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10 Attorneys for Receiver
11 THOMAS C. HEBRANK

12 **UNITED STATES DISTRICT COURT**
13 **SOUTHERN DISTRICT OF CALIFORNIA**
14

15 SECURITIES AND EXCHANGE
16 COMMISSION,

17 Plaintiff,

18 v.

19 LOUIS V. SCHOOLER and FIRST
FINANCIAL PLANNING
20 CORPORATION d/b/a WESTERN
FINANCIAL PLANNING
21 CORPORATION,

22 Defendants.
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Case No. 3:12-cv-02164-GPC-JMA

**RECEIVER'S TWENTY-FIFTH
INTERIM REPORT**

Ctrm.: 2D
Judge: Hon. Gonzalo P. Curiel

1 Thomas C. Hebrank ("Receiver"), Court-appointed receiver for First
 2 Financial Planning Corporation d/b/a Western Financial Planning Corporation
 3 ("Western"), its subsidiaries and the General Partnerships listed on Schedule 1 to
 4 the Preliminary Injunction Order entered on March 13, 2013 (collectively,
 5 "Receivership Entities"), submits this Twenty-Fifth Interim Report, which focuses
 6 on the Receiver's activities during the third quarter of 2018.

7 I. EXECUTIVE SUMMARY

8 The Receiver continued his work to preserve and protect the assets of the
 9 Receivership Entities, including marketing and selling properties pursuant to the
 10 Court-approved Modified Orderly Sale Procedures. During the second quarter,
 11 with the Court's approval, the Receiver issued distributions totaling \$13,000,000 to
 12 investors with allowed claims. As of the end of the third quarter, a total of
 13 \$12,376,668 in distribution checks and wires (for international investors) had
 14 cleared from the receivership account. The Receiver also continued to address
 15 other legal issues unique to certain properties. In addition, the Receiver prepared
 16 his Twenty-Fourth Interim Report, which was filed on August 17, 2018. Dkt.
 17 No. 1645.

18 II. SUMMARY OF RECEIVER'S ACTIVITIES

19 The Receiver's primary focus since his appointment has been on preserving
 20 and protecting the Receivership Entities' assets. These activities fall into the
 21 following general categories:

22 A. Business Operations

23 The Receiver continued to operate the Receivership Entities, process
 24 receipts and disbursements, and address issues regarding real properties, letters of
 25 intent from potential purchasers, and related issues.

26 B. Asset Recoveries

27 The Receiver has investigated and pursued recoveries from various assets,
 28 including the following:

1 **Notes Payable from LinMar Entities.** The Receiver has continued efforts
 2 to enforce the judgment entered by the Court against LinMar III. During the third
 3 quarter of 2018, the Receiver continued to monitor the activities and progress of
 4 the LinMar III post-judgment receiver.

5 The post-judgment receiver completed and executed a second lease of space
 6 in the LinMar III building with the California Department of Fish & Wildlife. The
 7 post-judgment receiver has also signed a purchase and sale agreement for the
 8 property with a buyer. The buyer's deadline to remove contingencies is
 9 November 1, 2018, and the sale is expected to close shortly thereafter. The sale
 10 proceeds are expected to generate sufficient proceeds to pay the senior liens, the
 11 Receiver's judgment lien (with interest), and a small amount to the Securities and
 12 Exchange Commission on account of its judgment lien.

13 **C. Closed and Pending Property Sales**

14 To date, the Receiver has closed sales of 19 properties,¹ signed contracts
 15 with buyers for 4 additional properties (2 of which have already been approved by
 16 the Court), and has the remaining 14 properties² listed for sale with licensed
 17 brokers. The following is a summary of recently closed and pending sales of GP
 18 properties:

- 19 • On September 13, 2017, the Receiver filed a motion for approval of the
 20 sale of the Washoe V property. Dkt. No. 1515. The sale was approved
 21 on October 19, 2017 (Dkt. No. 1537). The buyer ultimately determined
 22 not to close the sale transaction and forfeited its earnest money deposit to
 23 the Receiver. The Receiver continued to market the Washoe V property.
 24 On May 18, 2018, the Receiver filed a new motion for approval of the
 25 sale of the Washoe V property. Dkt. No. 1613. The motion was granted
 26 on July 17, 2017. Dkt. No. 1633. Then, as the parties were preparing the

27 _____
 28 ¹ This includes the Court-approved sale of a portion of the Stead 1 property.
² This includes the unsold portion of the Stead 1 property.

1 close the sale transaction, the buyer notified the Receiver that, for tax
 2 purposes, it needed to assign the purchase and sale agreement to two tax
 3 exempt trusts. The title company, however, would not issue a title
 4 insurance policy to anyone but the buyer identified in the Court's order
 5 approving the sale. The buyer then paid the receivership estate \$4,000
 6 for the Receiver to file a motion to amend the sale approval order. The
 7 motion was filed on October 23, 2018. Dkt. No. 1671.

- 8 • On May 31, 2018, the Receiver filed a motion for approval of the sale of
 9 the Las Vegas 2 property. Dkt. No. 1616. The motion was granted on
 10 July 30, 2018 (Dkt. No. 1637) and the sale closed on October 11, 2018.
- 11 • On June 27, 2018, the Receiver filed motions for approval of the sales of
 12 the Twin Plant and Tecate South properties. Dkt. Nos. 1625, 1626. The
 13 motions were granted on August 13, 2018 (Dkt. Nos. 1641, 1642) and
 14 the sales closed on August 27 & 28, 2018.
- 15 • On July 24, 2018, the Receiver filed a motion for approval of the sale of
 16 the Washoe IV property. Dkt. No. 1634. The motion was granted on
 17 August 28, 2018 (Dkt. No. 1651) and is expected to close this month.
- 18 • On August 13, 2018, the Receiver filed a motion for approval of the sale
 19 of part of the Stead I property. Dkt. No. 1643. An overbid for the
 20 property was received and the sale to the overbidder was approved on
 21 September 17, 2018. Dkt. No. 1663. The sale closed on September 28,
 22 2018.
- 23 • On October 12, 2018, the Receiver filed a motion for approval of the sale
 24 of the Dayton I property. Dkt. No. 1643. The motion is set to be heard
 25 on December 7, 2018.

26 **D. Pending Offers and Negotiations**

27 The Receiver has continued to vet other potential offers, while other
 28 previously noticed offers have been withdrawn. As the offers are developed, the

Receiver will endeavor to ensure they are consistent with the previously received valuations for the applicable properties. Consistent with the Modified Orderly Sale Process, the Receiver will notify investors of all credible offers.

III. RECEIPTS AND DISBURSEMENTS

Attached hereto as Exhibit A is a summary of the receipts and disbursements for the consolidated receivership accounts during the third quarter of 2018. Receipts during the period comprised of proceeds from the sales of receivership properties and bank interest earned on the account balance. During this past quarter, because of the higher balances expected to accrue for a short period of time, the Receiver was able to negotiate a higher rate of interest³ for the bank account that holds the majority of cash in the receivership estate.

Pursuant to the Court's order entered on April 30, 2018, which grants the Receiver authority to make interim distributions (Dkt. No. 1610), the Receiver issued distributions totaling \$13,000,000 to investors with allowed claims. The checks were put in the mail to investors on or about June 12, 2018. As noted above, by the end of the third quarter, \$12,376,668 in distribution checks and wires (for international investors) had cleared from the receivership account.

The checks were mailed to investors at the address they previously provided to the Receiver. If previous correspondence to that address had been returned undeliverable, the Receiver did not mail a check to avoid live checks being mailed without a reasonable expectation of delivery. A total of 105 investors (\$266,521 in distributions) fell into this category. Pursuant to the procedures laid out in the Court-approved Distribution Plan (Dkt. No. 1181-1, Exhibit E), the Receiver is attempting to identify current addresses for investors whose distribution checks were returned via searches of various online databases. The Receiver will then reissue distribution checks to those for whom a current address can be identified.

³ The interest rate was doubled by Banner Bank as compared to its regular market rate.

1 Other notable disbursements during the period include:

- 2 • Property taxes in the amount of \$105,726.
- 3 • Court-approved fees and expenses of the Receiver and his
- 4 professionals in the amount of \$202,086.

5 Attached as Exhibit B is the Standardized Fund Accounting Report for the
6 third quarter of 2018.

7 IV. INVESTOR COMMUNICATIONS

8 The Receiver has continued to update his website, www.ethreadvisors.com,
9 with orders entered by the Court, Receiver reports, and briefs filed by the parties
10 that pertain directly to the receivership. The Receiver and his staff have also
11 responded to numerous inquiries from investors and other interested parties about
12 the receivership, distribution checks, and have updated the Case Updates section of
13 the Receiver's website to address common questions and themes in correspondence
14 from investors. The Receiver has provided answers to Frequently Asked
15 Questions to address common investor questions and misconceptions about the
16 receivership.

17 As in the past, the Receiver had to respond to numerous emails and calls
18 from investors with concerns. Recently, because of the closure of the GPs, the
19 issuance of final K-1 tax statements, and the issuance of interim distribution
20 checks, the volume of calls and emails has increased materially. Due to these
21 efforts nearly all investors have received their initial distributions. Investors are
22 again reminded of the importance of informing the Receiver of any change in their
23 email address or physical address, especially if they have an allowed claim and
24 have not received an interim distribution check.

25 The Receiver continues to provide monthly email updates to all investors.
26 The emails provide investors with updates on new and anticipated developments in
27 the receivership, including sales of properties. Each case update reminds investors
28 to provide updated contact information if their contact information changes.

1 Investors are able to sign up to receive these updates on the Receiver's website or
2 to "unsubscribe" from receiving them if they choose.

3 **V. RECOMMENDATIONS**

4 The Receiver recommends the receivership continue pursuant to the Court's
5 orders until the remaining properties have been sold, the distribution process
6 pursuant to the Court-approved Distribution Plan has been completed, and the
7 Receiver has provided his final report and accounting.

8 **VI. CONCLUSION**

9 Based on the foregoing, the Receiver requests approval of this Twenty-Fifth
10 Interim Report and his recommendations discussed above.

11
12 Dated: October 26, 2018

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

13 By: /s/ Edward Fates

14 EDWARD G. FATES
15 Attorneys for Receiver
16 THOMAS C. HEBRANK
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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	PAGE NO.
Exhibit A	Summary of Receipts and Disbursements for Consolidated Receivership Accounts During Third Quarter of 2018	10
Exhibit B	Standardized Fund Accounting Report	12

EXHIBIT A

EXHIBIT A

	Jul-18	Aug-18	Sep-18	Q3 2018 TOTAL
Balance - Money Market Account	6,100,619	5,103,108	3,857,477	3,857,477
Balance - Operating Account	2,576,504	418,806	705,871	705,871
Total	8,677,123	5,521,913	4,563,348	4,563,348
Receipts - Money Market Account				
36000 · Interest - Money Market Account	2,488	1,853	1,571	5,912
48000 · Sales - Partnership Property	-	68,503	-	68,503
Total Receipts - Money Market Account	2,488	70,356	1,571	74,415
Receipts - Operating Account				
Transfer to Operating Account from Money Market Account	1,000,000	1,315,986	90,000	2,405,986
47900 · Sales - WFPD Property	-	-	-	-
48000 · Sales - Partnership Property	-	-	-	-
60400 - Bank Service Charges - Refund	150	150	61	361
67000 · Property Tax - Refund	-	76	-	76
Total Receipts - Operating Account	1,000,150	1,316,212	90,061	2,406,423
Disbursements - Money Market Account				
Transfer from Money Market Account to Operating Account	1,000,000	1,315,986	90,000	2,405,986
Transfer from Money Market Account to Claims Distribution	-	-	-	-
Total Disbursements - Money Market Account	1,000,000	1,315,986	90,000	2,405,986
Disbursements - Operating Account				
60000 · Marketing of Property Sales	-	962	-	962
60400 - Bank Service Charges	253	173	61	487
61700 · Computer and Internet Disbursements	610	835	470	1,915
63300 · Insurance Disbursements	-	-	6,180	6,180
63400 · Interest on Mortgages	-	-	-	-
63450 · Mortgage Payoff Fees	-	-	-	-
63451 · Mortgage Late Penalties	-	-	-	-
63460 · Loan Write Off - Paid in Full	-	-	-	-
63500 · Maintenance	-	4,687	-	4,687
65000 · Postage & Shipping Fees	128	113	129	370
65500 · Printing Services	36	16	38	90
66500 · LLC Filing Fees	-	775	-	775
66650 · Legal Fees	-	52,417	26,328	78,745
66700 · Professional Fees	-	-	-	-
66750 · Receiver Fees	-	62,063	61,278	123,341
66800 · Tax Preparation Services	-	-	-	-
66830 · Permit Fees	-	-	-	-
67000 · Property Tax	-	43,129	-	43,129
67050 · Property Tax Special Assessment	-	62,597	-	62,597
67500 · Storage	770	770	770	2,311
68000 · Taxes - Federal and State	-	-	-	-
68600 · Utilities	81	-	184	265
68800 · Claims Distribution	3,155,970	800,611	436,122	4,392,703
69000 · WFP-Partnership Capital Contribution Refunds	-	-	478	478
Total Disbursements - Operating Account	3,157,848	1,029,147	532,038	4,719,034
Ending Balance - Money Market Account	5,103,108	3,857,477	3,769,048	3,769,048
Ending Balance - WFP Receivership	418,806	705,871	263,894	263,894
Total Ending Balance	5,521,913	4,563,348	4,032,942	4,032,942

EXHIBIT B

EXHIBIT B

Thomas C. Hebrank, Receiver
E3 Advisors
401 West A Street, Suite 1830
San Diego, CA 92101
(619) 567-7223

STANDARDIZED FUND ACCOUNTING REPORT

CIVIL - RECEIVERSHIP FUND

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

v.

LOUIS V. SCHOOLER and FIRST FINANCIAL PLANNING CORPORATION d/b/a
WESTERN FINANCIAL PLANNING CORPORATION,

Case No. 3:12-cv-02164-GPC-JMA

REPORTING PERIOD 07/01/2018 TO 09/30/2018

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 07/01/18):	8,677,124		8,677,124
<i>Increases in Fund Balance:</i>			
Line 2 Business Income	-		-
Line 3 Cash and Securities	-		-
Line 4 Interest/Dividend Income	5,912		5,912
Line 5 Business Asset Liquidation	68,503		68,503
Line 6 Personal Asset Liquidation	-		-
Line 7 Third-Party Litigation Income	-		-
Line 8 Misc - Insurance & Prop Tax Refunds	-		-
Total Funds Available (Lines 1 - 8):	8,751,539		8,751,539
<i>Decreases in Fund Balance:</i>			
Line 9 Disbursements to Investors	(4,392,703.00)		(4,392,703.00)
Line 10 Disbursements to Receivership Operations			
Line 10a Disbursement to Receiver or Other Professionals	(202,086)		(202,086)
Line 10b Business Asset Expenses	(123,808)		(123,808)
Line 10c Personal Asset Expenses	-		-
Line 10d Investment Expenses	-		-
Line 10e Third-Party Litigation Expenses	-		-
1. Attorney Fees	-		-
2. Litigation Expenses	-		-
Total Third-Party Litigation Expenses	-		-
Line 10f Tax Administrator Fees and Bonds	-		-
Line 10g Federal and State Tax Payments	-		-
Total Disbursements for Receivership Operations			(325,894)
Line 11 Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a Distribution Plan Development Expenses:			
1. Fees:			
Fund Administrator.....	-		-
Independent Distribution Consultant (IDC)..	-		-
Distribution Agent.....	-		-
Consultants.....	-		-
Legal Advisors.....	-		-
Tax Advisors.....	-		-
2. Administrative Expenses	-		-
3. Miscellaneous	-		-
Total Plan Developmental Expenses			-
Line 11b Distribution Plan Implementation Expenses:			
1. Fees:			
Fund Administrator.....	-		-
IDC.....	-		-
Distribution Agent.....	-		-
Consultants.....	-		-
Legal Advisors.....	-		-
Tax Advisors.....	-		-
2. Administrative Expenses	-		-
3. Investor Identification:			
Notice/Publishing Approved Plan.....	-		-
Claimant Identification.....	-		-
Claims Processing.....	-		-
Web Site Maintenance/Call Center.....	-		-
4. Fund Administrator Bond	-		-
5. Miscellaneous	-		-
6. Federal Account for Investor Restitution (FAIR) Reports Expenses	-		-
Total Plan Implementation Expenses			-
Total Disbursements for Distribution Expenses Paid by the Fund			-
Line 12 Disbursements to Court/Other:			
Line 12a Investment Expenses/Court Registry Investment System (CRIS) Fees	-		-
Line 12b Federal Tax Payments	-		-
Total Disbursement to Court/Other:			-
Total Funds Disbursed (Lines 9 - 11):			(4,718,597)
Line 13 Ending Balance (As of 09/30/2018):			4,032,942

Line 14 Ending Balance of Fund - Net Assets:			
Line 14a Cash & Cash Equivalents			4,032,942
Line 14b Investments			-
Line 14c Other Assets or Uncleared Funds			-
Total Ending Balance of Fund - Net Assets			4,032,942
OTHER SUPPLEMENTAL INFORMATION:			
	<u>Detail</u>	<u>Subtotal</u>	<u>Grand Total</u>
Report of Items NOT to be Paid by the Fund:			
Line 15 Disbursement for Plan Administration Expenses Not Paid by the Fund:			
Line 15a Plan Development Expenses Not Paid by the Fund:			
1. Fees:			
Fund Administrator.....	-		-
IDC.....	-		-
Distribution Agent.....	-		-
Consultants.....	-		-
Legal Advisors.....	-		-
Tax Advisors.....	-		-
2. Administrative Expenses	-		-
3. Miscellaneous	-		-
Total Plan Developmental Expenses Not Paid by the Fund			-
Line 15b Plan Implementation Expenses Not Paid by the Fund			
1. Fees:			
Fund Administrator.....	-		-
IDC.....	-		-
Distribution Agent.....	-		-
Consultants.....	-		-
Legal Advisors.....	-		-
Tax Advisors.....	-		-
2. Administrative Expenses	-		-
3. Investor Identification			
Notice/Publishing Approved Plan.....	-		-
Claimant Identification.....	-		-
Claims Processing.....	-		-
Web Site Maintenance/Call Center.....	-		-
4. Fund Administrator Bond	-		-
5. Miscellaneous	-		-
6. FAIR Reporting Expenses	-		-
Total Plan Implementation Expenses Not Paid by the Fund			-
Line 15c Tax Administrator Fees & Bonds Not Paid by the Fund			-
Total Disbursements for Plan Administration Expenses Not Paid by the Fund			-
Line 16 Disbursements to Court/Other Not Paid by the Fund:			
Line 16a Investment Expenses/CRIS Fees	-		-
Line 16b Federal Tax Payments	-		-
Total Disbursement to Court/Other Not Paid by the Fund:			-
Line 17 DC & State Tax Payments	-		-
Line 18 No. of Claims:			
Line 18a # of Claims Received This Reporting Period.....			0
Line 18b # of Claims Received Since Inception of Fund.....			0
Line 19 No. of Claimants/Investors:			
Line 19a # of Claimants/Investors Paid this Reporting Period.....			3318
Line 19b # of Claimants/Investors Paid Since Inception of Fund.....			3318

Receiver: Thomas C. Hebrank
 By: Thomas C. Hebrank
 Thomas C. Hebrank
 Court-Appointed Receiver

Date: 10/25/18

PROOF OF SERVICE

I am employed in the County of San Diego, State of California. I am over the age of eighteen (18) and am not a party to this action. My business address is 600 West Broadway, 27th Floor, San Diego, California 92101-0903.

On October 26, 2018, I served the within document(s) described as:

• RECEIVER'S TWENTY-FIFTH INTERIM REPORT

on interested parties in this action by:

☒ **BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF"):** the foregoing document(s) will be served by the court via NEF and hyperlink to the document. On October 26, 2018, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email addressed indicated below:

- Gary J. Aguirre - gary@aguirrelawapc.com; maria@aguirrelawapc.com
- John Willis Berry - berryj@sec.gov; LAROFiling@sec.gov
- Lynn M. Dean - deanl@sec.gov; longoa@sec.gov; larofiling@sec.gov; berryj@sec.gov; irwinma@sec.gov; cavallones@sec.gov
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- David R. Zaro - dzaro@allenmatkins.com; mdiaz@allenmatkins.com

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on October 26, 2018, at San Diego, California.

Edward G. Fates
(Type or print name)

/s/ Edward Fates
(Signature of Declarant)