged a broker, Sperry Van Ness, to provide Broker's  
4 Opinions of Value ("BOVs") for certain of the properties in order to provide  
5 guidance as to the potential disposition of the properties. Based upon these  
6 valuations, the Receiver has listed for sale the Copeland Properties Two,  
7 L.P./Copeland Properties 17, L.P. ("CP2/17"), Copeland Properties Five, L.P.  
8 ("CP5"), Copeland Properties Seven, L.P. ("CP7"), Copeland Properties Sixteen,  
9 L.P. ("CP16"), and Copeland Properties 18, L.P. ("CP18") properties. Currently,  
10 the Receiver has entered into a Purchase and Sale Agreement for the CP18 property;  
11 with a sale motion scheduled to be heard before the Court on October 1, 2012.

12 In addition, the Receiver has evaluated the Copeland Properties Nine, L.P.  
13 ("CP9"), and Copeland Properties 15, L.P. ("CP15") properties, and has determined  
14 that the values of the properties are less than the existing mortgages on the  
15 properties. In addition, they are currently not producing sufficient cashflow to pay  
16 the operating expenses and/or mortgage on the property. Accordingly, a motion to  
17 abandon CP15 has been filed by the Receiver and is scheduled to be heard by the  
18 Court on October 1, 2012. The Receiver is also finalizing negotiations with the  
19 lender for a return of the CP9 property to the lender.

20 Finally, for Copeland Properties Ten, L.P. ("CP10"), the Receiver has been in  
21 discussions with the attorney for certain of the limited partners in this entity who  
22 have expressed an interest in acquiring the property from the Receivership Estate.  
23 An agreement has not yet been reached as of the date of this report.

#### 24 25 **B. Collection of Notes Receivable**

26 The Receiver performed an analysis and review of all notes receivable for the  
27 Receivership Entities, including the tracing of payments and receipts to the  
28 accounting and bank records, locating and reviewing notes receivable

1 documentation, and performing interest calculations. In conjunction with General  
2 Counsel, the Receiver has made demand for payment and is attempting to collect on  
3 all non-Receivership Entities notes receivables.

4 As of the inception of the receivership, the Receivership Entities had a  
5 combined \$22,392,421.56 in notes receivable. However, \$15,978,078.22 of that  
6 balance represents notes due from one Receivership Entity to another. In that all  
7 Receivership Entities are included in the receivership estate, the Receiver is not  
8 attempting to collect on these related party notes receivable at this time. The  
9 Receiver is attempting to collect on the \$6,414,343.34 of notes receivable to third  
10 parties. To date, \$83,907.90 has been collected.

#### 11 12 **C. Forensic Accounting Status**

13 On June 29, 2012, the Receiver issued his Forensic Accounting Report #1.  
14 The executive summary of this report is as follows:

15 The Receiver performed a forensic accounting review which primarily  
16 focused on reviewing the overall accuracy of the financial information, as prepared  
17 by Defendant Copeland and Copeland Accountancy Group, in order to determine  
18 the propriety of the financial information as it relates to the recovery of assets of the  
19 Receivership Estate. Key to the Receiver's investigation of the Receivership Estate  
20 was a review of the related party transactions and interrelatedness of these entities.

21 The Receiver's key findings include:

- 22 •The Copeland Real Estate Limited Partnerships were dependent upon  
23 cash infusions from other Receivership Entities to fund operations,  
24 make mortgage payments, pay distributions to investors/limited  
25 partners, etc. Funds flowed freely between entities, as needed.
- 26 •The Copeland Real Estate Limited Partnerships loaned out  
27 approximately \$11.8 million to other related entities, and received  
28 loans totaling approximately \$30.3 million from related entities.

- 1 •The Copeland Fixed Income Funds loaned out a total of approximately
- 2 \$19 million – none of which went for their stated purpose of real
- 3 estate backed loans and corporate loans, and none went to unrelated
- 4 third parties, as required by the Limited Partnership Agreements.
- 5 •40% of the Copeland Fixed Income Funds loans went to the Copeland
- 6 Real Estate Limited Partnerships, and 33% went to Copeland
- 7 investors and clients. The remaining balance went to other
- 8 Receivership Entities, or Defendants (or their related entities).
- 9 •The Copeland Fixed Income Funds paid out approximately \$1 million
- 10 more in distributions than cash flow supported. Original investors
- 11 were allowed to “cash out” their investments (contrary to the Limited
- 12 Partnership Agreements); with new investors thus in part supporting
- 13 these “cash outs” and payments of excess distributions. These types
- 14 of activity are indicative of a Ponzi scheme.
- 15 •The General Partner of the Receivership Entities (Copeland Wealth
- 16 Management or Copeland Realty, Inc.) treated the Receivership
- 17 Entities as a collective “Piggy Bank” with funds flowing freely
- 18 between entities on an as needed basis.
- 19

20 In addition, the Receiver has reviewed and analyzed the investor’s stakes in  
21 the Receivership Entities to determine the validity of their investments. In early  
22 September 2012, the Receiver sent out copies of the equity positions to each of the  
23 applicable investors for their review. The Receiver has been available to discuss  
24 these statements with the investors. The Receiver intends to use these equity  
25 schedules in connection with the eventual distributions to investors approved by the  
26 Court.

27 Finally, the Receiver has begun his final forensic phase, which is to  
28 summarize financial activities involving Defendant Copeland.

1  
2 **D. Legal Matters**

3 Since the last Receiver's Report, Mulvaney Barry, as General Counsel for the  
4 Receiver, has represented the Receiver in numerous legal matters involving the  
5 Receivership Estate including the following:

6 1. General Representation - Represented and assisted the Receiver in general  
7 receivership matters including communications with investors and their  
8 representatives, communications with the Securities and Exchange Commission,  
9 responding to inquiries from lenders on the various partnership properties, and  
10 review of fee applications.

11 2. Marketing and Sales of Properties – Represented the Receiver in  
12 connection with the marketing of and negotiating offers for purchase of the  
13 Receivership partnership properties which the Receiver has listed for sale, including  
14 the negotiation and execution of a Purchase and Sale Agreement for the Greensboro,  
15 North Carolina, Property in the name of CP18.

16 3. Disposition of Certain Properties - Negotiating with the lender for the  
17 terms of the abandonment of the Rancho Mirage Property in the name of the CP15,  
18 Partnership; and the disposition of the Kentucky Property in the name of the CP 9,  
19 Partnership.

20 4. CP10 Settlement - Ongoing discussions with the attorney for certain of the  
21 limited partners of the CP10 Partnership with respect to a disposition of the Troy,  
22 Michigan, Property in the name of the CP10 Partnership.

23 5. Notes Receivable – Continuing collection efforts on the various Notes  
24 Receivable owed to the Receivership by third parties, resulting in collections and  
25 promises of payment.

26 6. Pending Litigation – Continuing to monitor various pending litigation  
27 involving the Receivership entities.  
28

1       **E. Tax Matters**

2       Lavine, Lofgren, Morris & Engelberg, LLP, as Tax Accountants for the  
3 Receiver, has prepared the 2011 (as well as some delinquent) tax returns for the  
4 Receivership Entities. The returns have been filed with the applicable tax agencies,  
5 and investor K-1 schedules have been sent out to the investors.

6  
7       **II. CASH ACTIVITY IN RECEIVERSHIP ACCOUNTS**

8       Attached as Exhibit "A" is a summary of the cash activity in receivership  
9 bank accounts for the period of June 1, 2012, through August 31, 2012. The total  
10 cash balance across all accounts as of August 31, 2012, was \$2,348,567.21.

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12  
13 Dated: September 28, 2012

14 By   
15 THOMAS C. HEBRANK,  
16 Permanent Receiver  
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# Exhibit "A"

**Bank Balances as of 08/31/21**

	US Bank
Copeland Realty Inc Receivership	\$ 81,958.35
Copeland Financial Advisors Receivership	\$ 895.42
Copeland Fixed Income I Receivership	\$ 1,810.21
Copeland Fixed Income II Receivership	\$ 83,714.13
Copeland Fixed Income III Receivership	\$ 74,056.43
Copeland Private Equity Two LP Receivership	\$ 3,369.99
Copeland Properties 2 LP Receivership	\$ 217,028.31
Copeland Properties 4 LP Receivership	\$ 223.37
Copeland Properties 5 LP Receivership	\$ 629,485.59
Copeland Properties 7 LP Receivership	\$ 118,025.29
Copeland Properties 9 LP Receivership	\$ 19,944.34
Copeland Properties 10 LP Receivership	\$ 430,123.05
Copeland Properties 15 LP Receivership	\$ 67,579.48
Copeland Properties 16 LP Receivership	\$ 177,408.25
Copeland Properties 17 LP Receivership	\$ 182,879.70
Copeland Properties 18 LP Receivership	\$ 260,065.30
Total Cash on Hand at 08/31/12	<u><u>\$ 2,348,567.21</u></u>

**Copeland Wealth Management - A Real Estate Corporation**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Ordinary Income/Expense	
Income	
4020 · Commercial Management	72,250.02
4080 · Rental Income	845.82
4501 · Miscellaneous Income	<u>232.17</u>
Total Income	73,328.01
Expense	
8000 · Operating Expenses	
8100 · Bank Charges	536.72
8450 · Outside Services	182,430.24
8800 · Tax/License	<u>158.85</u>
Total 8000 · Operating Expenses	<u>183,125.81</u>
Total Expense	<u>183,125.81</u>
Net Ordinary Income	-109,797.80
Other Income/Expense	
Other Expense	
9120 · State Tax Provision	<u>1,665.00</u>
Total Other Expense	<u>1,665.00</u>
Net Other Income	<u>-1,665.00</u>
Net Income	<u><u>-111,462.80</u></u>

**Copeland Financial Advisors**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Ordinary Income/Expense	
Income	
41000 · Income	<u>550.66</u>
Total Income	<u>550.66</u>
Net Ordinary Income	<u>550.66</u>
Net Income	<u><u>550.66</u></u>

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Cash Basis

**Copeland Fixed Income One**  
**Profit & Loss**  
June through August 2012

	Jun - Aug 12
Net Income	<u>0.00</u>

**Copeland Fixed Income Two**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Income	
4125 · Interest Income - SoCal Del	20,000.01
Total Income	<u>20,000.01</u>
 Expense	 0.00
Net Income	<u><u>20,000.01</u></u>

**Copeland Fixed Income Three, LP**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
<b>Income</b>	
4000 · Interest Income	
4020 · Interest - Amie Baca	46.66
4021 · Interest - RMI	0.00
4036 · Interest - Vellore Muraligopal	4,400.00
4000 · Interest Income - Other	<u>1,565.96</u>
<b>Total 4000 · Interest Income</b>	<u><b>6,012.62</b></u>
 Total Income	 <u>6,012.62</u>
 Gross Profit	 6,012.62
 Expense	
6050 · Bad Debt Expense	<u>510,000.00</u>
<b>Total Expense</b>	<u><b>510,000.00</b></u>
 Net Income	 <u><u><b>-503,987.38</b></u></u>

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Cash Basis

**Copeland Private Equity Two LP**  
**Profit & Loss**  
June through August 2012

	Jun - Aug 12
Net Income	<u>0.00</u>

**Copeland Properties Two**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Ordinary Income/Expense	
Income	
4100 · Interest Income	
4100.2 · Interest Income- CP17	109,483.92
Total 4100 · Interest Income	<u>109,483.92</u>
Total Income	109,483.92
Expense	
8200 · Interest Expense	
8200.6 · OneWest Bank	60,986.41
Total 8200 · Interest Expense	<u>60,986.41</u>
Total Expense	<u>60,986.41</u>
Net Ordinary Income	<u>48,497.51</u>
Net Income	<u><u>48,497.51</u></u>

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**Copeland Properties Four**  
**Profit & Loss**  
June through August 2012

	Jun - Aug 12
Net Income	<u><u>0.00</u></u>

**Copeland Properties Five**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
<b>Income</b>	
4000 · Rental Income	394,213.50
<b>Total Income</b>	<u>394,213.50</u>
 <b>Expense</b>	
6550 · Management Fees	20,000.01
6630 · Michigan State Tax	4,759.00
6640 · Tax - Penalty	589.00
8200 · Interest Expense	
8200.3 · Mound Investments Interest	164,130.86
<b>Total 8200 · Interest Expense</b>	<u>164,130.86</u>
 <b>Total Expense</b>	<u>189,478.87</u>
 <b>Net Income</b>	<u><u>204,734.63</u></u>

**Copeland Properties Seven**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Ordinary Income/Expense	
Income	
4000 · Rental Income	78,727.26
Total Income	<u>78,727.26</u>
Expense	
6550 · Management Fees	3,750.00
7200 · Utilities	1,228.97
7300 · Repairs/Maintenance	
7300.1 · Yard Maintenance	800.00
Total 7300 · Repairs/Maintenance	<u>800.00</u>
8200 · Interest Expense	
8200.4 · Keystone Mortgage	21,896.58
Total 8200 · Interest Expense	<u>21,896.58</u>
Total Expense	<u>27,675.55</u>
Net Ordinary Income	<u>51,051.71</u>
Net Income	<u><u>51,051.71</u></u>

**Copeland Properties Nine**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Income	
4050 · Commonwealth of Kentucky - CHFS	37,501.64
4060 · Commonwealth of Kentucky - DJJ	11,498.45
Total Income	<u>49,000.09</u>
Expense	
7100 · Waste Removal	1,227.23
7200 · Utilities	
7210 · Electricity	
7210.1 · Tenant Reimb - Electricity	3,808.84
7210 · Electricity - Other	23,918.26
Total 7210 · Electricity	<u>27,727.10</u>
7230 · Telephone	890.55
7240 · Water	
7241 · Tenant Reimb - Water	456.25
7240 · Water - Other	2,871.02
Total 7240 · Water	<u>3,327.27</u>
Total 7200 · Utilities	31,944.92
7300 · Repairs/Maintenance	
7301 · Janitorial Maintenance - Common	1,400.00
7303 · Misc. Repairs & Maintenance	3,103.01
7304 · Grounds Maintenance	2,983.98
7309 · HVAC	16,420.00
Total 7300 · Repairs/Maintenance	<u>23,906.99</u>
7500 · Security Expense	
7501 · Sonitrol	240.36
7502 · ADT Monitoring	642.70
Total 7500 · Security Expense	<u>883.06</u>
8500 · Late Fees	244.89
Total Expense	<u>58,207.09</u>
Net Income	<u><u>-9,207.00</u></u>

**Copeland Properties Ten**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
<b>Income</b>	
4000 · Rental Income-2350	
4001 · 2350 CAMS	996.63
4002 · 2350 Insurance Pay	850.08
4003 · 2350 Property Tax Pay	7,991.82
4000 · Rental Income-2350 - Other	66,825.09
<b>Total 4000 · Rental Income-2350</b>	<b>76,663.62</b>
4005 · Rental Income-2370	
4006 · 2370 CAMS	788.52
4007 · 2370 Insurance Pay	672.57
4008 · 2370 Property Tax Pay	6,322.95
4005 · Rental Income-2370 - Other	52,840.50
<b>Total 4005 · Rental Income-2370</b>	<b>60,624.54</b>
4010 · Rental Income-2380	
4011 · 2380 CAMS	846.72
4012 · 2380 Insurance Pay	722.22
4013 · 2380 Property Tax Pay	6,789.69
4010 · Rental Income-2380 - Other	56,755.65
<b>Total 4010 · Rental Income-2380</b>	<b>65,114.28</b>
4020 · Rental Income- 2400	
4021 · 2400 CAMS	982.80
4022 · 2400 Insurance Pay	838.29
4023 · 2400 Property Tax Pay	7,881.00
4020 · Rental Income- 2400 - Other	64,467.51
<b>Total 4020 · Rental Income- 2400</b>	<b>74,169.60</b>
4030 · Rental Income- 2500	
4031 · 2500 CAMS	572.85
4032 · 2500 Insurance Pay	488.61
4033 · 2500 Property Tax Pay	4,593.63
4030 · Rental Income- 2500 - Other	59,974.35
<b>Total 4030 · Rental Income- 2500</b>	<b>65,629.44</b>
4040 · CAM and Property Tax True Up	-11,263.71
<b>Total Income</b>	<b>330,937.77</b>
<b>Gross Profit</b>	<b>330,937.77</b>
<b>Expense</b>	
6550 · Management Fees-CRI	15,000.00
6562 · Penalties	268.00
7400 · Insurance	
7401 · Insurance Service Fees	18.00
7400 · Insurance - Other	4,501.26
<b>Total 7400 · Insurance</b>	<b>4,519.26</b>
8200 · Interest Expense	105,221.50
8600 · Taxes- Property	85,314.44
8650 · Michigan Taxes	2,388.00
<b>Total Expense</b>	<b>212,711.20</b>
<b>Net Income</b>	<b>118,226.57</b>

**Copeland Properties Fifteen LP**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Ordinary Income/Expense	
Income	
4000 · Rent Income	40,810.38
4200 · CAM Income	
4202 · CAM Fees / 130	1,136.18
4204 · CAM Fees / 175	9,743.55
Total 4200 · CAM Income	<u>10,879.73</u>
Total Income	<u>51,690.11</u>
Gross Profit	51,690.11
Expense	
8900 · Appraisal Fee	3,000.00
8901 · Association Fees	
8901.1 · Assoc Fees / 115-Cop	3,123.37
8901.2 · Assoc Fees / 130-Cope	1,529.37
8901.4 · Assoc Fees / 155-Copeland	3,168.96
8901.5 · Assoc Fees / 175-Copel	4,801.32
Total 8901 · Association Fees	<u>12,623.02</u>
8940 · Insurance Expense	
8941 · Insurance Premium	633.00
8942 · Insurance Service Fee	12.00
Total 8940 · Insurance Expense	<u>645.00</u>
8950 · Interest Expense	
8950.16 · Fletcher Trust Interest	28,000.00
Total 8950 · Interest Expense	<u>28,000.00</u>
8980 · Repairs & Maintenance	1,473.39
8996 · Utilities	69.75
8997 · Repairs - NON CAM	
8997.2 · Janitorial Fees - Suite 115	500.00
Total 8997 · Repairs - NON CAM	<u>500.00</u>
Total Expense	<u>46,311.16</u>
Net Ordinary Income	<u>5,378.95</u>
Net Income	<u><u>5,378.95</u></u>

**Copeland Properties 16, LP**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Ordinary Income/Expense	
Income	
4100 · Rental Income	142,368.30
Total Income	<u>142,368.30</u>
Gross Profit	142,368.30
Expense	
6549 · Insurance Expense	
6549.1 · Service Charge	10.00
6549 · Insurance Expense - Other	1,109.67
Total 6549 · Insurance Expense	<u>1,119.67</u>
6550 · Interest Expense	67,465.43
6560 · Management Fees	7,125.00
6563 · Penalties	8.00
Total Expense	<u>75,718.10</u>
Net Ordinary Income	66,650.20
Other Income/Expense	
Other Expense	
7025 · Ohio State Tax Provision	5,931.00
Total Other Expense	<u>5,931.00</u>
Net Other Income	<u>-5,931.00</u>
Net Income	<u><u>60,719.20</u></u>

**Copeland Properties 17 Joint Venture**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Ordinary Income/Expense	
Income	
42500 · Rental Income	275,512.50
42600 · Monthly CAMS	7,962.72
42700 · Cell Tower Income	4,051.83
Total Income	<u>287,527.05</u>
Gross Profit	287,527.05
Expense	
61500 · CAM Expense	7,026.00
63400 · Interest Expense	
63400.1 · Interest - CP2, LP	107,419.77
Total 63400 · Interest Expense	<u>107,419.77</u>
63450 · Management Fees	15,000.00
67100 · Rent Expense	1,311.26
Total Expense	<u>130,757.03</u>
Net Ordinary Income	<u>156,770.02</u>
Net Income	<u><u>156,770.02</u></u>

**Copeland Properties Eighteen, LP**  
**Profit & Loss**  
June through August 2012

	<u>Jun - Aug 12</u>
Ordinary Income/Expense	
Income	
4500 · Rental Income	237,816.00
Total Income	<u>237,816.00</u>
Expense	
6598 · Management Fees	
6598.5 · Management Fees	11,375.01
Total 6598 · Management Fees	<u>11,375.01</u>
6618 · Interest Expense	
6618.1 · Interest Exp - CW Capital	162,720.06
Total 6618 · Interest Expense	<u>162,720.06</u>
Total Expense	<u>174,095.07</u>
Net Ordinary Income	63,720.93
Other Income/Expense	
Other Expense	
8900 · Income Tax	8,417.00
Total Other Expense	<u>8,417.00</u>
Net Other Income	<u>-8,417.00</u>
Net Income	<u><u>55,303.93</u></u>