

1 Michael Gerard Fletcher (State Bar No. 070849)
mletcher@frandzel.com
2 Craig A. Welin (State Bar No. 138418)
cwelin@frandzel.com
3 Hal Goldflam (State Bar No. 179689)
hgoldflam@frandzel.com
4 FRANDZEL ROBINS BLOOM & CSATO, L.C.
1000 Wilshire Boulevard, Nineteenth Floor
5 Los Angeles, California 90017-2427
Telephone: (323) 852-1000
6 Facsimile: (323) 651-2577

7 Attorneys for Receiver ROBB EVANS
AND ASSOCIATES LLC

8
9
10 **UNITED STATES DISTRICT COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**
12 **WESTERN DIVISION**

13 FEDERAL TRADE COMMISSION,

14 Plaintiff,

15 v.

16 JASON CARDIFF, et al.,

17 Defendants.
18

Case No. 5:18-cv-02104-DMG-PLA

**JOINT VPL OPERATING REPORT
AS OF FEBRUARY 24, 2021**

Hon. Dolly M. Gee

19
20 **TO: THE HONORABLE DOLLY M. GEE, JUDGE OF THE UNITED**
21 **STATES DISTRICT COURT:**

22
23 In its February 11, 2021, Order (Doc. # 555), the Court directed the parties to
24 file a joint status report on February 26, 2021. That joint status report on VPL
25 operations as directed by the Court is attached hereto as Exhibit 1.

26 ///
27
28

FRANDZEL ROBINS BLOOM & CSATO, L.C.
1000 WILSHIRE BOULEVARD, NINETEENTH FLOOR
LOS ANGELES, CALIFORNIA 90017-2427
(323) 852-1000

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DATED: February 26, 2021

FRANDZEL ROBINS BLOOM & CSATO, LC

By: /s/ Michael Gerard Fletcher
MICHAEL GERARD FLETCHER
Attorneys for Robb Evans & Associates
LLC, Acting in its capacity as the duly
appointed Receiver over VPL

FRANZEL ROBINS BLOOM & CSATO, L.C.
1000 WILSHIRE BOULEVARD, NINETEENTH FLOOR
LOS ANGELES, CALIFORNIA 90017-2427
(323) 852-1000

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT 1
Joint Status Report As Of February 24,2021

Robb Evans & Associates LLC
Receiver of
Redwood Scientific Technologies, Inc. et al.
and
VPL Medical, Inc.

RECEIVER'S JOINT REPORT OF VPL MEDICAL, INC.
UPDATE ON OPERATIONS
Dated as of February 24, 2021

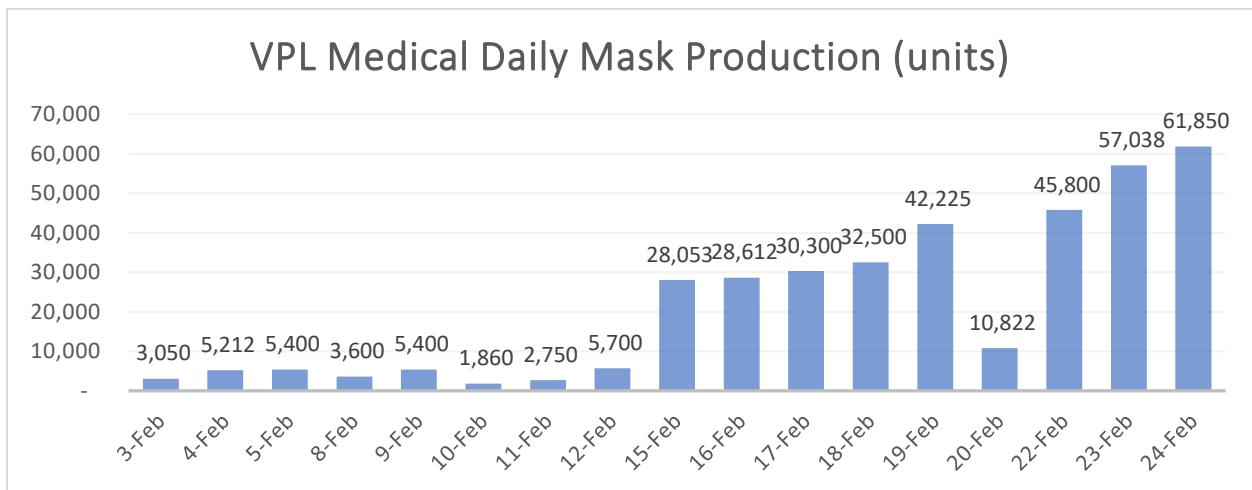
Status of Sales Contracts

As of February 24, 2021, no new sales contracts have been executed.

The Receiver has been advised by VPL management that contact has been made with several Federal agencies and that management believes one or more purchase orders will be forthcoming in the near future. In addition, VPL management advised the Receiver that VPL has an approved Amazon store and is waiting on approval from Amazon on the items to be sold. Any projection of revenue to be generated through Amazon would only be a guess until sales actually commence.

The Number of Masks Manufactured and Production Capacity

Up to February 2, 2021, 130,800 masks were manufactured. From February 3 through February 24 an additional 370,172 masks were manufactured for a total of 500,972 masks. The daily production is charted below. As can be seen, the daily production increased significantly during the month. The reasons for this are improved machine performance and increased staffing levels. If VPL can maintain a production level of 60,000 masks per day and assuming a five day work week, the projected monthly production is about 1,200,000 masks.



Costs incurred since the last report

				Nov 20	Dec 20	Jan 21	Feb 21	TOTAL
Expenses for VPL Medical Inc.								
	Cleaning			2,800.00	1,608.98	1,859.40	0.00	6,268.38
	Benjamin L. England -510K			0.00	0.00	0.00	30,000.00	30,000.00
	Benjamin L. England & Assoc LLC			0.00	39,344.00	7,401.00	0.00	46,745.00
	The Cochell Law Firm P.C			0.00	14,460.00	0.00	0.00	14,460.00
	Internet Service			184.28	92.40	93.09	0.00	369.77
	Insurance			612.31	798.55	721.32	3,806.17	5,938.35
	Office Expenses			1,514.21	893.77	838.48	1,469.29	4,715.75
	Office Equipment			1,618.80	0.00	3,019.35	1,676.45	6,314.60
	Payroll *			59,182.94	60,624.91	60,464.38	75,671.56	255,943.79
	Payroll Processing Costs			169.38	172.04	377.63	30.00	749.05
	Rent			9,593.00	9,593.00	9,593.00	9,593.00	38,372.00
	Repair & Maintenance			5,668.35	10,244.70	4,899.20	31,528.53	52,340.78
	Set Up Costs			395.00	5,031.75	957.16	0.00	6,383.91
	Shipping			0.00	0.00	15.50	15.50	31.00
	Testing Costs			0.00	6,929.00	0.00	3,607.75	10,536.75
	Utilities			1,271.20	1,010.58	1,058.94	1,015.14	4,355.86
Total Expenses for VPL Medical Inc.				83,009.47	150,803.68	91,298.45	158,413.39	483,524.99
Cardiff Living Expenses				0.00	26,217.28	10,436.18	7,194.91	43,848.37
Receiver's Fees & Costs								
	Receiver Fees			48,277.80	42,769.35	51,690.60	36,233.10	178,970.85
	Receiver Costs			2,867.16	2,294.52	2,039.28	1,866.32	9,067.28
	Legal Fees			33,226.00	39,070.00	51,210.00	38,401.00	161,907.00
	Legal Costs			1,818.87	52.30	183.53	173.00	2,227.70
Total Receiver's Fees & Costs				86,189.83	84,186.17	105,123.41	76,673.42	352,172.83
Total Expenses Incurred				169,199.30	261,207.13	206,858.04	242,281.72	879,546.19
* payroll processed for J. Cardiff is deposited back to Receiver holding account for disbursement to Cardiff living expenses.								

Balance Remaining in the Receivership Estate

The current balance in the Receivership estate is \$2,433,370.50 ("Balance"). The Balance is net of the "Total Expenses Incurred" amount above (whether already paid or to be paid). The Balance includes \$1,205,984.80 turned over by True Pharmastrip and Jacques Poujade, which is being held pending further order from the Court.

Federal Trade Commission's comment

On January 25, 2021, Jason Cardiff told the Court that VPL "is currently talking to HHS and other federal and state agencies and believes that it is very close to landing some major contracts..." Dkt. 544-1. As of February 24, the company still had no such contract, and can only cite "contact[s]" with several federal agencies and a belief that future orders will come its way.

In the absence of any contract for its masks, VPL notes only it will soon be able to sell its masks on Amazon.com. Sales on that platform are not guaranteed, however, because VPL will be competing against numerous other marketers of 3-ply masks.

The Commission further notes that while VPL appears to have shown a steadily increasing capacity for manufacturing masks over the past month, given the history of VPL's machines, there is no guarantee that the company will be able to sustain this week's three-day average output of 54,896 masks. This potential variability makes performance of any major contract questionable.

Finally, setting aside the \$1.2 million that was turned over by Jacques Poujade and True Pharmastrip (which remains in dispute), there is only \$1,227,385.70 left in the Receivership Estate. With no major contracts, this money will be depleted quickly at VPL's current spending rate. And the table of costs incurred since the last report appears to omit several major costs that should be included in an assessment of VPL's financial condition and potential profitability: the costs of the raw materials used to make the masks, and the costs of shipping and fulfillment to eventual customers.

The Commission respectfully requests that if the Court allows VPL to continue operating, it order VPL, the Receiver, and the FTC to submit another status report in 30 days, and every 30 days thereafter, and that future reports specifically include a calculation of the full cost of production for that month's masks, so that VPL's competitive position can be meaningfully assessed. Frequent reports will also enable the Court to monitor the status (or absence) of any sales contracts, which are a critical and as-yet unrealized component of VPL's potential profitability.