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UNITED STATES OF AMERICA

UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,  
  
Plaintiff,  
  
v.  
  
SEAN DAVID MORTON, et al.  
  
Defendants.

No. CR 2:15-00611-SVW

SUPPLEMENTAL BRIEFING RE:  
DEFENDANT'S MOTION IN LIMINE  
NO.3; EXHIBITS

Trial Date: 4/4/2017  
Trial Time: 9:00 a.m.

Plaintiff United States of America, by and through its counsel of record, the United States Attorney for the Central District of California and Assistant United States Attorneys James C. Hughes and Valerie L. Makarewicz, hereby files supplemental briefing regarding the Court's ruling of March 29, 2017, Docket No. 171, with respect to the motion in limine number 3 filed by defendant Melissa Morton, filed March 13, 2017, Docket No. 123, specifically with respect to the introduction of and reference to the defendants' bankruptcy case at trial in the government's case in chief.

///

1       **I.     Facts**

2           In her motion in limine number 3, defendant Melissa Morton  
3 (hereinafter "defendant") moved to preclude evidence of her prior  
4 bad acts in relation to certain filings and the meeting of creditors  
5 in her Chapter 7 bankruptcy case, In re Sean David Morton, et al.,  
6 Case No. 2:13-bk-26725-BB (C.D.C.A.), filed with co-defendant Sean  
7 David Morton.

8           In the opposition to defendant's motion in limine on this  
9 issue, the government argued as to why the statements of defendant  
10 should be introduced at trial in the government's case in chief.  
11 GOVERNMENT'S OPPOSITION TO DEFENDANT MELISSA MORTON'S MOTIONS IN  
12 LIMINE, Docket No. 142, pp. 7-17. The government argued that the  
13 statement of defendants are direct evidence of their lack of good  
14 faith, as they distanced themselves from the tax returns wherein  
15 they claimed false Form 1099-OID income, denied the existence of  
16 bank accounts they owned, and denied their ownership of Heaven &  
17 Earth, LLC.

18           In the Court's Order of March 29, 2017, Docket No. 171, the  
19 Court agreed that the statements made by defendants are relevant to  
20 the intent or state of mind of defendants, it reserved ruling on  
21 this evidentiary challenge "depending on what evidence is introduced  
22 to connect the Defendants to the bank account and the business."  
23 Order, p. 7. However, the Court precluded the government from  
24 describing the type of proceeding at which the statement were made,  
25 "as such information is not relevant and could be prejudicial to  
26 Defendants." Id.

27       ///

1       **II.     Argument**

2           In an attempt to brief the Court as to this issue prior to the  
3 trial, and so as to not waste the Court's or jury's time, the  
4 governments herein provides further briefing regarding the issue of  
5 defendants' bankruptcy, and the interplay of such event within the  
6 government's case-in-chief. The government provides this  
7 information to assist the Court in showing the relevance of the  
8 defendants' bankruptcies to the government's case in chief, and to  
9 show that any prejudicial effect to the defendants is greatly  
10 outweighed by the probative value of this information to providing  
11 defendants' intend to deceive.

12           First, as to defendants' use of Heaven & Earth, LLC bank  
13 accounts, at trial, the government will call a custodian of record  
14 from Bank of America, who will testify regarding the ownership of  
15 this account in the name of Heaven & Earth, LLC, by defendants. The  
16 government also intends on introducing the various checks from  
17 defendants' bond clients which defendants endorsed and deposited  
18 into said account. This should alleviate the Court's concern that  
19 the government provide proof of the defendants' ownership of bank  
20 accounts of Heaven & Earth, LLC.

21           Defendants' filing for personal bankruptcy protection arises in  
22 the context of the marketing of the bond process by defendants to  
23 their clients. The government intends on calling Shelly Clark, a  
24 representative from Executive and Advocate Services, State of  
25 California, Franchise Tax Board (FTB). As alleged in Counts 10 and  
26 34, prior to filing personal bankruptcy, on or around May 10, 2014,  
27 defendants mailed the Franchise Tax Board a \$1 million bond to  
28

1 extinguish defendant Sean David Morton's outstanding state tax debt  
2 with the FTB. On July 18, 2014, the FTB sent defendant Sean David  
3 Morton a Lien Release Notice. Attached hereto and marked Exhibit A  
4 is a copy of this Notice. Then, on March 25, 2015, Ms. Clark, on  
5 behalf of the FTB, mailed defendant Sean David Morton, and explained  
6 to him that the FTB's lien was released on July 18, 2014, not  
7 because the FTB had accepted his bond, but rather, because he and  
8 co-defendant Melissa Morton had filed bankruptcy. Attached hereto  
9 and marked Exhibit B is a copy of this letter by Ms. Clark.  
10 However, the government will introduce evidence that even after  
11 receiving this explanation from Ms. Clark, defendants continued to  
12 sell their fake bonds to their clients. One such client, Barbara  
13 Lavender, will be a witness for the government, and is expected to  
14 testify that defendants provided her with a copy of the FTB's Lien  
15 Release Notice as proof that defendants' bond scheme worked. Mrs.  
16 Lavender will testify that defendants did not explain to her or her  
17 (now deceased) husband that the FTB's lien against defendant Sean  
18 David Morton was released due to defendants' filing personal  
19 bankruptcy. This information is especially relevant, as it shows  
20 that despite warnings to the contrary, defendants persisted in  
21 selling their bond products to their clients.

22 Further, the government intends on calling Sam Leslie, a  
23 Chapter 7 Panel Trustee in this district. He administered the  
24 meeting of creditors on July 25, 2013 and September 6, 2013, which  
25 was recorded and transcribed. Through his testimony, the government  
26 intends to introduce the relevant statements made by defendants,  
27 which includes their admission that they own Heaven & Earth, LLC.  
28

1 Attached herein and marked Exhibits C and D are copies of the  
2 transcript of the portions of the meetings to which the government  
3 intends to introduce through Mr. Leslie. As the Court can see, that  
4 defendants filed bankruptcy is interwoven throughout the hearing—for  
5 example, the defendants were asked at both meetings if their  
6 bankruptcy petition and schedules are true and correct, and  
7 defendants answered in the affirmative. As the government will show  
8 at trial, this was patently false, as defendants omitted bank  
9 accounts they owned from their schedules, as well as denied the  
10 existence of Heaven & Earth, LLC until the attorney for the U.S.  
11 Trustee's Office, Kelly Morrison, asked.

12 Further, the government intends on introducing through Leslie  
13 that defendant Melissa Morton, a "managing member," filed for  
14 Chapter 7 bankruptcy protection for Heaven & Earth, LLC on August  
15 24, 2013, a fact which was at issue at the meeting of creditors on  
16 September 6, 2013 in defendants' personal bankruptcy. In Re Heaven  
17 & Earth, LLC, 2:13-bk-31325-BR (C.D. Cal. 2013), Docket No. 1.<sup>1</sup>  
18 Throughout the bankruptcy petition, defendant Melissa Morton listed  
19 that she and co-defendant were members of Heaven & Earth, LLC,  
20 beginning on June 28, 2007 through the filing of the petition, that  
21 each defendant owned 25% share of Heaven & Earth, LLC, and she, as  
22 its managing member, was in possession of the entity's books and  
23 records. Id. In the petition, defendant Melissa Morton listed the  
24

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25  
26 <sup>1</sup> During Mr. Leslie's direct examination, the government intends  
27 to ask that the Court take judicial notice of the petition for the  
28 defendants' personal bankruptcy and the petition in the bankruptcy  
for Heaven & Earth, LLC, under FRE 201. Certified copies will be  
introduced, and FRE 801(d)(2), the petitions are statements by  
defendants against their interests.

1 Heaven & Earth, LLC bank account at Bank of America as one of the  
2 assets of Heaven & Earth, LLC. Id.

3 Finally, the mere fact that defendants filed bankruptcy shows  
4 that defendants did not believe in their own program of debt relief  
5 through their bond process, but rather, relied on the protection of  
6 the Bankruptcy Court from their creditors. Again, this is another  
7 strong indicia of the defendants' lack of good faith in their bond  
8 scheme.

### 9 **III. Conclusion**

10 For these reasons, the probative value of the interplay  
11 defendants bankruptcy is far outweighed by the prejudicial effect to  
12 the jury knowing that defendants declared personal bankruptcy, as  
13 well as knowing that defendant Melissa Morton filed bankruptcy on  
14 behalf of Heaven & Earth, LLC shortly thereafter. The facts  
15 surrounding defendants' bankruptcies are indicative of their  
16 untruthful characters and their lack of reliance on their own  
17 schemes as a valid method of paying off taxes and debts, as a  
18 defense previewed by defendant Melissa Morton at the hearing on  
19 March 29, 2017.

20 Further, to the extent the court believes that the reference to  
21 the "bankruptcy proceeding" is prejudicial, the Court can instruct  
22 the jury to not weigh that fact against the defendants. The Court  
23 can direct the jury to not draw any adverse inference from the fact  
24 that defendants filed bankruptcy, as filing bankruptcy is their  
25 right under law.

26 With these additional facts, the government hopes that the  
27 Court has a clearer understanding of the interplay of defendants'  
28

1 bankruptcies within the government's case in chief, and requests  
2 that the Court permit the government to refer to said bankruptcies,  
3 as the bankruptcies are extremely relevant to this case, and any  
4 prejudicial effect upon defendants is far outweighed by the  
5 probative value into defendants' character and their "good faith"  
6 defense. Any prejudice against defendants can be cured by an  
7 instruction from this Court.

8 Dated: March 31, 2017

Respectfully submitted,

9 SANDRA R. BROWN  
10 Acting United States Attorney  
11 THOMAS D. COKER  
Assistant United States Attorney  
Chief, Tax Division

12 /s/

13 JAMES C. HUGHES  
14 VALERIE L. MAKAREWICZ  
Assistant United States Attorneys

15 Attorneys for Plaintiff  
UNITED STATES OF AMERICA  
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STATE OF CALIFORNIA  
FRANCHISE TAX BOARD  
PO BOX 2952  
SACRAMENTO CA 95812-2952  
Telephone: (916) 843-4350

BA09

Notice Date: 07/18/14

THE ORIGINAL RELEASE HAS  
BEEN SENT TO THE COUNTY  
RECORDER. NO ACTION IS  
REQUIRED ON YOUR PART.

SEAN MORTON  
565 PIER AVE 1274  
HERMOSA BEACH CA 90254-8275

**LIEN RELEASE NOTICE -- LIEN RECORDED IN ERROR**

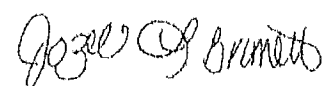
The Franchise Tax Board (FTB) of the State of California hereby releases the lien, listed below, as recorded in error (California Revenue and Taxation Code Section 21019). FTB authorizes the undersigned to execute this release in its name.

Certificate Number : 13218659302  
Recorded Against : SEAN MORTON  
                              : \$113,580

FTB Account Number : 2300655805  
Social Security Number (s) : XXX-XX-1277  
Corporate Number :  
FEIN : - \$113,580  
Recorded With : SACRAMENTO  
Lien Recorded : 08/07/2013  
Document No./Book No. : 20130807  
Page : 0524

FRANCHISE TAX BOARD  
of the State of California

DATED: 07/18/14

By:   
Authorized facsimile signature

RELEASE WITHOUT FEE. RECORDED IN ERROR (GOVERNMENT CODE 27381.3).

FTB 2730 AC AROS (REV 08-2013)

**EXHIBIT**

A



THIS IS TO CERTIFY THAT THIS IS A FULL,  
TRUE AND CORRECT COPY OF THE  
ORIGINAL DOCUMENT ON FILE WITH THE  
FRANCHISE TAX BOARD  
USA 10 FTB 0027933  
[N 1250-10]



State of California  
Franchise Tax Board

03.25.2015

Sean Morton, Ph.D  
565 Pier Ave 1274  
Hermosa Beach CA 90254

Dear Dr. Morton:

Governor Brown asked me to respond to your letter dated 01.22.2015, regarding your 2008 tax year. I apologize for the delay in my written response.

You stated you do not understand why you have a balance due with our office. However, we receive income information from various sources, such as banks, employers, the Employment Development Department (EDD), investment firms, licensing agencies, mortgage companies, etc, that indicate a taxpayer may have a requirement to file a tax return with us. Each year, we compare the information we receive from these sources with our records to determine if those taxpayers with an apparent requirement to file a tax return have actually filed a tax return.

In your case, we received information from Internal Revenue Service (IRS) you filed a 2008 tax return where you claimed \$842,520 in income. The address you used to file your return was a California address.

Revenue & Taxation Code (RTC) Section 18501 requires individuals with gross income in excess of \$14,845 during the 2008 tax year to file a state income tax return. RTC Section 19087 gives us the authority to make an estimate of net income from any available information and propose to assess a tax, penalties, and interest when a tax return has not been filed.

The 2008 tax return was originally due on 04.15.2009 and had an extended due date of 10.15.2009. Since we had no record of receiving your 2008 tax return, and since we had an indication you had a 2008 filing requirement, we issued a *Request for Tax Return* dated 08.29.2012. This notice required you to respond by 10.03.2012 in the following manner: by filing a 2008 tax return, by remitting a copy of a previously filed 2008 tax return, or by explaining why you do not have a 2008 filing requirement. Additionally, we sometimes require taxpayers to provide documented proof they do not have a filing requirement.

We had no record of receiving your timely response, by 10.03.2012. Therefore, we issued a *Notice of Proposed Assessment* (NPA) on 12.24.2012, where we assessed a

EXHIBIT  
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Executive and Advocate Services MS A300  
PO Box 157  
Rancho Cordova CA 95741-0157



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03.25.2015  
Sean Morton, Ph.D  
page 2

tax based on the information we received from the IRS. The NPA required you to file a protest or tax return by 02.22.2013 if you disagreed with our assessment. We have no record of receiving your timely protest or tax return. Therefore, our assessment became final and collectible.

We issued a *Statement of Tax Due* (STD) dated 03.19.2013, advising you a tax lien may be filed, per Government Code Section 7171, if you failed to pay the balance due in full within 30 days of the date of the notice.

Additionally, we issued the following notices for your 2008 tax year: an *Income Tax Due Notice* dated 05.06.2013 and 10.02.2013, and a *Final Notice Before Levy* dated 06.14.2013 and 11.08.2013. The *Final Notice Before Levy* advised you collection action could take place without any additional notice to you if you failed to pay your balance due by 06.29.2013 and 11.23.2013. Collection action includes the following: filing a tax lien, imposing a collection fee, garnishing 25% of your wages, contacting third parties, seizing deposit accounts, and seizing and selling personal and real property.

Each notice referenced in this letter was mailed to your last known address of record via first class mail as required by law: RTCs 17036 & 18416. As long as a taxpayer has returns subject to audit, unclaimed income, or a balance due, it is the taxpayer's responsibility to keep us informed of any address changes. If we send notices to a taxpayer's last known address, and the taxpayer has moved and did not provide us with a more current address, due process has been served, even if the taxpayer does not receive the notice.

Additionally, some people complete a change of address form with the United States Postal Service (USPS) when they move. However, the USPS advises its customers that completing this form does not change an address with most government agencies. Specifically, completing this form does not change a person's address with the Franchise Tax Board (FTB). A person must contact us via mail or by telephone to update their address of record with our office. I have enclosed copies of these notices for your records.

We had no record of receiving your payment in full by the dates listed on the *Final Notice Before Levy*. Therefore, we assessed a \$170 collection fee on 03.19.2013, a \$42 lien fee on 08.07.2013, a \$16 lien fee on 01.16.2014, a *Tax Lien Notice* dated 01.21.2014, and an *Order to Withhold Personal Income Tax* (OTW) dated 03.12.2014.

We received information from the Bankruptcy Court you filed for Chapter 7 bankruptcy protection on 06.27.2013. However, the Social Security Number (SSN) you used in your bankruptcy filing was an incorrect number. Therefore, we were unable to match your bankruptcy information to your account, update our system, and suspend collection action. Therefore, the collection action referenced above continued.

On 07.11.2014, we investigated your account, matched your SSN to your bankruptcy, and suspended collection action on your account. If your bankruptcy petition would



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03.25.2015  
Sean Morton, Ph.D  
page 3

have listed your correct SSN, we would have updated your account and suspended collection action on 07.01.2013, before we issued the *Tax Lien Notice* dated 01.21.2014. However, since our lien was filed after you filed for bankruptcy protection, we issued a *Lien Release Notice – Lien Recorded in Error* dated 07.18.2014, indicating we released the lien as filed in error (F.I.E.) Additionally, we canceled the \$42 and \$16 lien fees.

In your letter, you stated you sent a "legal monetary instrument" for \$1,000,000. You stated you received a notice from Jozel Burnett, which in your opinion indicates our assessment was issued in error. However, the *Lien Release Notice – Lien Recorded in Error*, signed by Jozel Burnett, only indicated the lien was filed in error due to your bankruptcy filing. This notice has no bearing on the validity of our assessment. Furthermore, in my previous letter, I advised you that your "legal monetary instrument" was not a valid form of payment and would not be accepted.

In your letter, you stated the IRS found your 2008 federal return to be erroneous. You then stated they changed their mind with no proof or evidence. But you failed to provide any documentation to substantiate your claim.

Since the burden of proof in tax matters falls on the individual, to resolve your 2008 tax year, you must file a tax return and pay the appropriate amount taxes, penalties, fees, and interest, or, provide documentation to prove you do not have a filing requirement. I have enclosed a 2008 tax booklet for your convenience. It contains forms and instructions on how to complete your tax return. Please mail it to the appropriate address listed on the return.

I apologize that I can no longer be of service to you regarding this matter.

Sincerely,

Shelly Clark  
Executive and Advocate Services

Enc.

cc. Lynda Gledhill, Caroline Whitcomb, Jerry Faszner



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12-1-15

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MR. LESLIE: Morton, Case 2:13-26725.

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MR. WINKLER: Paul Winkler, for Jack Varley, on  
behalf of Ms. - Mr. Morton and Ms. Thompson, husband  
and wife.

10

MR. MORTON: Good morning, Sir.

11

12

MR. LESLIE: Good morning. Do you have your  
IDs?

13

MS. THOMPSON: Yes, I --

14

MR. LESLIE: Thank you.

15

MS. THOMPSON: -- simply forgot.

16

MR. LESLIE: Do you have your social --

17

MR. WINKLER: They're, they're --

18

MR. LESLIE: -- security cards?

19

20

21

MR. WINKLER: They're like social, they plan to  
go home, recover it, and be back at 1:30 with the  
social.

22

MR. MORTON: If that's all right, Sir.

23

24

25

MR. LESLIE: That's fine. I'm going to swear  
the two of you in. Do you solemnly swear or affirm  
that the testimony you give in this proceeding will be



1 the truth, the whole truth, and nothing but the truth?

2 MR. MORTON: I do.

3 MS. THOMPSON: Yes.

4

5 E X A M I N A T I O N

6

7 BY MR. LESLIE:

8 Q. State your names for the record, please.

9 MR. MORTON: Sean Morton.

10 MS. THOMPSON: Melissa Thompson Morton.

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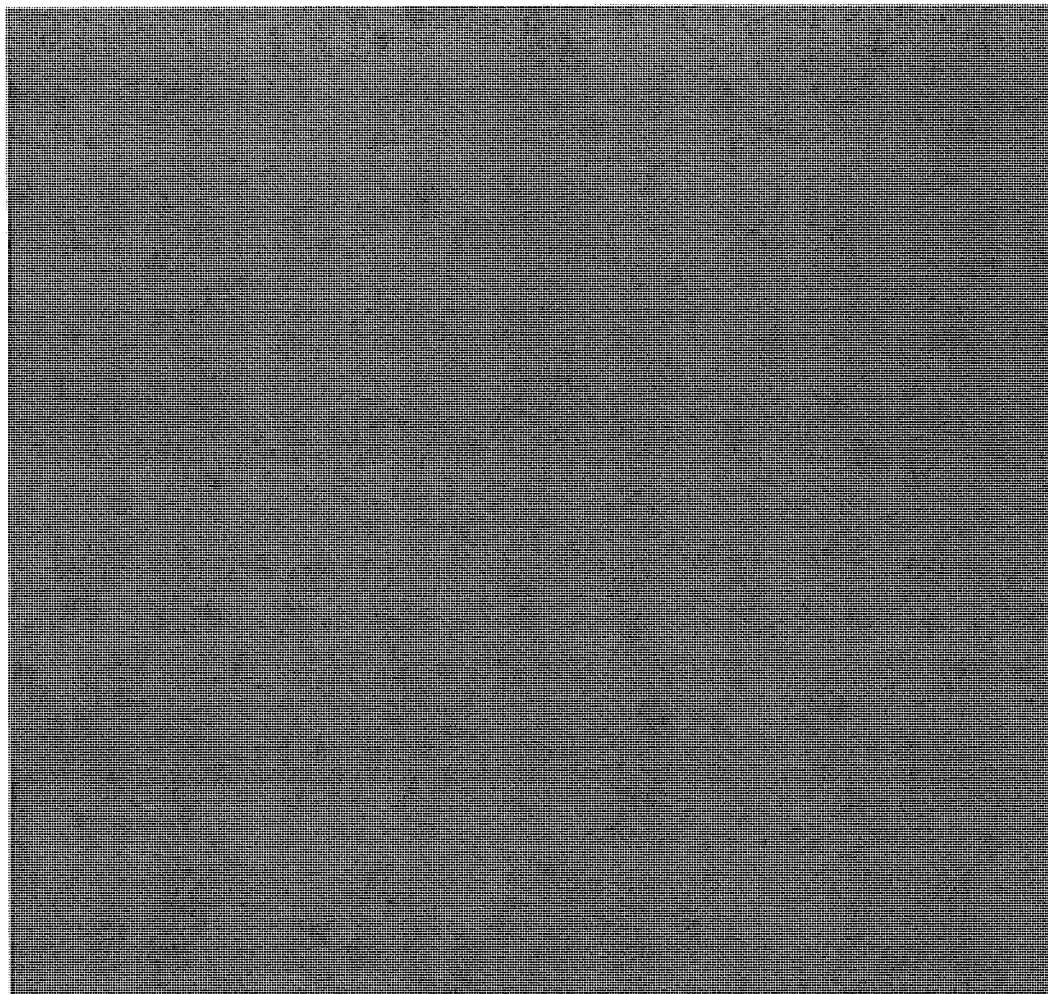
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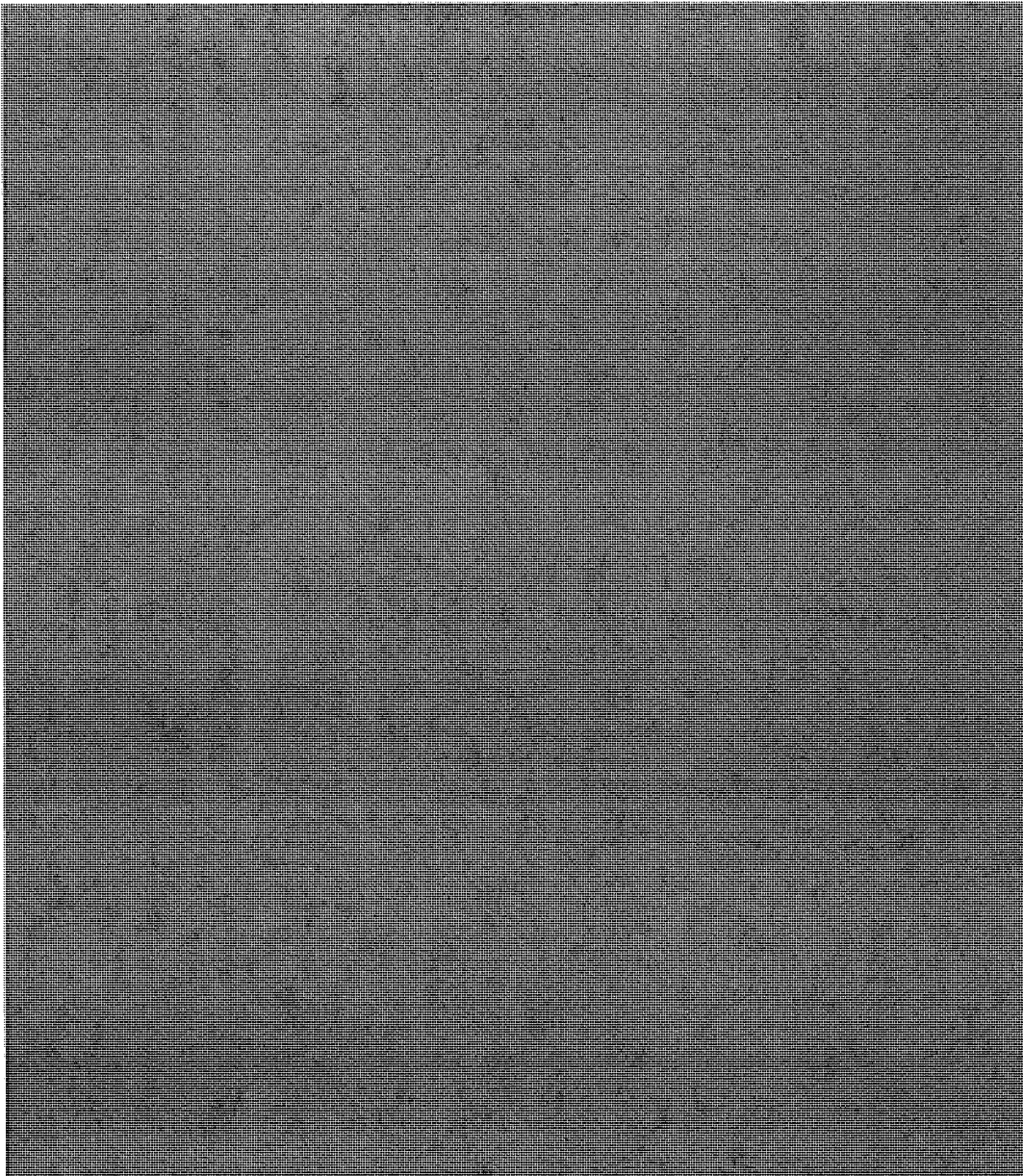
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Q. Did you both review your bankruptcy petition, schedules, and statements carefully prior to signing?

MS. THOMPSON: Yes.

MR. MORTON: Yes, Sir.

Q. Did you understand what you were signing?

1 MS. THOMPSON: Yes.

2 MR. MORTON: Yes, Sir.

3 Q. Did you sign the bankruptcy petition  
4 yourselves?

5 MS. THOMPSON: Yes.

6 MR. MORTON: Yes, Sir.

7 Q. Okay. Is the address that you've listed in  
8 your bankruptcy petition for your personal residence,  
9 true and correct?

10 MR. MORTON: Yes.

11 MS. THOMPSON: Yes.

12 Q. Have either one of you ever filed for  
13 bankruptcy before?

14 MS. THOMPSON: No.

15 MR. MORTON: No, Sir.

16 Q. Do either one of you owe any court ordered,  
17 domestic support obligations?

18 MS. THOMPSON: No.

19 MR. MORTON: No, Sir.

20 Q. Okay. Did you both list all of your assets  
21 that you own, in your bankruptcy petition?

22 MS. THOMPSON: Yes.

23 MR. MORTON: Yes, Sir.

24 Q. That would be - include any assets that  
25 could potentially be overseas?



1 MR. MORTON: We, we have - not --  
2 MS. THOMPSON: We have (unintelligible).  
3 Q. You have no assets overseas?  
4 MR. MORTON: No..  
5 MS. THOMPSON: No, not overseas.  
6 Q. Did you list all the debts that you owe, in  
7 your bankruptcy petition?  
8 MS. THOMPSON: Yes.  
9 MR. MORTON: Yes, Sir.  
10 Q. Is everything else in your bankruptcy  
11 petition, schedules, and statements correct?  
12 MS. THOMPSON: Yes.  
13 MR. WINKLER: She did a summary, I guess.  
14 MR. LESLIE: Yeah.  
15 Q. BY MR. LESLIE: Now, I'm curious about  
16 your, your listing on Schedule B, which is of your  
17 assets, of the tax refund that you think the, that's  
18 due to you for 4.5 million dollars?  
19 MR. MORTON: Yes, Sir.  
20 Q. Can you explain to me the nature of what  
21 you - of that tax refund?  
22 MR. MORTON: We have paperwork from the  
23 Internal Revenue Service that says they owe it to us.  
24 Q. What --  
25 MR. MORTON: And then they --



1 Q. Okay. What, when you say paperwork, was it  
2 an --

3 MR. MORTON: It --

4 Q. -- audit? Was it a --

5 MR. MORTON: It was three different letters  
6 from three different offices of Internal Revenue that  
7 said that they owed us the money. And then --

8 Q. Okay, now, did you get --

9 MR. MORTON: But then we got --

10 Q. Go ahead.

11 MR. MORTON: And then we got a, a piece of  
12 paper from Ogden, Utah, that turned around and said,  
13 "No, we consider your filing frivolous, and we're not  
14 gonna pay you."

15 Q. Okay. Okay. What filing was that?

16 MR. MORTON: Well, I --

17 Q. Well, the, you must - the refund must have  
18 been based on some sort of filing, so I'm asking you,  
19 was it a - a single year tax return, multi-- --

20 MR. MORTON: Multiple year --

21 Q. Multiple years?

22 MR. MORTON: -- tax returns.

23 Q. And what years?

24 MR. MORTON: Six, seven --

25 MS. THOMPSON: Five, six, and seven.

1 MR. MORTON: Five, six, and seven..

2 Q. Okay, so I want to get copies of your 2005,  
3 2006, and 2007. If I understand correctly, you have -  
4 the last filed return was 2008?

5 MR. MORTON: Yes, Sir.

6 Q. Okay. And I want to get a copy of your  
7 2008.

8 MR. MORTON: I thought that was provided  
9 already.

10 Q. And --

11 MR. WINKLER: Yeah, I - you're sure you don't  
12 have '08, because --

13 MR. LESLIE: Yeah.

14 MR. MORTON: We --

15 MR. WINKLER: -- the, the office said they  
16 provided --

17 MR. LESLIE: I, I - the --

18 MR. WINKLER: Ms. Thompson's --

19 MALE SPEAKER: We'll double check --

20 MR. LESLIE: We'll double check.

21 MALE SPEAKER: And if not, then we'll --

22 MR. WINKLER: All right.

23 MR. LESLIE: We'll let the, let the Counsel  
24 know.

25 Q. BY MR. LESLIE: Okay. On your, on the debt

1 that you've listed - okay, let me ask you about Larry  
2 Fordonney (phonetic).

3 MR. MORTON: Fordeoney (phonetic) - yes.

4 Q. Fordeoney?

5 MR. MORTON: He's our landlord.

6 Q. Right.

7 MR. MORTON: And over the --

8 Q. All right.

9 MR. MORTON: Over the course of, over the  
10 course of the years that I, I've lived in his rented  
11 house, we have a construction firm - Mr. Fordeoney  
12 refused to do any upgrades or any repairs to the --

13 Q. Um-hmm.

14 MR. MORTON: -- property. So we had a company  
15 called Plazudo (phonetic) Construction come in and do  
16 repairs and improvements to the property.

17 Q. Do you agree with all of this testimony,  
18 Ma'am?

19 MS. THOMPSON: Yes.

20 Q. And you agreed --

21 MS. THOMPSON: Yeah, most of it.

22 Q. -- with the testimony on the tax returns?

23 MS. THOMPSON: Yes.

24 Q. Okay. Did you also sign the tax returns?

25 MS. THOMPSON: No, they were separate.

1 Q. So they're married --

2 MS. THOMPSON: Filed separately.

3 Q. -- filing separate? So what --

4 MS. THOMPSON: Right.

5 Q. -- I'm going to need --

6 MS. THOMPSON: And mine, you'll - you should  
7 have 2012 for myself.

8 Q. I don't recall seeing 2012. So, so --

9 MS. THOMPSON: But (unintelligible) --

10 Q. It, it doesn't mean --

11 MS. THOMPSON: Okay.

12 Q. I don't recall seeing them.

13 MS. THOMPSON: This - okay.

14 Q. Sometimes the mail doesn't quite make it to  
15 me, seven days.

16 MS. THOMPSON: Okay.

17 Q. Okay.

18 MS. THOMPSON: Yes.

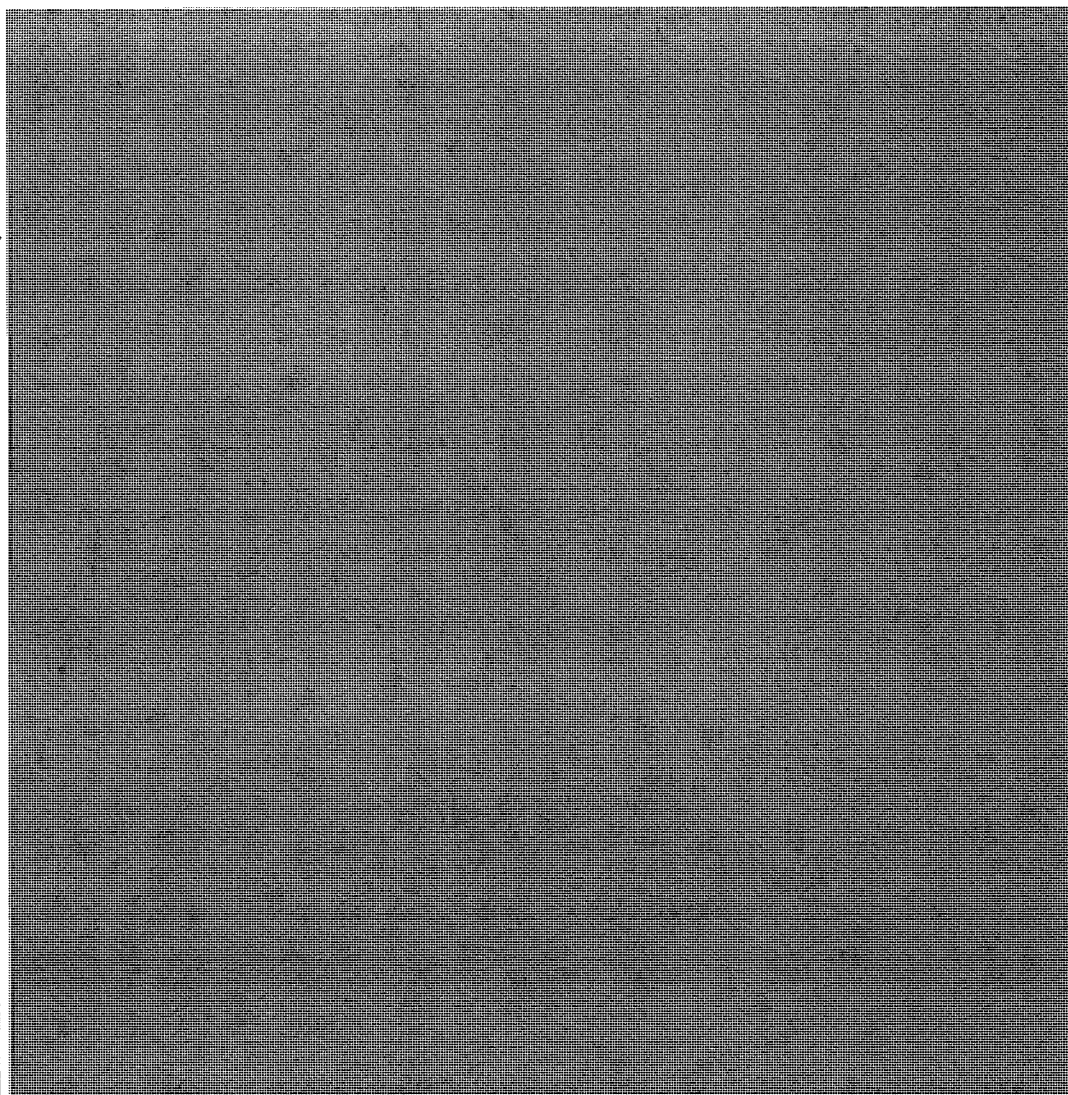
19 Q. So these are the - what I'm going to call  
20 Sean's tax returns. Ma'am, I'm going to want from  
21 you, I'm going to call them Melissa - I'm going to  
22 want 2010, 2011, and 2012.

23 MS. THOMPSON: Okay, I only have 2012. I did  
24 not file in '10, or '11. I did not have any income.

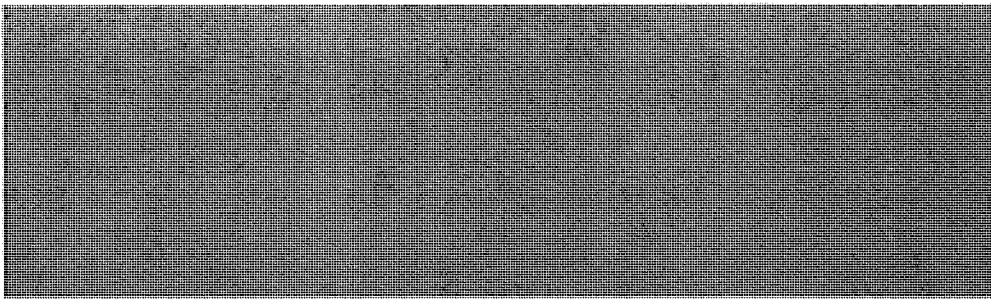
25 Q. Okay. How about 2009?

1 MS. THOMPSON: No.  
2 Q. 2008?  
3 MS. THOMPSON: No.  
4 Q. 2007?  
5 MR. MORTON: She's, she's, she's --  
6 Q. When's the last year you filed --  
7 MR. MORTON: (unintelligible)  
8 Q. -- besides 2012?  
9 MS. THOMPSON: 1999, I believe.

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MR. ABOKE: Thank you.

MALE SPEAKER: Okay.

MR. ABOKE: Do you want that?

FEMALE SPEAKER: Thank you.

MALE SPEAKER: I just started the record.

MR. LESLIE: Okay.

MALE SPEAKER: Could I get you to fill that out  
over here, please.

MALE SPEAKER: Oh, okay. Just the, just the  
name?

MALE SPEAKER: Yeah, just your name.

FEMALE SPEAKER: You're not alone over here.

MALE SPEAKER: Yeah.

MALE SPEAKER: That's so you can get, get paid  
out through the (unintelligible).

MR. LESLIE: Sean David Morton and Melissa Ann  
Thompson, Case 213-26725.

MS. THOMPSON: Yeah. Hi. Good afternoon.

MR. FLEMMING: (unintelligible) Flemming  
(phonetic) for John Varley, Counsel for the Mortons.



1 MR. LESLIE: Okay, and you have your IDs?

2 MS. THOMPSON: Yes.

3 MR. LESLIE: Thank you. Do you have your  
4 driver's license?

5 MALE SPEAKER: (unintelligible)

6 MR. LESLIE: And do you two want to go ahead  
7 and go on the record, while we're --

8 MS. MORRISON: Kelly Morrison, Trial Attorney  
9 with the Office of the United States Trustee.

10 MR. ABOKE: Tayo Aboke, Bankruptcy Analyst,  
11 OUST.

12 MR. LESLIE: And I'm going to swear the two of  
13 you in. Do you solemnly swear or affirm that the  
14 testimony you give in this proceeding will be the  
15 truth, the whole truth, and nothing but truth?

16 MR. MORTON: I do.

17 MS. THOMPSON: I do.

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19 E X A M I N A T I O N

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21 BY MR. LESLIE:

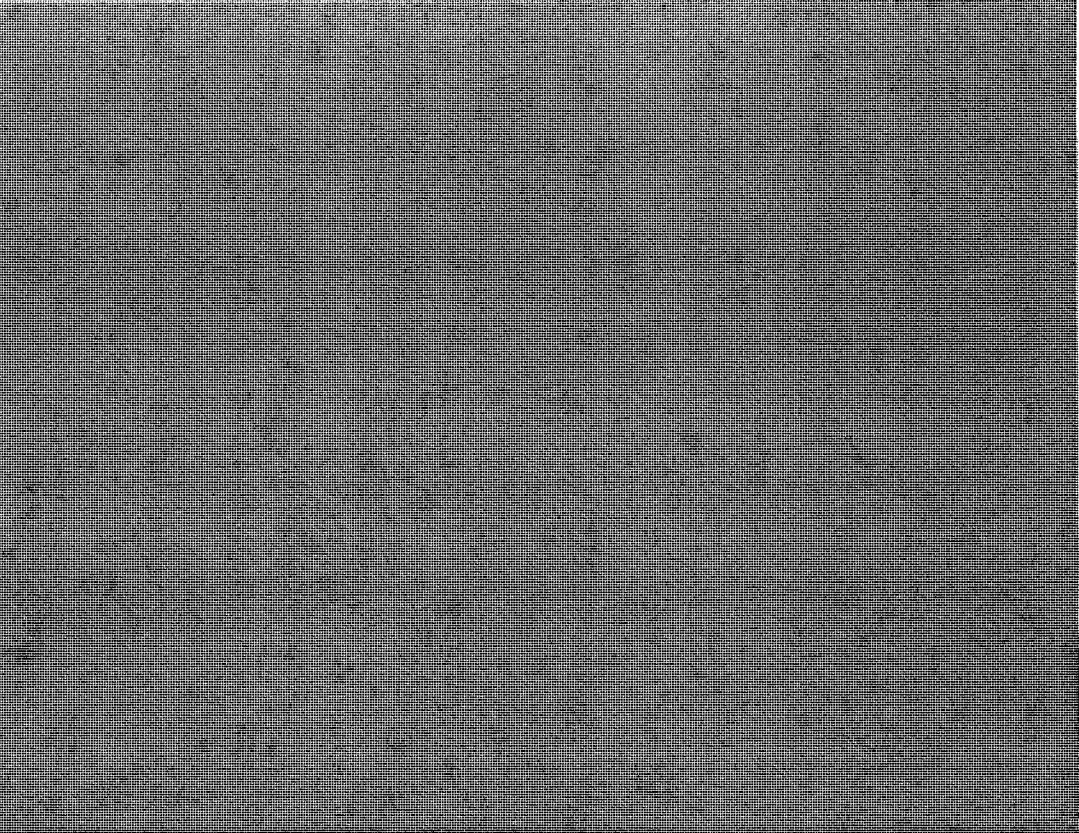
22 Q. State your names for the record, please.

23 MR. MORTON: Sean David Morton.

24 MS. THOMPSON: Melissa Ann Thompson.

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Q. BY MS. MORRISON: Did you review your  
papers before you signed them?

MS. THOMPSON: Yes.

Q. Okay. And they were true and correct?

MS. THOMPSON: Yes, to the best of our  
knowledge, yes.

Q. Okay. Do you know of any errors or  
omissions that you need to let me know about before I  
proceed?

MS. THOMPSON: No.

Q. Okay. And --

MR. LESLIE: Sir --



1 MR. MORTON: I --

2 Q. BY MS. MORRISON: -- that's --

3 MR. MORTON: I --

4 Q. -- true for both of you?

5 MS. THOMPSON: Sorry, I'm answering.

6 MR. MORTON: I, I don't know. I, I - to the  
7 best of our recollection, they are, I believe, but I'm  
8 not sure.

9 Q. You're not sure? Okay. Do you want a  
10 chance to look through everything once again, just to,  
11 just to check?

12 MR. MORTON: No, I don't, I don't think so.

13 Q. Okay.

14 MR. MORTON: Oh, go ahead, then. I thought you  
15 were --

16 Q. All right.

17 MR. MORTON: -- going to ask me something.

18 Q. I'm going to start with Schedule B.

19 MR. ABOKE: So just, just one question.

20 MS. MORRISON: Sure.

21 Q. BY MR. ABOKE: So to answer that - so are  
22 the schedules true and correct, to the best of your  
23 knowledge?

24 MR. MORTON: To the best of my knowledge, they  
25 should --

1 MS. THOMPSON: Answer the question.

2 MR. MORTON: -- they should be.

3 Q. BY MR. LESLIE: And, and you - let me just  
4 chime in here, too. So prior to filing bankruptcy,  
5 you did review your filing to make sure it was true  
6 and accurate?

7 MR. MORTON: Yes, to the best of my ability.

8 Q. Okay. And you signed the petition,  
9 bankruptcy petition yourself?

10 MR. MORTON: Yes.

11 MS. THOMPSON: Yes.

12 Q. Okay. And you've listed all the assets  
13 that you own, and all the debts that you owe in your  
14 bankruptcy petition?

15 MS. THOMPSON: Yes.

16 MR. MORTON: Yes.

17 Q. Okay.

18 Q. BY MS. MORRISON: Okay. I want to start  
19 with Schedule B, paragraph number 2, which is a  
20 question concerning bank accounts, states: Debtors do  
21 not have a bank account. Is that true?

22 MS. THOMPSON: Yes.

23 MR. MORTON: Yes.

24 MS. THOMPSON: Correct.

25 Q. So you don't have a personal bank account.

1 MS. THOMPSON: No.

2 MR. MORTON: No.

3 Q. No checking, savings, nothing --

4 MR. MORTON: No.

5 Q. -- like that.

6 MS. THOMPSON: No.

7 MR. MORTON: No personal --

8 Q. Okay.

9 MR. MORTON: -- bank accounts.

10 Q. When was the last time that you did have a  
11 bank account?

12 MS. THOMPSON: I had a Wells Fargo in, I  
13 believe, 2010, maybe in 2011, and a, a Chase account  
14 in 2010. It was actually a Washington Mutual and then  
15 they were bought by Chase.

16 Q. Okay. Why don't you have a bank account?

17 MR. MORTON: We've just been, been doing  
18 everything with, with cash and money orders.

19 Q. Where do you hold your money?

20 MR. MORTON: At, at, at home, and in hand -  
21 when --

22 Q. Okay. So everything that you use to  
23 purchase things is cash that you're storing at your  
24 home?

25 MR. MORTON: That's - well, we don't have a

1 home now, but it's - at, at the moment, yes.

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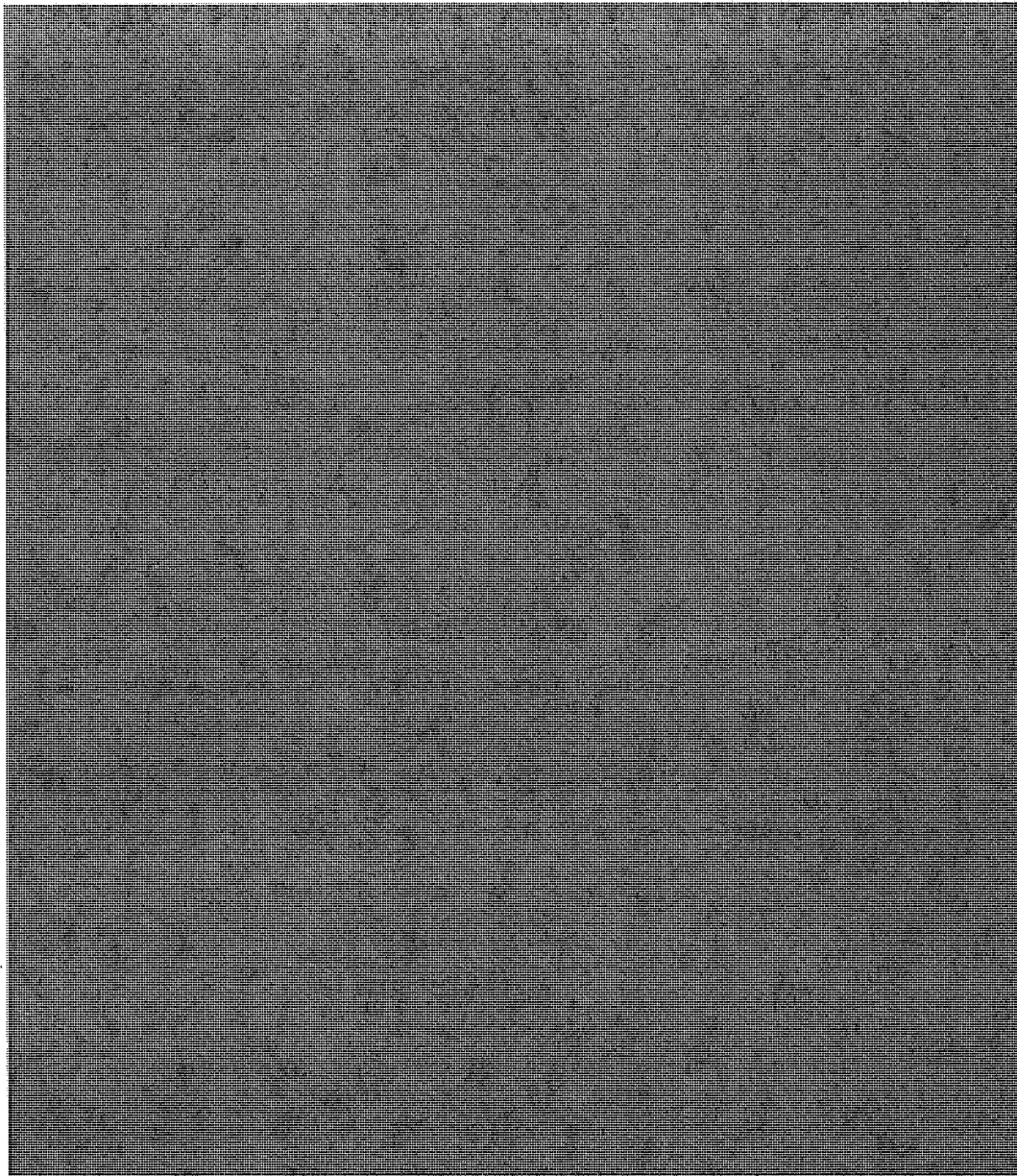
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MR. MORTON: Yes.

Q. Okay. So where have, where have you  
traveled over the past year?

MR. LESLIE: Can we see your passports?

MR. MORTON: New, New York and, and --

MS. THOMPSON: Been to Mexico.

1 Q. BY MR. ABOKE: So where, where did you go  
2 in New York, and where did you go in Mexico?

3 MS. THOMPSON: That was in 2011. That was 2012  
4 (unintelligible).

5 MR. MORTON: I went to - I'm flown into New  
6 York City. They just, they pay my expenses, but I'm  
7 flown into New York City. Usually, I, I speak at  
8 spiritual and religious conferences. Last year, I  
9 went to, I went to India, where they flew me to India;  
10 they paid my expenses, to go to --

11 Q. What --

12 MR. MORTON: -- India.

13 Q. -- month and year did you fly to India?

14 MR. MORTON: This last September, October.

15 Q. Of 2012?

16 MR. MORTON: '12, yes.

17 Q. And that was for work?

18 MR. MORTON: Yes. Well, I don't know if you  
19 call it work. It was, I was - I donate my time to a,  
20 they, they fly me out and pay my expenses to speak at  
21 a spiritual retreat in Pyramid Valley, in Bangalore.  
22 And then I volunteer at hospitals there, and --

23 Q. Did you --

24 MR. MORTON: There was --

25 Q. -- receive compensation --

1 MR. MORTON: No.

2 Q. -- for that?

3 MR. MORTON: No, I --

4 Q. No?

5 MR. MORTON: -- received expenses.

6 Q. Okay. And to Mexico, what was that for?

7 MR. MORTON: Well, I --

8 MS. THOMPSON: That was the cruise last October

9 that --

10 MR. MORTON: I --

11 MS. THOMPSON: -- they paid for --

12 MR. MORTON: I didn't --

13 MS. THOMPSON: -- us.

14 MR. MORTON: -- go.

15 MS. THOMPSON: Oh, no, you didn't go. That's

16 right.

17 MR. MORTON: No.

18 MS. THOMPSON: You didn't go.

19 Q. I didn't hear it. Could you speak up?

20 MS. THOMPSON: Well, that was --

21 MR. MORTON: I didn't --

22 MS. THOMPSON: -- December.

23 MR. MORTON: Well, I didn't go to Mexico.

24 MS. THOMPSON: But, yeah.

25 MR. MORTON: So, no, that's just --

1 MR. LESLIE: Ma'am, did you go to Mexico?

2 MS. THOMPSON: Last October, and you were,  
3 neglect-- forgetting this.

4 MR. MORTON: Okay.

5 MS. THOMPSON: It was the cruise to the  
6 Yucatan, and his expenses were paid, and they actually  
7 paid for me to go, as well.

8 MR. MORTON: And that's basically just in  
9 exchange for, for speaking on the cruise. They, they  
10 just reimburse expenses for speaking on the cruise.

11 Q. BY MR. ABOKE: And when you say 'they',  
12 who, who, who are they?

13 MR. MORTON: It was a company called Divine  
14 Travels.

15 MS. THOMPSON: Divine Travels.

16 Q. Do you have the name and contact  
17 information?

18 MR. MORTON: It --

19 Q. For Divine Travels?

20 MR. MORTON: Not with us. It's --

21 Q. Or you can obtain that?

22 MR. MORTON: Yes.

23 MS. THOMPSON: Yeah.

24 Q. Yes. All right. And for New York, what  
25 city?



1 MR. MORTON: New York City.

2 Q. Oh, just going back to Mexico. So it was  
3 just October of 2012?

4 MS. THOMPSON: Correct.

5 Q. Or it was - were there any other dates?

6 MS. THOMPSON: No. That was just October of  
7 2012.

8 Q. Okay. Thank you. And Mexico?

9 MS. THOMPSON: Yeah, that was the Yucatan.

10 Q. BY MS. MORRISON: Okay. And New York?

11 MS. THOMPSON: The Yucatan is in Mexico.

12 Q. BY MR. ABOKE: Okay, yeah. Thank you.

13 Sorry.

14 MS. THOMPSON: I know that's --

15 Q. Geography.

16 MS. THOMPSON: -- confusing, it's that side.

17 Q. What city in, what city in New York?

18 MS. THOMPSON: Oh, I'm sorry, I was going to  
19 say Cozumel.

20 MR. MORTON: New York City.

21 Q. New York City.

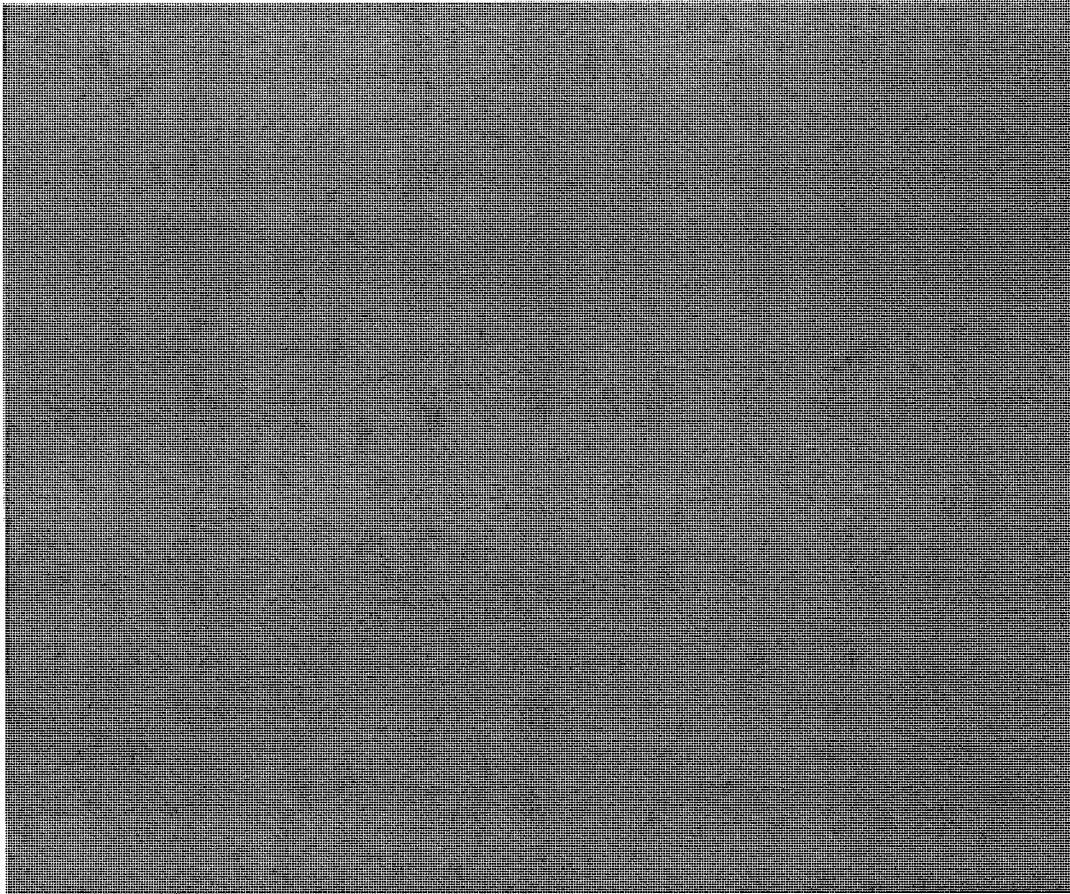
22 MR. MORTON: Right.

23 Q. And that was for --

24 MR. MORTON: To, to speak at a convention  
25 there, just (unintelligible) basically just reimbursed

1 my flight and my expenses.

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16 Q. BY MR. ABOKE: So on your Schedule B, Item  
17 Number 18, it lists 4.5 million, as far as taxes for  
18 personal property. Could you explain how that came  
19 about?

20 MR. MORTON: Well, it wasn't taxes for personal  
21 property. It was, we filed - we - at the, at the time  
22 we had a, a - at the time, we were members of LLCs,  
23 and the LLCs were engaged in forex trading. And so we  
24 filed forms with the, with the IRS --

25 MS. THOMPSON: May, may I correct that?

1 MR. MORTON: Yes.

2 MS. THOMPSON: He filed.

3 MR. MORTON: Right.

4 MS. THOMPSON: He's - he's using the plural but  
5 it is --

6 MR. MORTON: Okay, I'm sorry.

7 MS. THOMPSON: -- he filed.

8 MR. MORTON: Yeah.

9 MS. THOMPSON: I'd like to legally collect --

10 MR. MORTON: Yeah.

11 MS. THOMPSON: Correct that, please.

12 MR. MORTON: Of what are called the 1040As, and  
13 1099 OIDs, under what we believed to be the proper tax  
14 code. And we received letters back from the Internal  
15 Revenue Service that said that they owed us, from  
16 three different offices, that said they owed us that  
17 money. And then we got a letter from an office in  
18 Ogden that said that even though we had the three  
19 letters that said we'd filed everything properly, and  
20 we'd done everything properly under what's known as  
21 the Widely Held Financial Investment Trust, and what's  
22 known as 1099 OIDs and 1040As --

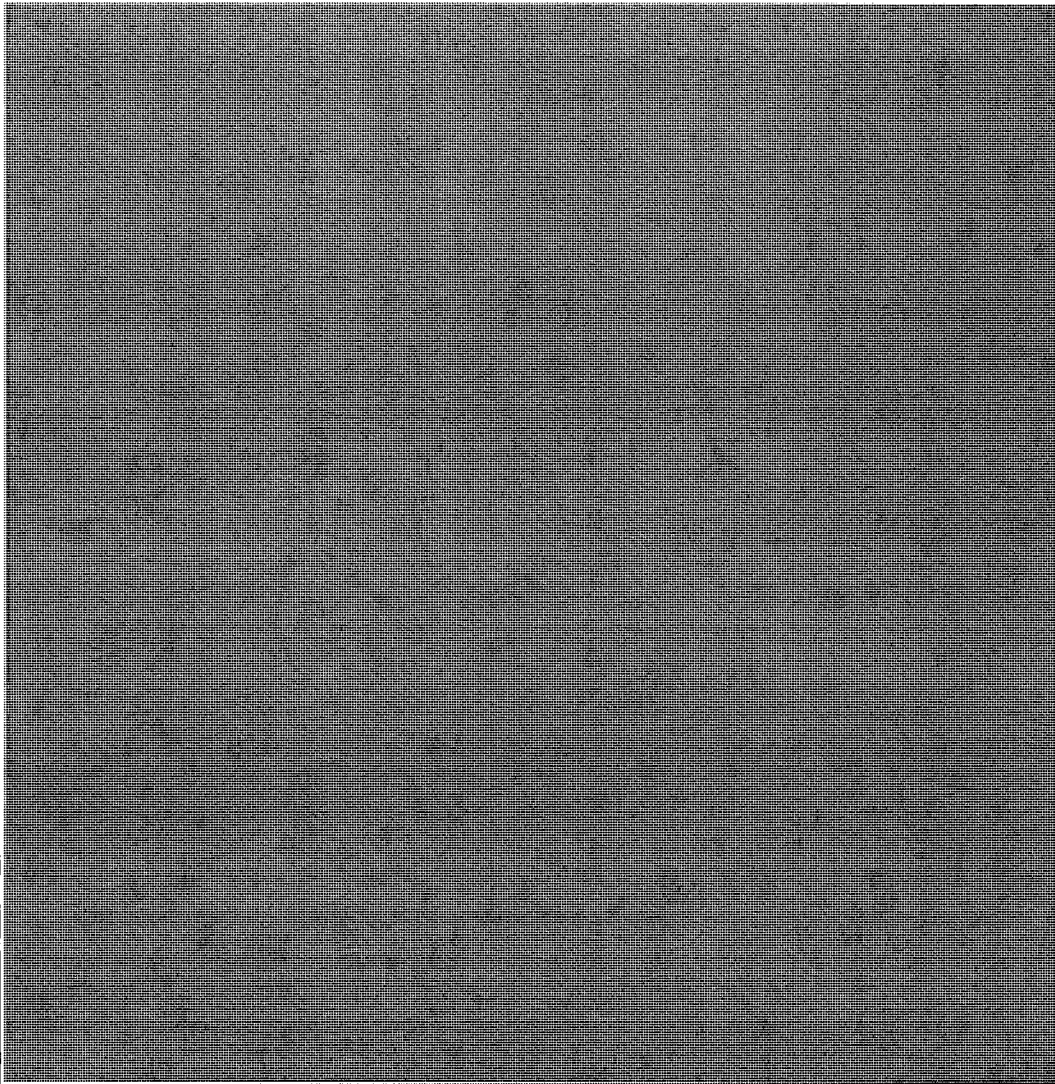
23 MR. ABOKE: This last one, we have.

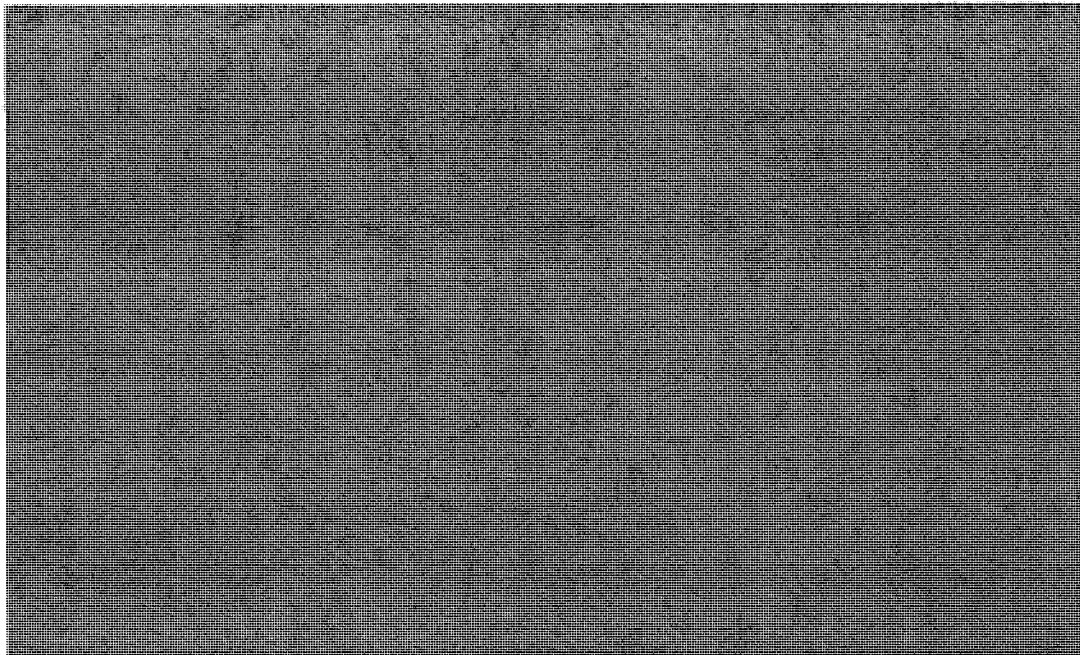
24 MR. MORTON: They sent us letters that said  
25 they owed us the money. And then we got the letters



1 from Ogden, Utah, that said that they considered the  
2 returns to be frivolous. We disagreed with that, and  
3 I believe that's also when - they didn't - I don't  
4 think at that time, they filed any like, frivolous  
5 liens or anything - at that time. We've also  
6 continued to request that they return the funds that  
7 they claimed they owed us. We filed what, what were  
8 called 843s with them, and they've, they've again,  
9 never responded.

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MS. THOMPSON: Actually, my, most of my background is in secretarial or administrative support.

Q. Okay.

MS. THOMPSON: I did, prior to moving to California, working in Utah, I worked in banking, in mortgages, basically.

Q. Did you work for a particular firm?

MS. THOMPSON: I did. Zion's First National Bank.

Q. Okay.

MS. THOMPSON: And then I worked for Crossland Mortgage, which has now been bought by Wells Fargo.

Q. And what was your specif-- what were your specific duties?



1 MS. THOMPSON: Quality control. So I would  
2 basically - re-underwrite the loans that were already  
3 done, so I was just - I was auditing; I was basically  
4 auditing the close loans, to then sell on the  
5 secondary market.

6 Q. Did you receive any certifications, or any,  
7 or any --

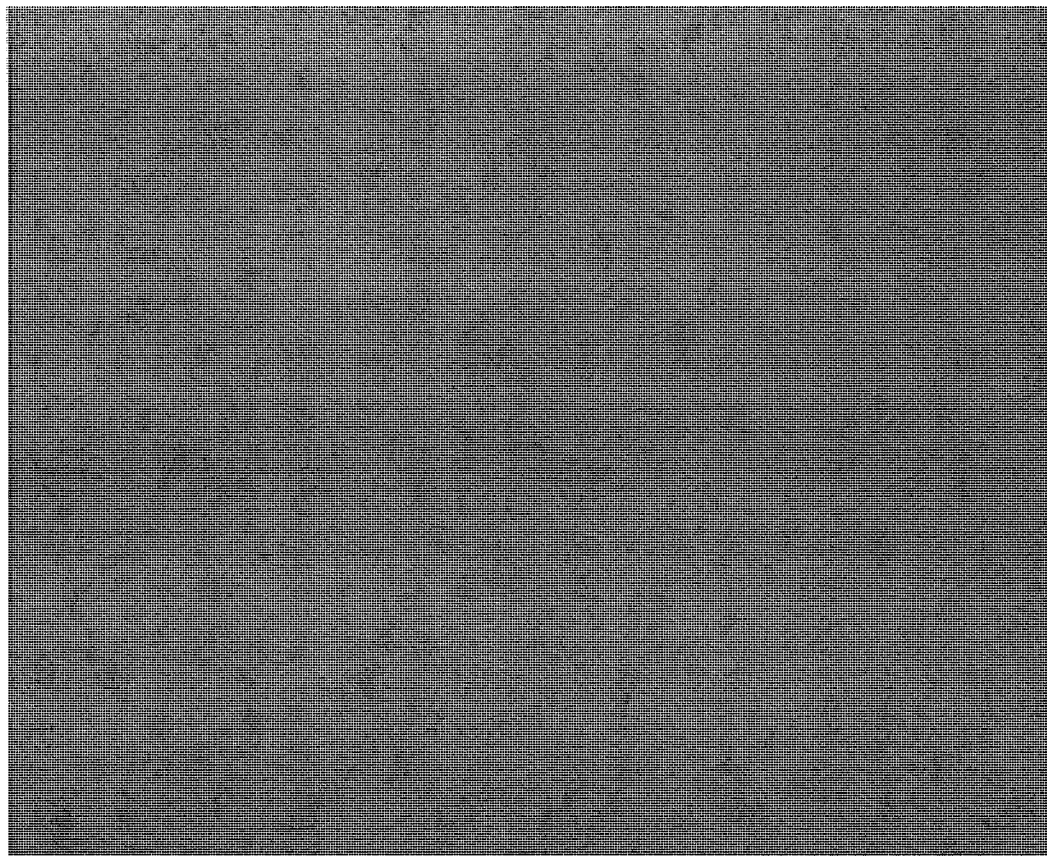
8 MS. THOMPSON: Most of it was just on the job  
9 training.

10 Q. On the job training.

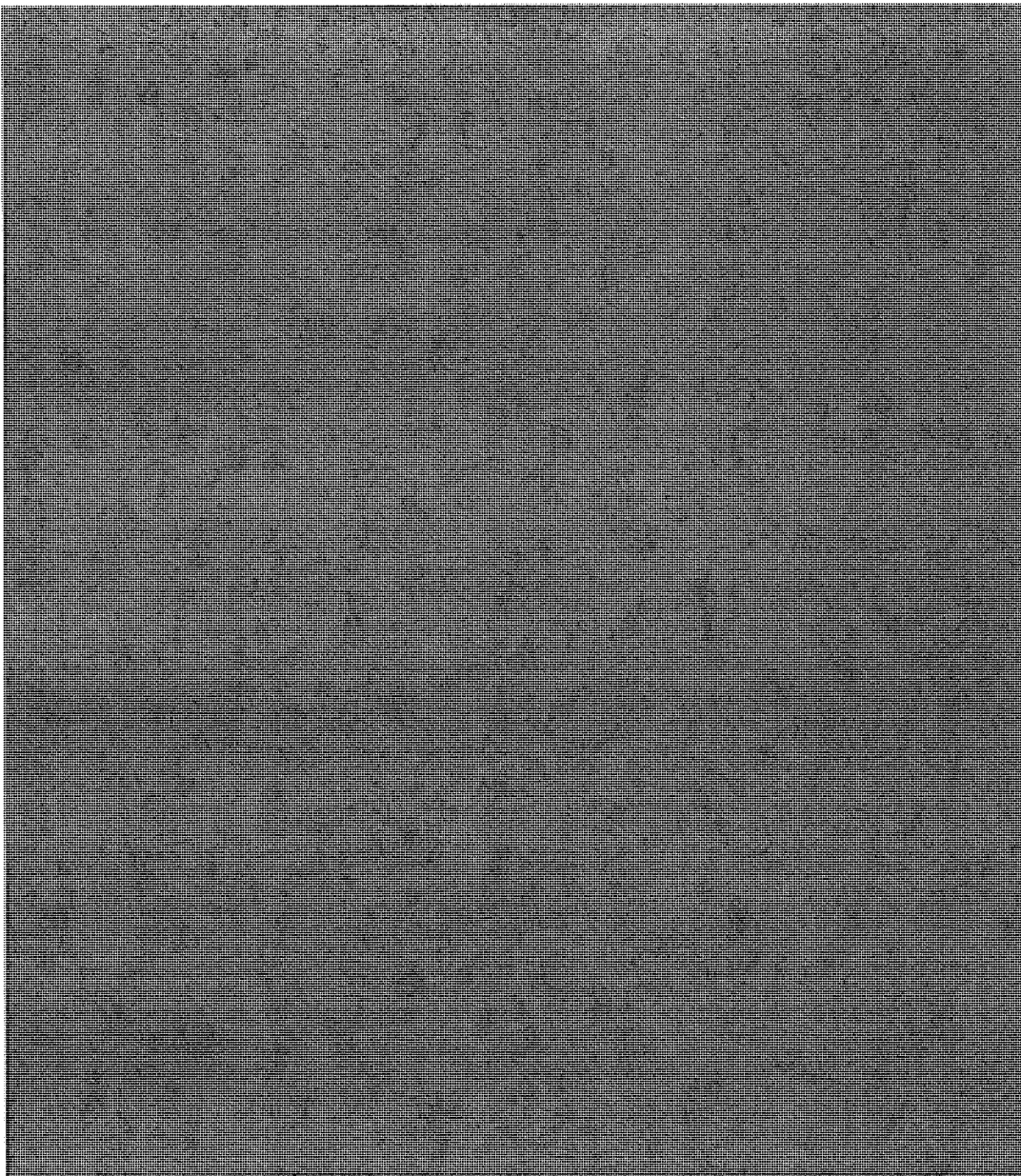
11 MS. THOMPSON: Yes.

12 Q. Thank you.

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Q. Yeah, your Statement of Financial Affairs,  
paragraph 18 through 25 --

MR. MORTON: Yes.

Q. Requests, or, or advise you that you need  
to list all businesses, sole proprietorships,  
corporations, businesses that you've had an interest

1 in, within the six years immediately preceding the  
2 filing of this case, which means that all of these  
3 should have been listed.

4 MS. THOMPSON: Actually, those would have been  
5 seven years.

6 MR. MORTON: That would have been seven years  
7 ago.

8 MS. THOMPSON: Almost eight years.

9 Q. Well, you told me that --

10 MR. MORTON: Seven years.

11 Q. -- Magic Eight Ball was, or I'm sorry, PRI  
12 was operating at least to about 2008.

13 MS. THOMPSON: That's --

14 Q. Two --

15 MS. THOMPSON: I said '07 or '08, to the best -

16 -

17 MR. MORTON: Oh.

18 MS. THOMPSON: -- of my recollection.

19 MR. MORTON: Okay.

20 MS. THOMPSON: Could have been '07. I do not  
21 recall.

22 Q. Okay.

23 MS. THOMPSON: I really don't know.

24 MR. MORTON: We're not --

25 MS. THOMPSON: I --



1 MR. MORTON: We're just, we're not --

2 MS. THOMPSON: I apologize.

3 MR. MORTON: We're not very good at this.

4 Q. All right. Did you talk about these  
5 businesses with your counsel before you filed?

6 MR. MORTON: Well, they've been gone for so  
7 long, I - we, we didn't think that they were relevant.  
8 It's, it's - to what's going on here, you know, with  
9 us personally. It's, this - I was only - I --

10 Q. Okay. Do you have any other businesses,  
11 other than what we have discussed here right now, that  
12 you want to tell me about?

13 MS. THOMPSON: I do not.

14 Q. Sir?

15 MR. MORTON: That we have - that we're  
16 personally invested in?

17 Q. Any businesses that you have, other than  
18 the, what we've already discussed, that you want to  
19 tell me about right now?

20 MR. MORTON: Uh, well, the only thing, the  
21 only, the only other thing that we have is, is - I'm  
22 gonna have to, I'll - I'm gonna have to look through  
23 my records on that, please.

24 Q. Okay.

25 Q. BY MR. LESLIE: Sir, if you go the websites

1 and you Google your name, your name pops up on a bunch  
2 of sites. Are those all just legacy populations of,  
3 of Google's site, or a Bing or a Yahoo search?  
4 Because it appears that you're active in businesses,  
5 if I look currently on the websites.

6 MR. MORTON: Such as?

7 MS. THOMPSON: Can you --

8 Q. So I'd suggest here --

9 MS. THOMPSON: Can you --

10 Q. -- you come up as someone that's in the  
11 psychic world.

12 MR. MORTON: I do - yes.

13 Q. Offering - so are you currently engaged in  
14 any business, offering your services?

15 MR. MORTON: No.

16 Q. But as of --

17 MS. THOMPSON: Well --

18 Q. Within the last six years, you --

19 MS. THOMPSON: You do the radio show, but it's  
20 all --

21 MR. MORTON: I --

22 MS. THOMPSON: -- volunteer.

23 MR. MORTON: I do a radio show --

24 MS. THOMPSON: You don't get --

25 MR. MORTON: -- that's --

1 MS. THOMPSON: -- paid for it.

2 MR. MORTON: -- all volunteer. So --

3 MS. THOMPSON: You don't get paid for it.

4 MR. MORTON: Huh. Yeah, I mean, I work on a -  
5 I work on a volunteer supported radio program,  
6 currently.

7 Q. BY MS. MORRISON: Okay.

8 MR. MORTON: Yeah.

9 Q. What can you tell me about Heaven and Earth  
10 LLC?

11 MR. MORTON: Oh, okay. All right, Heaven and  
12 Earth is - was - okay. Umm, uh, I'm - I'm not gonna  
13 discuss that at the moment.

14 Q. So are you refusing --

15 MR. MORTON: Is that all right?

16 Q. -- to answer?

17 MR. MORTON: Sorry.

18 MR. FLEMMING: Well, I don't know what you're  
19 thinking about it, because I've talked about it. Step  
20 outside for a minute, I (unintelligible)

21 MR. MORTON: All right. Can I talk to my  
22 counsel for a second, please?

23 MR. FLEMMING: Be right back.

24 MS. THOMPSON: Do you need me, too? Or just  
25 (unintelligible).

1 MR. LESLIE: Do you want me pause it?  
2 MS. MORRISON: Yeah.  
3 MS. THOMPSON: Oh.  
4 [RECORDING OFF FOR BREAK]  
5 [BACK ON THE RECORD]  
6 MALE SPEAKER: Okay. Is that recording?  
7 MALE SPEAKER: Yeah. Yeah, the --  
8 MS. MORRISON: Yeah.  
9 MALE SPEAKER: (unintelligible) flashing.  
10 MALE SPEAKER: Yes. There you go.  
11 MR. LESLIE: Thank you. We're back on the  
12 record. This is Sean David Morton and Melissa Ann  
13 Thompson, continuation of the 314(a) on September 6th,  
14 2013.  
15 MR. FLEMMING: All right.  
16 MR. MORTON: Again, you have to forgive us.  
17 We're in - we're completely in shock. We're, we - as  
18 I said, we've been evicted yesterday from our home;  
19 there was no actual protections for bankruptcy  
20 whatsoever. We're literally just living in a hotel  
21 room with our cats, with no real hope of any place to  
22 go.  
23 MS. MORRISON: Okay.  
24 MR. FLEMMING: So getting back to - do you want  
25 to explain what Heaven and Earth was? And that would

1 be appropriate now.

2 MR. MORTON: Okay. Heaven and Earth, yes.  
3 Heaven and Earth is a, an LLC that was, that was set  
4 up in essence for one of the members of the LLC. The,  
5 the, the place that we reside is --

6 MS. THOMPSON: Previously resided.

7 MR. MORTON: Previously resided, there were a  
8 number of people that lived there, that came and went,  
9 and on and off. So LLC was, the L-- Heaven and Earth  
10 LLC was set up to basically pay the rent on the  
11 property, to allow other members of the LLC who were  
12 living there - not living there, but you know, coming  
13 and going, to be there. And I, I can't say I managed  
14 the property. I, I just was - we were living at the  
15 property, and the, the LLC, the Heaven and Earth LLC  
16 was paying the rent on the, on the property, or it  
17 was, on 2207 Hermosa.

18 Q. BY MS. MORRISON: Okay. Ma'am, Ms. Morton,  
19 the Statement of Financial Affairs, paragraph number  
20 21, in the Heaven and Earth case, which is, for the  
21 record, it's Case Number 213-BK-31325-BR.

22 MR. MORTON: Yes.

23 Q. Filed on August 24th, 2013.

24 MS. THOMPSON: Yeah, I didn't, I didn't bring  
25 that with us.



1 MR. MORTON: Yes.

2 Q. SOFA Number 21 states that Melissa Morton  
3 is the managing member with a 25% equity share. Is  
4 that correct?

5 MS. THOMPSON: That would be correct.

6 Q. And Mr. Morton, you are listed as a member  
7 with a 25% equity share. Is that correct?

8 MR. MORTON: I, I, I, I guess.

9 Q. Well --

10 MR. FLEMMING: No, it's not a guess.

11 MR. MORTON: Okay.

12 MR. FLEMMING: But --

13 MR. MORTON: I --

14 MR. FLEMMING: Yes or no --

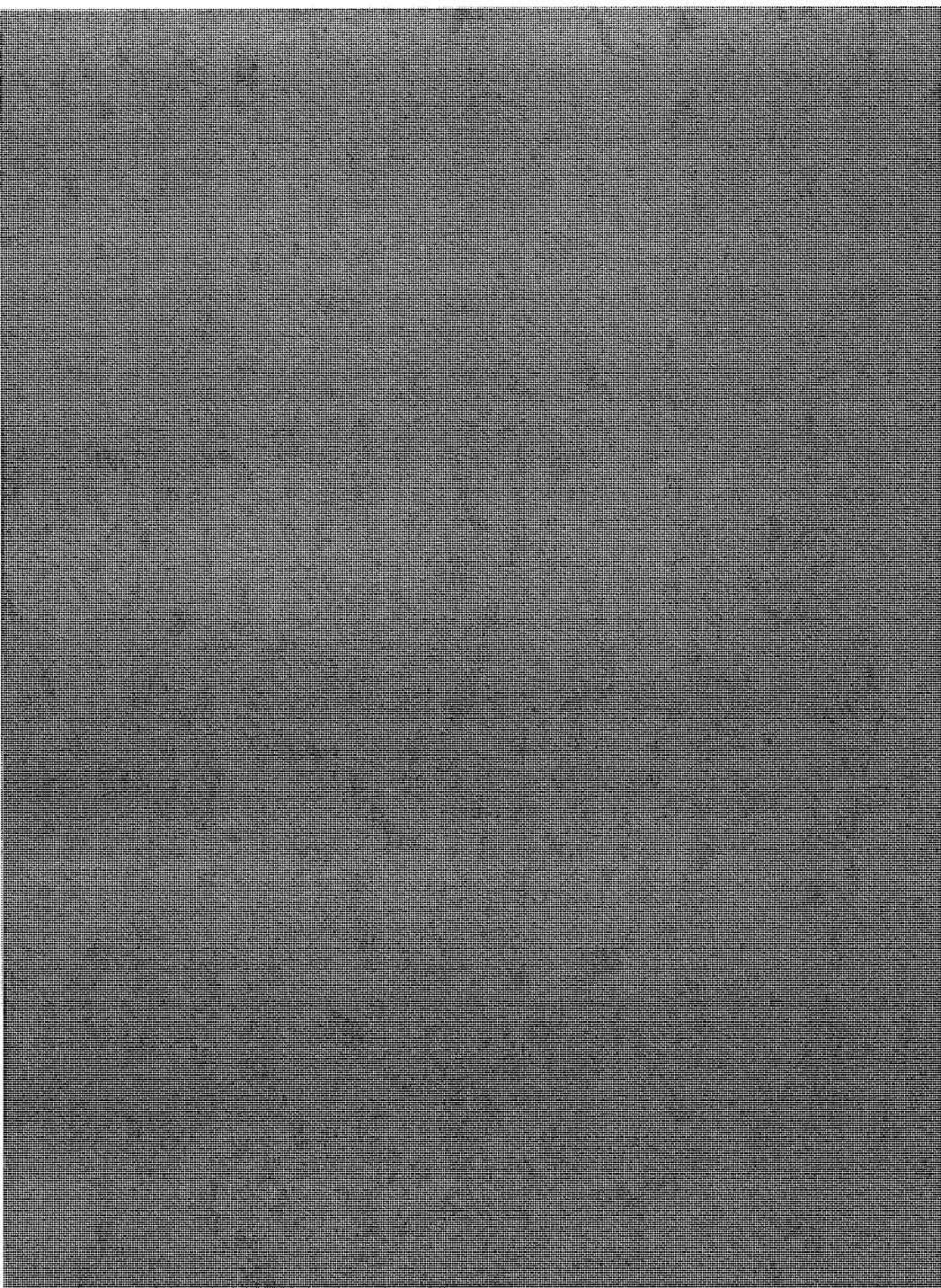
15 MR. MORTON: I --

16 MR. FLEMMING: Or you don't remember, you're  
17 not sure.

18 MR. MORTON: I don't, I don't remember.

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23 Q. BY MS. MORRISON: All right. I have a  
24 couple more questions about Heaven and Earth. It  
25 states here in your Statement of Financial Affairs,

1 paragraph 18, that the nature of the business is  
2 educational, sales of educational materials. How does  
3 that fit into your description earlier that it was  
4 designed to pay the rent?

5 MR. MORTON: Uh --

6 MS. THOMPSON: Well, that was previous to what,  
7 two years ago? Or --

8 MR. MORTON: Yeah.

9 MS. THOMPSON: Prior to two years ago, how does  
10 that (unintelligible) --

11 MR. MORTON: I --

12 MS. THOMPSON: If I'm saying that correctly.

13 MR. MORTON: I can't answer that question..

14 Q. Has Heaven and Earth ever sold educational  
15 materials?

16 MS. THOMPSON: Yes.

17 MR. MORTON: Yes.

18 Q. When?

19 MS. THOMPSON: Two years ago.

20 Q. Oh.

21 MS. THOMPSON: Two years and previous.

22 Q. Two years ago. Okay. But right --

23 MS. THOMPSON: And those, those were based on  
24 lectures that he had given.

25 Q. Okay. So when was the last time Heaven and

1 Earth had any income from the sales of educational  
2 materials?

3 MS. THOMPSON: At the --

4 MR. MORTON: I --

5 MS. THOMPSON: -- very latest, maybe January of  
6 2012.

7 Q. And since then, it, it's been designed,  
8 basically, to pay rent --

9 MS. THOMPSON: To just pay rent.

10 Q. -- for the Hermosa property?

11 MR. MORTON: Like, yeah, expenses, yeah, just  
12 rent, yeah, rents on - for, again, other people that  
13 came and lived there, and other members of the LLC.

14 Q. BY MR. LESLIE: So when you say other  
15 people came and lived there, who else was living -  
16 this is a - well, let me clarify. 2207 Hermosa Avenue  
17 was a single family residence, correct?

18 MS. THOMPSON: It's a duplex.

19 MR. MORTON: No, it's a duplex.

20 Q. It's a duplex.

21 MS. THOMPSON: Yes, it's a three bedroom, two  
22 bath duplex. It's the upstairs part of a home.

23 Q. So were you renting one of the units in the  
24 duplex, or were you rent--

25 MS. THOMPSON: One of the rooms, yes.



1 MR. MORTON: Yeah.

2 MS. THOMPSON: And the other two --

3 Q. One of the rooms.

4 MS. THOMPSON: -- rooms, people would come and  
5 go. Over - he --

6 MR. MORTON: There was an upstairs --

7 MS. THOMPSON: He's been there for 30 --

8 MR. MORTON: Yeah, there's a --

9 MS. THOMPSON: Had been there --

10 MR. MORTON: There's an upstairs --

11 MS. THOMPSON: -- for 30 years.

12 MR. MORTON: There's an upstairs and a  
13 downstairs. And the, the downstairs neighbors were  
14 evicted by the landlord about three months ago.

15 Q. So you had the upstairs -- you two had the  
16 up, lease on the upstairs --

17 MS. THOMPSON: Upstairs.

18 Q. -- unit.

19 MS. THOMPSON: No lease.

20 MR. MORTON: There was no lease.

21 MS. THOMPSON: There's no --

22 MR. MORTON: There's no lease.

23 Q. Well, you - you - a month to month verbal.

24 MS. THOMPSON: We, we occupied the upstairs  
25 unit, yes.



1 Q. So I'm still confused.  
2 MR. MORTON: About what?  
3 Q. Who was coming and going? Is someone  
4 coming and going through your unit?  
5 MR. MORTON: Yeah.  
6 MS. THOMPSON: Yes.  
7 MR. MORTON: They would come and stay at - yes,  
8 in our unit.  
9 Q. In your unit.  
10 MR. MORTON: They would come stay at the --  
11 MS. THOMPSON: There was roommates who would  
12 come and ago. That might make it more clear.  
13 MR. MORTON: Yeah, that --  
14 Q. That --  
15 MR. MORTON: -- makes it more clear.  
16 MS. THOMPSON: Yes, there were more --  
17 Q. And you used Heaven and Earth --  
18 MS. THOMPSON: And they would pay --  
19 Q. -- to collect their rents.  
20 MS. THOMPSON: -- the LLC, the LLC would then  
21 pay the landlord. Hopefully - does that make it a  
22 little more clear?  
23 MS. MORRISON: Um-hmm.  
24 MS. THOMPSON: And there was a ten-- I don't  
25 even call a tenant - a roommate, they would, sometimes

1 they'd run their offices out of there. They would  
2 stay. So over the 30 years that he had lived there -  
3 that's why we say he acted as a property manager,  
4 because he managed the roommates coming and going.

5 Q. There's one other room. It's your room and

6 --

7 MR. MORTON: No.

8 MS. THOMPSON: Two others.

9 MR. MORTON: Two.

10 Q. Two others.

11 MS. THOMPSON: So three.

12 MR. MORTON: It's actually, and actually at one

13 --

14 Q. Three.

15 MR. MORTON: -- point, yeah, and at one point  
16 there were three, because there was another, another  
17 room that sometimes got rented, that was the - when,  
18 when somebody wasn't there - can't say rented, but  
19 when they, when they came in and, and it was a - like  
20 a - it was turned into a front room.

21 Q. Was this like a transitory rentals, or were  
22 they coming --

23 MR. MORTON: Kind of --

24 Q. -- for --

25 MR. MORTON: Yeah.

1 Q. -- months at a time, or --

2 MR. MORTON: They were coming in months at a  
3 time, yeah, you know, and working on different  
4 projects and doing different things. And then they'd  
5 be there, and they would leave.

6 Q. BY MR. ABOKE: Was there a ledger or some  
7 kind that you - to keep track of who was coming, and  
8 who was going, and what compensation you were  
9 receiving from those individuals?

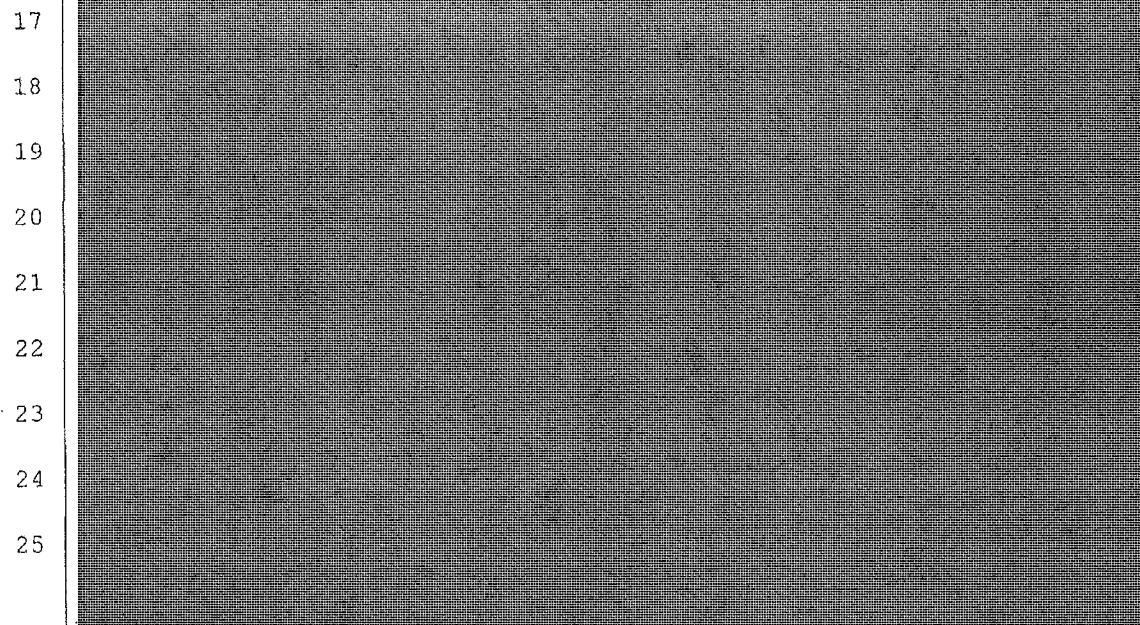
10 MR. MORTON: Not really, no.

11 Q. Then how did you keep track of who was --

12 MR. MORTON: They, they would, they would just  
13 - well, I, I don't know, to tell you the truth. I'm  
14 not sure.

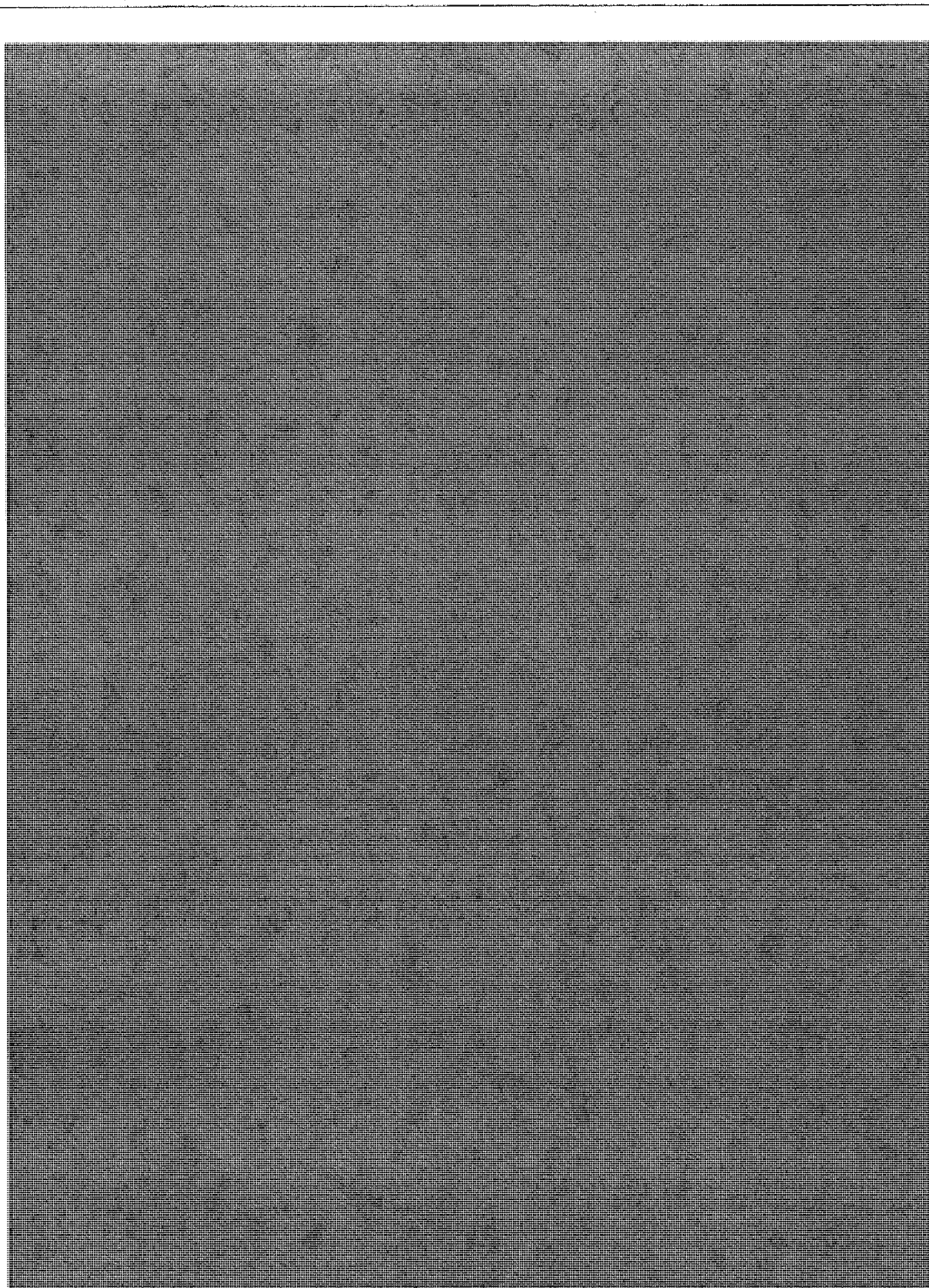
15 Q. Did you maintain any business records?

16 MR. MORTON: Not to my knowledge, no.





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Q. BY MR. ABOKE: So I'm gonna return this to  
the Trustee. It's the 2008 individual tax return. It  
says Sean David Morton. The Schedule B lists, as far

1 as interest and ordinary dividends, there are  
2 approximately 13 accounts there, and then the amount  
3 is \$842,520.33. Is that correct? Could you take a  
4 look?

5 MR. MORTON: Okay, well, these are - yeah.

6 Q. Did you provide that information to the  
7 Trustee?

8 MR. MORTON: Yeah, we've, yes, yes, we did.

9 Q. Okay.

10 MR. MORTON: Yes, we did.

11 Q. So as far as those accounts, and that  
12 amount that I just stated, is that correct?

13 MR. MORTON: What was your question again?

14 Q. So it - that's the Schedule B of those tax  
15 returns.

16 MR. MORTON: Yes.

17 Q. Could you please indicate what the total  
18 down there --

19 MR. MORTON: Well, these were --

20 Q. -- indicates, as far as the amount?

21 MR. MORTON: We were, we were act-- okay. This  
22 is eight - it says here, \$842,520.33.

23 Q. Okay. And it also indicates that - it's  
24 approximately 13 accounts, is that correct?

25 MR. MORTON: I, I believe so. But we were,



1 again, these were not all personal accounts, where I,  
2 I - I was acting as the pass-through. I, I don't - I  
3 don't know how to explain it.

4 Q. Just, just one second, please. So is that  
5 correct, what --

6 MR. MORTON: Well, she doesn't know.

7 Q. -- Mr. Morton - is that correct?

8 MS. THOMPSON: I --

9 Q. Just --

10 MS. THOMPSON: I don't --

11 MR. MORTON: You don't know.

12 MS. THOMPSON: -- know. This, I'm --

13 Q. Oh.

14 MS. THOMPSON: Those are his --

15 Q. Oh, okay --

16 MS. THOMPSON: -- individual.

17 Q. -- you weren't --

18 MS. THOMPSON: Those are --

19 Q. You weren't --

20 MS. THOMPSON: -- his taxes, yes.

21 Q. Thank you. Thank you.

22 MS. THOMPSON: Sorry, I, I have no knowledge.

23 Q. Thank you. Thank you, Sir. You may  
24 proceed.

25 MR. MORTON: With --

1 Q. So --

2 MR. MORTON: -- what?

3 Q. You were describing --

4 MR. FLEMMING: The pass-throughs?

5 MR. ABOKE: Yeah.

6 MR. FLEMMING: May I see that? Thank you.

7 MR. MORTON: What was I supposed to answer?

8 I'm sorry. What, what am I supposed to?

9 MR. FLEMMING: You were --

10 MR. ABOKE: What --

11 MR. FLEMMING: -- describing the pass-  
12 throughs.

13 MR. ABOKE: Yeah, those 13 accounts, the  
14 amount, what --

15 Q. BY MR. LESLIE: Well, what's the basis of  
16 these accounts? You, you're saying they're pass-  
17 throughs: LLCs would not pass it through the way it's  
18 described on your return. These, these are showing  
19 that these are, these are personally held accounts,  
20 the way it's reported on your tax return.

21 MR. MORTON: Right.

22 Q. But I know you earlier alluded to some OID  
23 or something along that, those lines. And so maybe  
24 you can get, drill down to the nature of how these  
25 ended up on your return, if you don't personally have

1 a - equity ownership in them; or do - or are these,  
2 are you on title to these accounts? What, what we're  
3 trying to understand is, is what, what's going on with  
4 these accounts.

5 MR. MORTON: Well, the CPA, the CPA that was  
6 advising us at the time was, was - again, this was all  
7 for the - this, this was all, as, and my understanding  
8 of it was the various - I don't have an explanation  
9 for it at this time. I, I - this --

10 Q. And for the record, let me look at that  
11 real quick. These are self-prepared tax returns.  
12 These tax returns you sent to me, I'm going to have  
13 you clarify that they're true and accurate, and  
14 they're your returns. And the 2008 tax return that  
15 you've given me, as married filing separate, for Sean  
16 David Morton is a self-prepared return. There is no  
17 CPA. Is this the true and correct return that you  
18 filed with the Internal Revenue Service?

19 MR. MORTON: Yes.

20 Q. Okay. I'm going to show you your 2007,  
21 which you, you prepared in a different fashion. You  
22 backed out the interest income, using some OID, which  
23 I don't understand. But is this a true and correct  
24 copy of a self-prepared return, married filing  
25 separate?

1 MR. MORTON: It's not signed. I don't know  
2 where the --

3 Q. These are what --

4 MR. MORTON: Oh, yes, there it -- yes -- yeah.

5 Q. Okay.

6 MR. MORTON: Yes, it is.

7 Q. Okay, again, it's self-prepared. Again,  
8 I'm going to show you a 2006 self-prepared return, no  
9 CPA, that follows more the same filing format as your  
10 2008 return, and showing two million -- wait a minute,  
11 two hundred and -- it's, it's blurry. Hold on --  
12 \$2,009,921.00 of interest income -- self-prepared. Is  
13 that a true and correct copy of your 2006 tax return  
14 that was filed?

15 MR. MORTON: I believe so.

16 Q. Is this a true and correct copy of your  
17 2005 self-prepared return, again -- this one's not  
18 stated if it's married filing separate, or single.  
19 But is that your 2005 tax return?

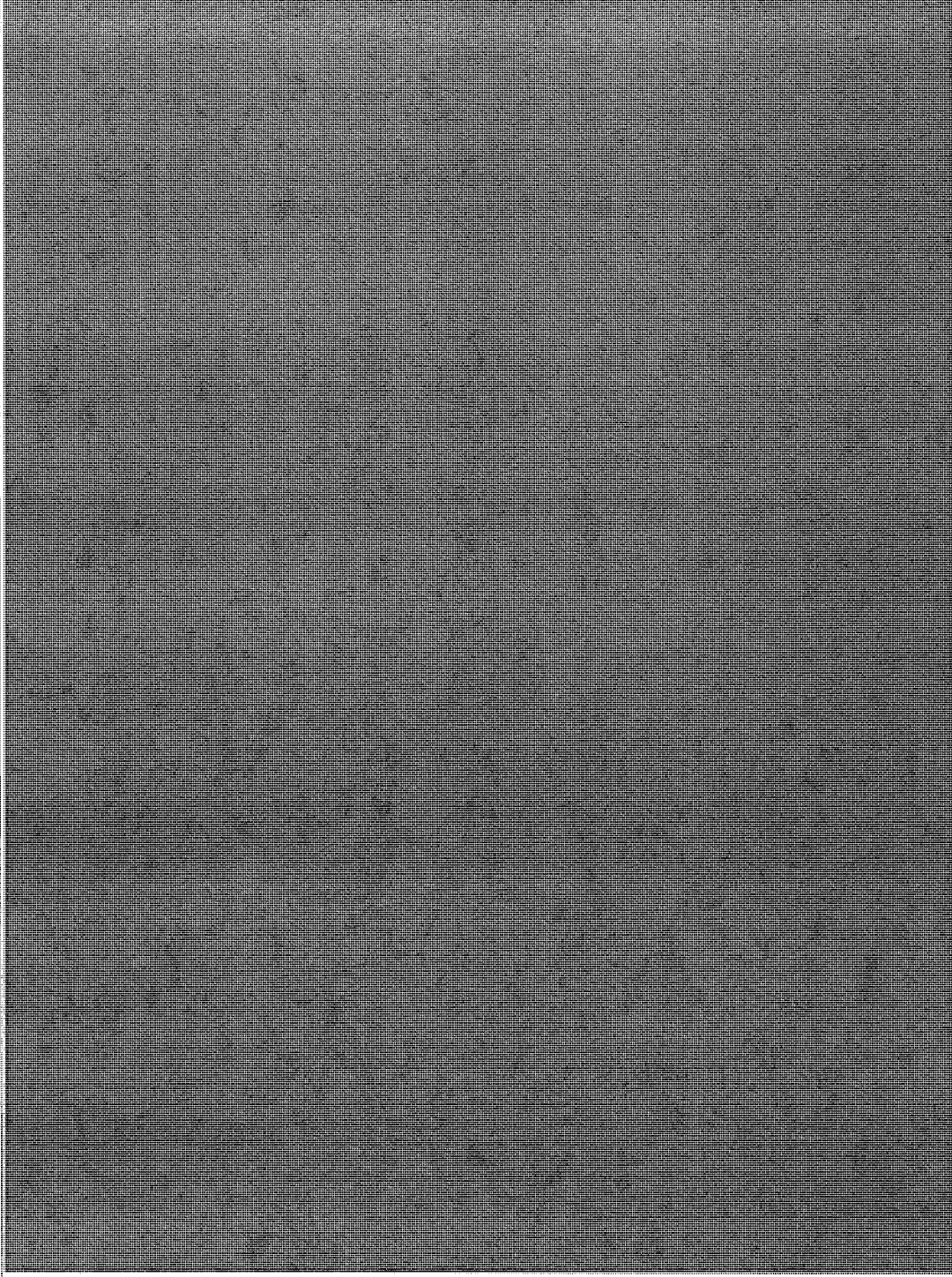
20 MR. MORTON: Well, it's -- technically, it's  
21 not, because it's a copy, so --

22 Q. Well, is, is it what was filed with the  
23 Internal Revenue Service? Is it a true and correct  
24 copy of what you filed?

25 MR. MORTON: I believe so.

1 Q. Okay. These are the, the returns that you  
2 did forward to my office?

3 MR. MORTON: I believe so.  
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**PROOF OF SERVICE BY FIRST CLASS MAIL**

I am over the age of 18 and not a party to the within action. I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made. I am employed by the Office of United States Attorney, Central District of California. My business address is 300 North Los Angeles Street, Suite 7211, Los Angeles, California 90012. On March 31, 2017, I served, **SUPPLEMENTAL BRIEFING RE: DEFENDANT'S MOTION IN LIMINE NO.3; EXHIBITS**, on the person or entity named below by enclosing a copy in an envelope addressed as shown below and placing the envelope for collection and mailing on the date and at the place shown below following our ordinary office practices. I am readily familiar with the practice of this office for collection and processing correspondence for first class mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

Date of mailing March 31, 2017, Place of mailing: Los Angeles, CA. Person(s) and/or Entity(s) to whom mailed:

Sean David Morton  
565 Pier Avenue  
Box 1274  
Hermosa Beach, CA 90274-1274

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that this declaration is executed at Los Angeles, California, on March 31, 2017.

/s/ AFH

AMANDA F. HERNANDEZ