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5 **UNITED STATES DISTRICT COURT**  
6 **EASTERN DISTRICT OF CALIFORNIA**  
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8 **FOX HOLLOW OF TURLOCK**  
9 **OWNER'S ASSOCIATION, a California**  
10 **Nonprofit Mutual Benefit Corporation, et**  
11 **al.,**

11 **Plaintiffs**

12 **v.**

13 **MAUCTRST, LLC, et al.,**

14 **Defendants**

**CASE NO. 1:03-CV-5439 AWI SAB**

**ORDER RE: MOTION FOR ENTRY OF**  
**FINAL JUDGMENT**

**(Doc. 1015)**

15 This dispute arises out of a housing development known as Fox Hollow of Turlock  
16 ("Property"). Plaintiff Fox Hollow of Turlock Homeowners' Association ("Fox Hollow HOA") is  
17 the homeowner's association. Plaintiff California Equity Management Group, Inc. ("CEMG") is  
18 the record owner of lots contained within the Property. Fox Hollow HOA, CEMG, and Andrew  
19 Katakis (collectively "Plaintiffs") are represented by the same counsel, and form one side of the  
20 litigation. Defendants Lairtrust, LLC ("Lairtrust"), Capstone, LLC ("Capstone"), Mautrst, LLC  
21 ("Mautrst") (collectively "LLC Defendants") are limited liability companies that were allegedly  
22 used to convert homeowners' association funds, effect property transfers, and commit other acts.  
23 Defendants Richard Sinclair, Brandon Sinclair, and Gregory Mauchley (collectively "Individual  
24 Defendants") were principals, directors, or employees of the LLC Defendants (collectively  
25 "Defendants").

26 In 1988, Richard Sinclair and his wife purchased the Property and obtained approval from  
27 the City of Turlock to construct a 35 unit town house complex. They obtained a loan secured by a  
28 deed of trust on the Property. They built an apartment complex on the Property. In 1992, Richard

1 Sinclair and his wife defaulted on the loan. They obtained approval to subdivide the Property into  
2 19 lots. On June 8, 1994, Richard Sinclair filed for bankruptcy. In 1995, Stanley Flake as Trustee  
3 of the Julie Insurance Trust purchased the Property. In 1997 or 1998, Gregory Mauchley and  
4 Mautrst acquired the Property. Gregory Mauchley and Mautrst obtained loans secured by the  
5 individual lots on the Property from various third parties. They fell into default on those loans.  
6 Fox Hollow HOA was established in December 2000. Plaintiffs allege the Individual and LLC  
7 Defendants collected homeowners' association dues on lots already sold to help pay the cost of  
8 foreclosure litigation. Through various legal processes and foreclosure, CEMG became the owner  
9 of 8 lots on the Property. Defendants challenge CEMG's ownership based on allegations of  
10 wrongful foreclosure and interference with contract.

11 This case is a consolidation of three related cases: an action commenced by Fox Hollow  
12 HOA against the Individual Defendants, LLC Defendants, and Stanley Flake as Trustee of  
13 Capstone Trust, Case No. CV-F-03-5439 ("Fox Hollow Action"); an action commenced by  
14 CEMG against the Individual Defendants, LLC Defendants, Diana Mauchley, Deborah Sinclair,  
15 Sinclair Enterprises, Inc., Stanley Flake, and Stanley Flake as Trustee of the F. Hanse Trust and of  
16 the Julie Insurance Trust Case No. CVF- 03-5774 ("CEMG Action"); and an action commenced  
17 by the LLC Defendants against Plaintiffs in the Stanislaus County Superior Court, Case No.  
18 322675 ("Lairtrust Action"). These actions were removed to this court and consolidated with the  
19 Fox Hollow Action and CEMG Action on October 6, 2003. The main operative complaint  
20 ("Consolidated Federal Action") traces back to the CEMG Action and Fox Hollow Action. Doc.  
21 410. Running concurrently is the operative complaint in the Lairtrust Action. Doc. 80. The  
22 Individual Defendants filed a document termed a cross-complaint ("Cross-Complaint) against  
23 Plaintiffs. Doc. 425. Lairtrust filed a counterclaim ("Counterclaim") against Plaintiffs. Doc. 471.

24 This federal case is also related to another state court case (Stanislaus County Superior  
25 Court, Case No. 332233, originally filed on April 24, 2003) in which the Individual Defendants  
26 and LLC Defendants filed suit against Plaintiffs ("State Court Action").<sup>1</sup> Plaintiffs also filed a

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27 <sup>1</sup> The Plaintiffs in this case are defendants in the State Court Action while Defendants are plaintiffs in that case.  
28 When quoting from documents of the State Court Action, the court has changed the references to conform with the  
status of the parties in this federal case in an attempt to avoid confusion. Plaintiffs are always Andrew Katakis,

1 cross-complaint against Richard Sinclair, Gregory Mauchley, and Mauctrst for abuse of process.  
2 The State Court Action dealt with the substance of the dispute between the parties (the foreclosure  
3 process, ownership of the individual lots on the Property). The parties filed a notice of settlement  
4 on July 16, 2007 (“2007 Settlement”). Doc. 303. Though the 2007 Settlement was meant to  
5 resolve all issues, that turned out not to be the case. In the State Court Action, it was determined  
6 that the 2007 Settlement was unenforceable. A 36 day bench trial was held, starting on December  
7 9, 2008. On August 18, 2009, the Superior Court issued its judgment (“Trial Decision”), finding  
8 in favor of the defending parties on all claims; that court found in favor of Plaintiffs on the main  
9 complaint and Defendants on the cross-complaint. Doc. 433, Part 8. The parties appealed. On  
10 January 23, 2013, the Fifth District Court of Appeal issued an opinion (“Appellate Decision”)  
11 affirming the Trial Decision, largely on grounds of unclean hands. Doc. 923-22; Sinclair v.  
12 Katakis, 2013 Cal. App. Unpub. LEXIS 509 (Cal. App. 5th Dist. Jan. 23, 2013). On April 10,  
13 2013, the California Supreme Court denied the petition for review. Sinclair v. Katakis, 2013 Cal.  
14 LEXIS 3119 (Cal. Apr. 10, 2013).

15 This case was originally assigned to District Court Judge Oliver Wanger and Magistrate  
16 Judge Dennis Beck. This federal case has proceeded in parallel to the State Court Action.  
17 However, the heart of dispute is contained in the State Court Action. Judge Wanger determined  
18 that several of the issues in Counterclaim and Cross-Complaint had to be stayed pending  
19 resolution of the State Court Action as the cases deal with the same subject matter. Judge Wanger  
20 retired at the end of September 2011. The case was reassigned to the undersigned. Doc. 804.  
21 Multiple judges have sanctioned Defendants (Richard Sinclair in particular) for failure to follow  
22 rules and court orders.

23 Plaintiffs made several additional motions for sanctions. Docs. 901, 905, 973, 993, and  
24 1002. Plaintiffs also sought to take the final judgment in the State Court Action and apply them to  
25 the Lairtrust Action, Counterclaim, and Cross-Complaint as res judicata. Doc. 921. Defendants  
26 sought to take the final judgment in the State Court Action and apply them to the Consolidated  
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28 CEMG, and Fox Hollow HOA or some subset thereof. Defendants are always Richard Sinclair, Brandon Sinclair,  
Gregory Mauchley, Lairtrust, Capstone, and Mauctrst.

1 Federal Action as res judicata. Doc. 943. Defendants also sought leave to amend the Counterclaim  
2 and to reopen discovery. Docs. 911 and 932. Plaintiffs' motions for sanctions were granted and  
3 Defendants' motions were denied. Doc. 1014. In key part, the Lairtrust Action, Counterclaim, and  
4 Cross-Complaint were dismissed with prejudice.

5 Plaintiffs have made a motion for entry of a final judgment pursuant to Fed. Rule Civ.  
6 Proc. 54(b) in favor of Katakis. Doc. 1016. Katakis is not a plaintiff in the Consolidated Federal  
7 Action. He was a defendant in the Lairtrust Action, Counterclaim, and Cross-Complaint. Katakis  
8 is neither a plaintiff nor a defendant in any remaining active complaint. Richard Sinclair opposed  
9 the motion, arguing that Defendants may be able to revive the claims contained in the  
10 Counterclaim. Doc. 1019, 6:18-21. Richard Sinclair then made a motion to amend the scheduling  
11 order to reinstate the Counterclaim. Doc. 1027.

12 The Magistrate Judge recommended denying Richard Sinclair's motion as part of a  
13 Findings and Recommendations. Doc. 1060. Brandon and Richard Sinclair objected. Docs. 1061  
14 and 1062. Upon review, the Findings and Recommendations were adopted in full. Doc. 1070.  
15 Brandon and Richard Sinclair have appealed that order. Docs. 1072 and 1073. As the question of  
16 whether the Counterclaim can be revived is before the Ninth Circuit, entry of final judgment in  
17 favor of Katakis is not appropriate at this point.

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19 IT IS SO ORDERED.

20 Dated: November 18, 2014

  
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21 SENIOR DISTRICT JUDGE  
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