

1 PAUL J. PASCUZZI, CA SBN 148810
2 FELDERSTEIN FITZGERALD
3 WILLOUGHBY & PASCUZZI LLP
4 400 Capitol Mall, Suite 1450
5 Sacramento, CA 95814
6 Telephone: (916) 329-7400
7 Facsimile: (916) 329-7435

8 Attorneys for Court-Appointed
9 Receiver Elli M.A. Mills

10 UNITED STATES DISTRICT COURT
11 DISTRICT OF NEVADA

12 USACM Liquidating Trust,
13 Plaintiff,

CASE NO. 2:08-cv-01276-KJD-RJJ

14 v.

15 Placer County Land Speculators LLC aka
16 Placer County Land Investors LLC, et al.,

17 Defendants.

18 **VERIFIED REPORT OF ELLI M. A. MILLS, RECEIVER, PLACER**
19 **VINEYARDS LAND SPECULATORS [SEPTEMBER 2009]**

20 Elli M.A. Mills, the duly appointed receiver in the above-referenced matter, hereby files
21 his third report pursuant to this Court's Order Appointing Receiver filed December 16, 2008,
22 paragraph 14. A true and correct copy of the verified report and account of the receiver's
23 administration during the month of September 2009 is attached hereto.

24 Dated: October 30, 2009

FELDERSTEIN FITZGERALD
WILLOUGHBY & PASCUZZI LLP

25 /s/ Paul J. Pascuzzi
26 PAUL J. PASCUZZI
27 Attorneys for Elli M.A. Mills, Receiver
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**REPORT OF ELLI M. A. MILLS, JD, MBA,
COURT APPOINTED RECEIVER,
PLACER 1 OWNERS RECEIVERSHIP
September, 2009**

Summary:

This report for September, 2009 will discuss the following Receiver's activities for that month:

- I. Conclusion of efforts to secure interim financing.
- II. Meeting with Placer County Assessor's office personnel.
- III. Meeting of the Placer Vineyards Development Association.
- IV. Financial Transactions.
- V. Other Matters.

I. Interim Financing.

In the month of September, the Receiver closed on the interim financing facility offer by Mr. Ned Homfeld. To recap that facility, the principal of the loan is \$250,000. The note is for a term of 18 months bearing simple interest calculated at 10%. The Receivership paid the closing costs of the loan and has agreed to pay up to \$1,500.00 of the lender's legal fees.

The loan was closed on September 16, 2009. Simultaneously with the close of escrow on this loan, the prior loan extended by the Liquidating Trust was retired, including outstanding principal and accrued interest.

The Receiver directed that \$175,000 of the loan principal be drawn down. The balance of \$75,000 may be drawn down during the term of the loan. After the payment of the outstanding expenses of the Receivership, the balance of the funds is being held in the Receivership bank account.

II. Real Estate Tax Assessment.

As the Owners will recall from prior monthly reports, the Receivership obtained appraisals for the property as of two dates; January 1, 2008 and December 31, 2008.

The purpose for the first appraisal was to support the Receivership's application for a reduction of value from the Placer County Tax Assessor with respect to its real estate taxes for the tax year of 2008. When the Receivership was established, the real estate tax assessment was over \$31,000,000. As mentioned in previous Monthly Reports, the MAI appraisal for January 1, 2008 was \$15,000,000. The Tax Assessor's office offered to reduce the assessment for 2008 from the \$31,000,000 figure to \$16,915,000. Since the Receiver understood that the property would be reassessed as of December 31, 2008, the date of the recording of the foreclosure sale, the Receiver accepted the January 1, 2008 assessment from the Tax Assessor's office.

The Receivership's MAI appraisal for the property as of December 31, 2008 was \$10,150,000. The Receiver submitted this document to the Tax Assessor's office along with the information that the property foreclosure sale bid price was \$8,404,030. With this documentation, the Receiver requested a further reduction of the real estate tax assessment. The tax assessment at the time of a sale of the property, which the foreclosure is considered to be, establishes the base line assessment for the property until the property is sold in the future. Therefore, this is an important assessment date and amount.

The Placer County Tax Assessor responded to the Receiver's request with a revised Tax Assessment value of \$10,825,000. On October 8, 2009, the Receiver met with the Chief Appraiser for the Placer County Tax Assessor and her staff to try to negotiate a tax assessment value closer to the MAI appraisal of December 31, 2008. The Receiver was unable to persuade the county appraisers to revise their value at that meeting. Therefore, the Receiver is in the process of submitting a formal challenge to that Tax Assessment value with the County Commission of Placer County. Unfortunately, it appears that the review time for these appeals is about two years from filing. Nevertheless, the Receivership's right to pursue this appeal will be preserved.

III. Placer Vineyards Development Association.

Receiver attended the September monthly meeting of the Placer Vineyards Development Association in Roseville, California, which was also the quarterly membership meeting.

The Development Association has three issues that have to be resolved prior to its being able to authorize the commencement of developing engineering plans for the property. These three issues are comprised of the resolution of two lawsuits, one by the Sierra Club and one sponsored by the unions, and the third issue is the obtaining of the Army Corps of Engineers' wetlands conservation/remediation permit.

The two lawsuits have been heard in August by the California District Court. The Association is cautiously optimistic about its prospects in each case and is currently waiting for the Court decision to be handed down.

The Association is also currently in communication with personnel of the Army Corps of Engineers to move the Association's permit application forward. Also, Placer County is currently considering adopting a conservation plan, the Placer County Conservation Plan, PCCP. The earliest that this plan might be adopted by the County is late next spring or early summer of 2010. If the plan is adopted, it would most likely be a positive development for Placer Vineyards' obtaining of the Army Corps of Engineers permit.

However, the Association's best projection is that it might take as long as another two years to secure all necessary permits and approvals to commence the development of the property. At that time, initial engineering is estimated to take an additional 12 months to complete. Therefore, the earliest reasonable start date for construction of the Placer Vineyards development could be as long as 36 months out from this point in time.

IV. Financial Transactions.

In September, the following expenses were paid by the Receivership:

September 3, 2009 Prime Locations – Final payment on appraisals	\$ 4,164.37
September 18, 2009 Felderstein, Fitzgerald, Willoughby & Pascuzzi 20% Retention on fees from December 2008 to May 31, 2009	\$ 5,871.50
Fees and Expenses July, 2009	\$ 2,699.61
September 18, 2009 Elli M. A. Mills, Receiver 20% Retention on fees from December 2008 to May 31, 2009	

\$10,614.14	
Fees and Expenses July, 2009	\$ 3,474.95
September 29, 2009 September interest payment on interim loan	\$ 719.25
Wire Transfer fee	<u>\$ 25.00</u>
Total Expenditures	\$27,568.82

V. Other Matters.

A. Receiver's Memorandum on whether the Owners should instruct the Receiver to list the Property for sale:

The Receiver is in the process of drafting a memorandum regarding the strategic decision whether the Owners wish to list the property for sale, and if so, at what price and under what circumstances. Since there will be confidential information contained in that memorandum, the Receiver will not include that memorandum with the Receiver's Monthly Report which is posted on the web and filed in the public records of the Court. In the alternative, the Receiver will send this memorandum by hard copy to each Owner for his consideration and ask that the Owners keep this information confidential.

During the last several months, the Receiver has met with a few real estate brokers with experience in marketing land for development in the Sacramento region. The Receiver met with one such brokerage organization during the month of September and has had conversations with several others during this month. The Receiver will incorporate this information into his confidential memorandum on strategic options which will be sent to the Owners.

The Receiver expects to complete this memorandum within the next two weeks and distribute it to the Owners for their review and consideration.

B. Agriculture Lease on the Receivership property:

During the month of September, the Receiver communicated with an agriculture lease facilitator who discussed the possibility of obtaining a grazing lease for the Receivership property. The grazing period in this location is generally in the winter,

from November to March or April, depending on the amount of precipitation the property receives and the time summer temperatures arrive.

The annual revenue from the grazing lease is small, approximately \$2,000 to \$4,000 per season. However, the agricultural lessee will be responsible for repairing and maintaining all of the fencing on the property leased. This will reduce the potential of unauthorized trespass on the property and thus, reduce potential liability to the Owners. Also, the grazing will keep the height of the grasses down, thus reducing the risk of fire during the non-grazing summer months.

For the above reasons, the Receiver decided to seek the authority to enter into an agricultural lease on the Property. The Receiver sent notice to all Owners that the Receiver was submitting a motion to the Court for authority to enter into a service contract with the lease facilitator and for authority to enter into a grazing lease. The Receiver also requested that the Court hear the motion on shortened time, so that if the approval was granted, the lease could be entered into at the beginning of the grazing season, around November 1st.

Two comments were received from the Owners regarding this request. Both pointed out to the Receiver that this lease would generate only a small amount of revenue for the Receivership. The Receiver acknowledged this fact in response to each Owner, but pointed out to these Owners that the issues of fence repair and fire fuel control were the main driving forces for seeking this authority, not the generation of revenue for the Receivership Estate.

On Tuesday, October 27, 2009, the Court heard the Receiver's motion. In order to minimize costs, the Receiver and his counsel attended the hearing in Las Vegas by telephone. Janet Chubb, Esq., who represents certain Owners, was also present by telephone at the hearing. There being no objection to the Receiver's motion, the Court granted the motion.

C. Location of Previous Monthly Reports:

Again, the Receiver wishes to remind the Owners that the Receiver's monthly reports are online at the website maintained by the Receiver's counsel. The reports and all documents filed with the Court can be accessed at www.ffwplaw.com, click on the

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"Cases" link, enter the email address at the login prompt of cases@ffwplaw.com, and enter the password "password," then click on the Placer Vineyards folder.

Finally, the Receiver invites all Owners to contact the Receiver directly with any questions or comments.

Respectfully submitted:



Elli M. A. Mills,
Receiver
Placer 1 Owners' Receivership
5401 Longley Lane
Suite 42
Reno, NV 89511
775 826-7800
EMillspv@aol.com

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VERIFICATION BY RECEIVER OF RECEIVER'S REPORT

I, Elli M.A. Mills, am the duly-appointed receiver in the above-referenced action, and I have read the foregoing Verified Report of Elli M.A. Mills, Receiver, Placer Vineyards Land Speculators [September 2009] ("Receiver's Report"), and know its contents. The matters stated in the Receiver's Report are true based on my own knowledge or the records regularly maintained by the receivership, except as to those matters stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct. Executed on October __, 2009.


Elli M.A. Mills