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5 RECEIVER
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8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA, EASTERN DIVISION**
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11 FEDERAL TRADE COMMISSION,

12 Plaintiff,

13 vs.

14 RINCON MANAGEMENT
SERVICES, LLC, a California limited
15 liability company, et al.,

16 Defendants.
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Case No. ED CV 11-01623 VAP (SPx)

Hon. VIRGINIA A. PHILLIPS

~~(PROPOSED)~~ ORDER:

- (1) APPROVING RECEIVER'S FIFTH REPORT AND FOURTH ACCOUNT;
- (2) APPROVING CLOSING AGREEMENT WITH INTERNAL REVENUE SERVICE;
- (3) APPROVING AND CONFIRMING SETTLEMENT AGREEMENT WITH FRANCHISE TAX BOARD;
- (4) RATIFYING AND CONFIRMING SALE OF SILVER AND GOLD COINS;
- (5) RATIFYING THE FILING OF QUALIFIED SETTMENT FUND INCOME TAX RETURNS (2104-2015) AND RELATED ENTITIES' TAX RETURNS;
- (6) AUTHORIZING

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- DESTRUCTION OF COMPUTERS AND RECORDS OF DEFENDANTS AND OTHERS;**
- (7) AUTHORIZING THE DISBURSEMENT OF ALL NET FUNDS TO PLAINTIFF IN TRUST FOR CONSUMER VICTIMS;**
- (8) TERMINATING THE RECEIVERSHIP;**
- (9) DISCHARGING AND EXONERATING THE RECEIVER AND HIS SURETIES FROM LIABILITY; AND**
- (10) FOR FURTHER INSTRUCTIONS TO THE RECEIVER.**

HEARING DATE: MAY 2, 2016
TIME: 2:00 P.M.
COURTROOM: 2

ORDER

Before the Court is the Receiver's Notice of Motion and Motion for Order: (1) Approving Receiver's Fifth Report and Fourth Account; (2) Approving Closing Agreement with Internal Revenue Service; (3) Approving Settlement Agreement with the Franchise Tax Board; (4) Ratifying and Confirming Sale of Silver and Gold Coins; (5) Ratifying the Filing of Qualified Settlement Fund Income Tax Returns (2014-2015) and Related Entities' Tax Returns; (6) Authorizing the Destruction of Computers and Records of Defendants and Others; (7) Authorizing the Disbursement of All Net Funds to Plaintiff in Trust For Consumer Victims; (8) Terminating the Receivership; (9) Discharging and Exonerating the Receiver and His Sureties from Liability; (10) For Further Instructions to the Receiver ("Report

1 Motion"), which seeks an order approving and confirming the Receiver's Fifth
2 Report and Fourth Account and the additional requested relief ("Fifth Report"). The
3 Report Motion requests, in particular, an order approving the agreements he has
4 achieved with the Internal Revenue Service ("IRS") and California Franchise Tax
5 Board ("FTB") relieving the Receiver's duty to pay accrued income taxes, penalties
6 and interest from the Receivership assets, and subordinating their respective
7 statutory priority collection rights to collect the accrued tax liabilities of the
8 Receivership Entities and the Defendants from the Receivership's assets. These
9 agreements make available all the net Receivership assets for distribution for the
10 benefit of the defrauded consumers in this action.

11 The Fifth Report cites the Receiver's sale of the gold and silver coins
12 delivered to him by Defendant Jason R. Begley. The Receiver seeks administrative
13 instructions regarding the disposition of paper and electronically stored and
14 maintained documents in the Receiver's possession, and regarding the distribution of
15 the net Receivership assets to the Plaintiff, Federal Trade Commission (FTC), in
16 trust for the benefit of and restitution to consumers who were financially injured by
17 the conduct of the Defendants and the Receivership Entities. The Receiver also
18 seeks ratification and confirmation of his filing of several Receivership Entities'
19 income tax returns and the Receivership's Qualified Settlement Funds Income Tax
20 Returns, which filings were conditions his motion to terminate the Receivership and
21 obtain his discharge from his official duties and exoneration of himself, his sureties
22 and his representatives from liability for administration of the Receivership during
23 the Fifth Reporting Period and cumulatively for the entire Receivership term.

24 Appearances were made by the Receiver, Richard Weissman ("Receiver"),
25 pro se, by Maricela Segura, Esq., counsel for Plaintiff, FTC, and counsel and
26 interested parties as set forth in the Court's hearing minutes.

27 The Court having considered the papers in support of, and in opposition to,
28 the Fifth Report and the Report Motion, and good cause appearing therefor, the

1 Court orders as follows:

2 1. The Receiver's Fifth Report and Fourth Account, and all the acts,
3 transactions and conduct of the Receiver and his Staff reported in the Fifth Report
4 were right and proper in all respects and were in the best interests of the
5 Receivership and the Parties to this action. The Receiver's reported acts and conduct
6 are hereby ratified, approved and affirmed in their entirety.

7 2. The Closing Agreement entered between the Receiver and the IRS,
8 dated 5/13/2015, and the Settlement Agreement With Respect to Specific Issues
9 between the Receiver and the FTB, with an effective date of October 13, 2015,
10 respectively, are hereby ratified, approved and confirmed. The Receiver is
11 authorized to perform any executory conditions he is to perform under either
12 agreement.

13 3. The Receiver's filing of federal and state administrative Qualified
14 Settlement Fund ("QSF") Income Tax Returns (1120SF), on behalf of the
15 Receivership, for the tax years of 2014 and 2015, is approved and confirmed. The
16 Receiver's filing of the informational income tax returns and individual fiduciary
17 income tax returns for Rockwell Management Services, LLC (Iowa), Debt
18 Technologies Solutions, LLC, Heavy Hitters Investments, LLC, Portfolio
19 Investment Group, LP, and Portfolio Investment Financial, Inc., for the relevant tax
20 years of 2011, 2012 and 2013 are ratified, approved and confirmed. The fees and
21 costs of preparation of such returns by the Receivership's accountant, James F.
22 Schultz, shall be reserved from the distributable Receivership Assets.

23 4. The Receiver is relieved and discharged from any obligation or liability
24 which may arise from not formally dissolving, pursuant to state law, any
25 Receivership Entity involved in this action. Neither the Receiver nor the
26 Receivership Assets shall be liable for the payment of any continuing business
27 license, renewal fee or minimum renewal business tax charged by any state,
28 particularly California, resulting from the Receiver not formally dissolving and

1 winding up any Receivership Entity in accordance with state law as a condition to
2 the Receivership's cessation of its business operations. It is further ordered control
3 of, and responsibility for the conduct of business and control of each Receivership
4 Entity shall revert to its respective officers, directors, shareholders, partners and
5 members, according to law. The Receiver is discharged from maintaining control or
6 administration thereof, on any basis.

7 5. The Receiver's sale of the 3,500 Silver Eagle coins and 36 Gold Eagle
8 coins ("Coins"), for the sum of \$97,739.00, is ratified and confirmed.

9 6. The Receiver is authorized to destroy all paper and electronic records
10 of Jason R. Begley, Wayne W. Lunsford, any and all of the Receivership Entities,
11 and of all third parties in his possession or within his control, as soon as practicable
12 following this Order becoming final. The estimated cost reserve of \$4,000 for the
13 scrubbing and destruction of the electronic and paper records is approved. The
14 Receiver is authorized to withhold and reserve said sum and to pay such expenses as
15 incurred. The Receiver shall not bear any responsibility or liability to anyone for
16 the destruction of the subject electronic data or paper documents. The Receiver is to
17 remit to the FTC any unused funds relating to the costs of destruction of said
18 documents and computers.

19 7. The Receiver is instructed to disburse to Plaintiff, Federal Trade
20 Commission, all of the net Receivership Assets he holds and controls, subject to fee
21 and expense reserves approved in this and any order upon the motion for accountant
22 fees and expenses of James F. Schultz and of the Receiver filed concurrently
23 herewith (the orders hereinafter collectively referred to as the "Closing Orders").
24 The Receiver shall transmit the net Receivership Assets to the FTC within ten (10)
25 business days of the entry of final Closing Orders, pursuant to the FTC's transmittal
26 instructions.

27 8. Upon the Receiver's disbursal of the Receivership Assets to the
28 Plaintiff, the Receivership is deemed terminated and the Receiver is discharged from

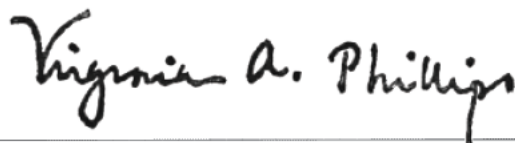
1 his official duties herein. The approved Receiver's fees and expenses shall be
2 reserved from the final disbursal in accordance with related orders entered herein.

3 9. It is further ordered Richard Weissman, as Receiver, his sureties,
4 employees, engaged professionals and representatives are discharged and
5 exonerated from liability for their actions and conduct during the interim Fifth
6 Reporting Period and for their actions and conduct during the entire term of the
7 Receivership.

8 10. The Court reserves jurisdiction regarding any issue, controversy or
9 dispute arising in respect to the Receiver and his administration of the Receivership
10 during its entire term, including, but not limited to, any tax issue or dispute relating
11 to the Closing Agreement with the Internal Revenue Service and/or the Settlement
12 Agreement with the California Franchise Tax Board.

13 **IT IS SO ORDERED.**

14 DATED: May 25, 2016



15 VIRGINIA A. PHILLIPS, JUDGE
16 UNITED STATES DISTRICT COURT
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