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10 **UNITED STATES DISTRICT COURT**  
11 **CENTRAL DISTRICT OF CALIFORNIA**  
12 **WESTERN DIVISION**

13 SECURITIES AND EXCHANGE  
COMMISSION,

14 Plaintiff,

15 vs.

16 CHARLES P. COPELAND,  
COPELAND WEALTH MANAGEMENT,  
17 A FINANCIAL ADVISORY  
CORPORATION, and  
18 COPELAND WEALTH MANAGEMENT,  
A REAL ESTATE CORPORATION;

19 Defendants.  
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Case No. 11-8607 R (DTBx)

**PLAINTIFF SECURITIES AND  
EXCHANGE COMMISSION'S  
RESPONSE TO OBJECTION OF  
CERTAIN LIMITED PARTNERS  
OF COPELAND PROPERTIES  
TEN TO RECEIVER  
PRELIMINARY REPORT  
DATED NOVEMBER 18, 2011**

Date: December 19, 2011  
Time: 10:00 a.m.  
Place: Courtroom 8  
311 N. Spring Street  
Los Angeles, CA 90012  
(Hon. Manuel L. Real)

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1 Plaintiff Securities and Exchange Commission (“Commission”) respectfully  
2 submits this response to the Objection of Certain Limited Partners of Copeland  
3 Properties Ten to Receiver Preliminary Report Dated November 18, 2011 (the  
4 “Objection”).

5 **I. THE LANGUAGE OF THE JUDGMENT SUPPORTS INCLUDING**  
6 **THE LIMITED PARTNERSHIPS WITHIN THE RECEIVERSHIP**

7 The language of the Judgment imposed by this Court makes clear that the  
8 limited partnerships were intended to be included in the receivership. As the  
9 receiver has pointed out, the Judgment explicitly includes within the receivership  
10 Defendant Copeland Wealth Management, A Financial Advisory Corporation  
11 (“CWM”), Copeland Wealth Management, A Real Estate Corporation (“Copeland  
12 Realty”), along with their “subsidiaries and affiliates.” Judgment (Dkt. No. 3) ¶ V.  
13 Put simply, the objecting parties’ argument that limited partnerships into which  
14 investor funds were placed and which a defendant managed as the general partner  
15 do not fall within the definition of “affiliate” would render the term “affiliate”  
16 meaningless. Indeed, it is hard to imagine a better example of the type of affiliate  
17 to be included in the receivership, than the limited partnerships, including  
18 Copeland Properties Ten.

19 However, it is not merely the inclusion of “affiliates” in the Judgment which  
20 supports the inclusion of the limited partnerships. The Judgment imposed by this  
21 Court makes explicit that Thomas Hebrank was appointed the permanent receiver  
22 over the entity defendants and their subsidiaries and affiliates, and specifically  
23 gave him “full power over all funds, assets, collateral, premises, . . . choses in  
24 action, books, records, papers and other property belonging to, *being managed by*  
25 *or in the possession of or control of*” those defendants or their subsidiaries or  
26 affiliates. Judgment ¶ 5 (emphasis added). The properties of the limited  
27 partnership in question, including Copeland Properties Ten were managed by  
28 Defendant Copeland Realty, as the general partner.

1           *In re San Vicente Med. Partners Ltd*, 962 F.2d 1402 (9th Cir. 1992), cited by  
2 the objecting parties, further supports that the assets of the limited partnerships  
3 managed by Copeland Realty as general partner, including Copeland Properties  
4 Ten, are within the receivership. In *San Vicente*, a limited partnership whose  
5 general partner was a subsidiary of the only named defendant in an SEC suit  
6 objected to contributing to receivership expenses, arguing that it was not included  
7 within the receivership. The district court had appointed a receiver over all the  
8 “funds, assets, choses in action and other property belonging to, or in the  
9 possession or control of, defendant. . . and its subsidiaries.” *Id.* at 1405. The Ninth  
10 Circuit held that by virtue of this language the receivership order “incorporate[d]  
11 the funds and assets of San Vicente [the objecting limited partnership] in the . . .  
12 receivership estate. *Id.* Here, as in *San Vicente*, the language imposing the  
13 receivership clearly included property controlled by any of the Defendants.

14           Inclusion of the Limited Partnerships in the Receivership is also consistent  
15 with the purposes of the Receivership. As set forth in the Complaint, this case  
16 involves a variety of types of misrepresentations and omissions by Defendants in  
17 raising approximately \$65 million. Compl. ¶ 15. The misrepresentations most  
18 relevant here were the numerous undisclosed transactions among entities  
19 controlled by Defendants. The Complaint and the schedule of related party notes  
20 receivable and investments attached as Exhibit B to the Receiver’s Preliminary  
21 Report (“Related Party Schedule”) are replete with examples of such intra-entity  
22 transfers. For example, according to the records reviewed by the Receiver,  
23 Copeland Fixed Income Two is owed over \$1 million by Copeland Properties  
24 Nine, which in turn is owed over \$240,000 by other Copeland entities. Related  
25 Party Schedule at 2-3. While the intra-entity transfers with respect to Copeland  
26 Properties Ten discovered so far by the Receiver are not as extensive as those of  
27 some of the other entities, they do exceed the \$31,000 acknowledged by the  
28 objecting parties. Objection at 8. Specifically, the Related Party Schedule shows

1 an approximately \$95,000 “investment” in Copeland Properties Ten by Copeland  
2 Properties Five, in addition to the approximately \$31,000 note payable to Copeland  
3 Fixed Income Three. Related Party Schedule at 2-3. Likewise, the Receiver’s  
4 investigation to date has revealed approximately \$100,000 on the books of  
5 Copeland Properties Ten accounted for as notes receivable from other Copeland  
6 entities.

7 The overall volume of inter-entity transfers appears consistent with  
8 Defendants’ managing the various limited partnerships such that they took money  
9 from any partnership that had money and transferred it to any partnership that  
10 needed money. In light of this type of conduct, a receiver was necessary to  
11 marshal and preserve assets. *SEC v. Wencke*, 622 F.2d 1363, 1372 (1980); *see also*  
12 *SEC v. Vescor Capital Corp.*, 599 F.3d 1189, 1194 (10th Cir. 2010) (purpose of  
13 receivership is “to safeguard the assets, administer the property as suitable, and to  
14 assist the district court in achieving a final, equitable distribution of assets if  
15 necessary”). It would elevate form over substance in a way likely to lead to  
16 inequitable results and to frustrate the purpose of the receivership to find that the  
17 very limited partnerships that hold assets which might provide compensation to the  
18 victims of Defendants’ fraud are excluded from the receivership.

19 While it is understandable that any particular investor who believes his  
20 particular limited partnership holds a valuable asset might want to separate that  
21 limited partnership from the receivership, in the aggregate, such an approach  
22 would likely lead to inequitable consequences. The imposition of a single  
23 receivership allows this Court to supervise the marshaling of all assets for the  
24 ultimate benefit of creditors. If the Court maintains jurisdiction over all of the  
25 assets controlled by the Defendants, then it will be best positioned to ensure that  
26 administrative and legal expenses do not unnecessarily multiply. On the other  
27 hand, if various entities are excluded from the receivership, the Court will not be  
28 able to establish and supervise a single, efficient claims process. Each of the intra-

1 entity claims will need to be resolved (likely through litigation) resulting in a  
2 proliferation of administrative and professional expenses, as each entity retains its  
3 own counsel and support professionals.

4 **II. INCLUSION OF COPELAND PROPERTIES TEN WITHIN THE**  
5 **RECEIVERSHIP DOES NOT VIOLATE DUE PROCESS**

6 Contrary to the objecting parties' contention, the inclusion of the limited  
7 partnerships within the receivership does not violate due process. The Consent  
8 upon which the Judgment is based was executed by Defendant Charles Copeland  
9 on his behalf, as well as on behalf of Copeland Realty, the general partner of  
10 Copeland Properties Ten. Thus, Copeland Properties Ten was given actual notice  
11 of the request that this Court appoint a receiver, and, in fact, its general partner  
12 consented to that appointment.

13 **III. CONCLUSION**

14 For the foregoing reasons, the Court should approve the receiver's  
15 preliminary report and issue the order the receiver has requested clarifying the  
16 inclusion of the limited partnerships within the receivership.

17  
18 DATED: December 15, 2011

/s/ Spencer E. Bendell  
Spencer E. Bendell  
Attorney for Plaintiff  
Securities and Exchange Commission

**PROOF OF SERVICE**

I am over the age of 18 years and not a party to this action. My business address is:

U.S. SECURITIES AND EXCHANGE COMMISSION, 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036-3648

Telephone No. (323) 965-3998; Facsimile No. (323) 965-3908.

On December 15, 2011, I caused to be served the document entitled **PLAINTIFF SECURITIES AND EXCHANGE COMMISSION’S RESPONSE TO OBJECTION OF CERTAIN LIMITED PARTNERS OF COPELAND PROPERTIES TEN TO RECEIVER PRELIMINARY REPORT DATED NOVEMBER 18, 2011** on all the parties to this action addressed as stated on the attached service list:

**OFFICE MAIL:** By placing in sealed envelope(s), which I placed for collection and mailing today following ordinary business practices. I am readily familiar with this agency’s practice for collection and processing of correspondence for mailing; such correspondence would be deposited with the U.S. Postal Service on the same day in the ordinary course of business.

**PERSONAL DEPOSIT IN MAIL:** By placing in sealed envelope(s), which I personally deposited with the U.S. Postal Service. Each such envelope was deposited with the U.S. Postal Service at Los Angeles, California, with first class postage thereon fully prepaid.

**EXPRESS U.S. MAIL:** Each such envelope was deposited in a facility regularly maintained at the U.S. Postal Service for receipt of Express Mail at Los Angeles, California, with Express Mail postage paid.

**HAND DELIVERY:** I caused to be hand delivered each such envelope to the office of the addressee as stated on the attached service list.

**UNITED PARCEL SERVICE:** By placing in sealed envelope(s) designated by United Parcel Service (“UPS”) with delivery fees paid or provided for, which I deposited in a facility regularly maintained by UPS or delivered to a UPS courier, at Los Angeles, California.

**ELECTRONIC MAIL:** By transmitting the document by electronic mail to the electronic mail address as stated on the attached service list.

**E-FILING:** By causing the document to be electronically filed via the Court’s CM/ECF system, which effects electronic service on counsel who are registered with the CM/ECF system.

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1 [ ] **FAX:** By transmitting the document by facsimile transmission. The  
2 transmission was reported as complete and without error.

3 I declare under penalty of perjury that the foregoing is true and correct.

4 DATED: December 15, 2011

/s/ Spencer E. Bendell  
Spencer E. Bendell

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2 **SEC v. COPELAND, et al.**  
3 **United States District Court – Central District of California**  
4 **Case No. 11-8607 R (DTBx)**  
5 **(LA-4006)**

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