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14 Receiver
15 KRISTA L. FREITAG

16 UNITED STATES DISTRICT COURT
17 CENTRAL DISTRICT OF CALIFORNIA
18 WESTERN DIVISION

19 SECURITIES AND EXCHANGE
20 COMMISSION,

21 Plaintiff,

22 v.

23 WORLD CAPITAL MARKET INC.;
24 WCM777 INC.; WCM777 LTD. d/b/a
25 WCM777 ENTERPRISES, INC.; and
26 MING XU a/k/a PHIL MING XU,

27 Defendants,

28 KINGDOM CAPITAL MARKET, LLC;
MANNA HOLDING GROUP, LLC;
MANNA SOURCE
INTERNATIONAL, INC.;
WCM RESOURCES, INC.; AEON
OPERATING, INC.; PMX
JEWELS, LTD. TOPACIFIC INC.;
TO PACIFIC INC.; VINCENT J.
MESSINA; and INTERNATIONAL
MARKET VENTURES,

Relief Defendants.

Case No. 14-CV-2334-JFW (MRWx)

DECLARATION OF KRISTA L.
FREITAG IN SUPPORT OF MOTION
FOR ORDER APPROVING: (1) SALE
OF EL MONTE WAREHOUSE, (2)
OVERBID PROCEDURES, AND (3)
REAL ESTATE BROKER'S
COMMISSION

Date: April 25, 2016
Time: 1:30 p.m.
Ctvm: 16
Judge: Hon. John F. Walter

DECLARATION OF KRISTA L. FREITAG

I, Krista L. Freitag, declare:

1. I am the permanent receiver for Defendants World Capital Market Inc.; WCM777 Inc.; WCM777 Ltd. d/b/a WCM777 Enterprises, Inc.; and Relief Defendants Kingdom Capital Market, LLC; Manna Holding Group, LLC; Manna Source International, Inc.; WCM Resources, Inc.; ToPacific Inc.; To Pacific Inc.; and their subsidiaries and affiliates (collectively, "Receivership Entities").

2. This declaration is made in support of my Motion for Order Approving: (1) Sale of El Monte Warehouse, (2) Overbid Procedures, and (3) Real Estate Broker's Commission ("Motion"). I have personal knowledge of the facts set forth herein and, if called as a witness, could and would testify to such facts under oath.

3. Pursuant to the terms of this Court's Temporary Restraining Order and the laws governing federal equity receiverships, immediately upon my appointment on March 27, 2013, I moved to investigate and secure the assets of the Receivership Entities, including the industrial warehouse and related office space located at 3620 Cypress Avenue, El Monte California ("El Monte Warehouse"). The El Monte Warehouse was purchased by Relief Defendant Kingdom Capital Market, LLC on or around January 28, 2014 for \$1,051,750, and is an industrial property consisting of an 11,020 square foot warehouse and office building situated on a 20,909 square foot lot in El Monte, California. After securing the El Monte Warehouse, I discovered the property was used by the Receivership Entities as an office and to store various personal property including certain office equipment, furniture, and other items. These personal property items have since been sold pursuant to the Court's order dated October 14, 2014.

4. Although the El Monte Warehouse was purchased in January 2014 and was being used by the Receivership Entities as an office and warehouse, I discovered that a certificate of occupancy had not been secured for the property and significant repairs were required. Thus, during the second quarter of 2015, my staff and I

1 coordinated with the City of El Monte to conduct an inspection of the property, and
2 are in the process of securing a certificate of occupancy from the city prior to the
3 close of escrow.

4 5. Around the same time, and in anticipation of a sale of the property, my
5 staff and I interviewed a number of experienced commercial real estate brokers. In
6 particular, my staff and I interviewed three different brokers, and ultimately selected
7 DAUM Commercial Real Estate Services ("Broker") to act as my broker and market
8 the El Monte Warehouse for sale. Broker has significant and highly specialized
9 experience in sales of similar industrial commercial properties, and its business
10 focuses almost exclusively on such properties. As such, it is particularly suited to
11 assist with the marketing and sale of the El Monte Warehouse. Broker agreed to a
12 total commission of 5% for the sale, and further offered to discount the rate to 4% if
13 Broker also represents the buyer. Based on my extensive experience in real estate
14 transactions, the amount of the commission is commercially reasonable and consistent
15 with the real estate industry standard for sales of similar commercial property.
16 Therefore I engaged Broker to assist with the sale of the El Monte Warehouse, with
17 Broker's commission subject to Court approval. A true and correct copy of my
18 agreement with Broker, which sets forth the undiscounted and discounted rates for
19 Broker's commission, is attached hereto as **Exhibit 1**. Pursuant to the agreement with
20 Broker, Broker will compensate cooperating and referring brokers, and thus would
21 split the commission as applicable.

22 6. With the assistance of Broker, my staff and I identified and engaged
23 personnel to conduct necessary repairs for the El Monte Warehouse in 2015, which
24 repairs included installing new roof materials to prevent leaks, repainting and
25 resurfacing the building's exterior, interior and parking lot, and making other general
26 repairs that were required. With these repairs, which totaled approximately \$53,000,
27 the El Monte Warehouse's appearance and structural quality was significantly
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1 improved, making it much more attractive to prospective purchasers, which assisted
2 in securing the proposed purchase price at a significant net recovery to the estate.

3 7. With the assistance of Broker, my staff and I have diligently marketed
4 the El Monte Warehouse through commercially reasonable and customary channels
5 and successfully generated a significant amount of interest in the property through
6 these efforts. Specifically, when the Broker was engaged in May 2015, Broker
7 prepared an opinion of value which estimated a range of value for the property
8 between \$1,421,580 to \$1,531,780, a true and correct copy of which is attached hereto
9 as **Exhibit 2**. Broker then worked with myself and my staff to set an initial asking
10 price and placed the El Monte Warehouse on customary multiple listing services for
11 commercial property, including the national listing service Costar. In addition, my
12 staff and I also worked with Broker to create and publish promotional materials for
13 the El Monte Warehouse and market the property through placement on Broker's
14 website. Broker also emailed information for the property to targeted prospective
15 purchasers and marketed the property by canvassing the neighborhood on foot.

16 8. Through these efforts, and as confirmed by my Broker, information on
17 the El Monte Warehouse was displayed in more than 14,000 search results, viewed
18 245 times from such results, and separately viewed more than 300 times through the
19 multiple listing services. In response to significant interest generated from these
20 marketing efforts, Broker received communications from various prospective buyers,
21 corresponded and followed up with these buyers, and conducted 20 tours of the
22 property. As a result of these efforts, I initially received two competing offers from
23 separate buyers in October 2015. I then instructed Broker to leverage these
24 competing buyers to bid against one another, which resulted in a highest and best
25 offer from Srinivas Yalamanchili for \$1,557,460. As this was the highest and best
26 offer received at the time, I accepted the offer subject to this Court's approval and
27 entered into escrow to sell the El Monte Warehouse. However, Yalamanchili later
28 cancelled the purchase prior to expiration of the escrow contingency period.

1 9. While in escrow with Yalamanchili, I received a third offer from the
2 current buyer, Abba Properties, A Partnership ("Buyer"), but I initially rejected that
3 offer as it was lower than the price presented by Yalamanchili. Buyer then submitted
4 an increased offer at \$1,582,460, the highest and best offer received for the property,
5 which I accepted after the escrow with Yalamanchili was cancelled. Buyer is
6 represented by an independent broker. A true and correct, fully executed copy of the
7 Purchase and Sale Agreement and Joint Escrow Instructions for the proposed sale to
8 Buyer, subject to this Court's approval, is attached hereto as **Exhibit 3**.

9 10. Notably, Buyer's offer is approximately \$50,000 higher than the high end
10 of the estimated value range from the Broker's Opinion of Value, and I estimate that
11 the proposed sale, if finalized, will result in a net recovery to the estate of
12 approximately \$530,000 over and above the initial purchase price for property (less
13 applicable commission and closing costs). Factoring in estimated escrow, closing,
14 and other costs of approximately \$12,957, and Broker's commission at 5% (or
15 \$79,123) given that the Buyer is independently represented, the estimated net
16 proceeds to the receivership estate from the proposed sale will be \$1,490,380. Based
17 on my review of the El Monte Warehouse and my extensive experience in real estate
18 transactions, I believe in my reasonable business judgment that the proposed sale of
19 the El Monte Warehouse to Buyer, subject to overbid, is fair and reasonable, in the
20 best interests of the receivership estate, and will generate the highest and best value
21 for the property.

22 11. With the assistance of Broker, my staff and I are continuing to market the
23 El Monte Warehouse with the goal of promoting active overbidding in accordance
24 with the overbid procedures described in the Motion. If qualified overbids are
25 received, I will provide prompt notice to this Court. To date, no other parties have
26 expressed an interest in participating in the overbid process.

27 12. In light of the extensive advertisement of the El Monte Warehouse in
28 commercially reasonable and customary channels, the continuing efforts of myself,

1 my staff, and my Broker to market and publicize the sale of the property and the
2 opportunity to overbid, I submit that further mailing or publication of notice and
3 obtaining independent appraisals would impose significant costs on the receivership
4 estate with little or no corresponding benefit.

5 13. Based on the above, I recommend and respectfully request that this Court
6 grant this Motion and issue an Order approving and authorizing: (1) sale of the El
7 Monte Warehouse to Buyer or the highest bidder; (2) the proposed overbid
8 procedures; and (3) payment of the proposed commission to Broker from the sale
9 proceeds at 5%, discounted to 4% if the ultimate buyer is procured by Broker's agents
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11 I declare under penalty of perjury under the laws of the State of California that
12 the foregoing is true and correct.

13 Executed this 18th day of March, 2016, at Los Angeles, California.

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16 KRISTA L. FREITAG

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