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10
11 Attorneys for Receiver
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.

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

**RECEIVER'S TWENTY-SIXTH
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-Sixth Interim Report, which focuses
6 on the Receiver's activities during the fourth 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. In June 2018, with the Court's
11 approval, the Receiver issued distributions totaling \$13,000,000 to investors with
12 allowed claims. As of the end of the fourth quarter, a total of \$12,580,887 in
13 distribution checks and wires (for international investors) had cleared from the
14 receivership account. The Receiver also continued to address other legal issues
15 unique to certain properties. In addition, the Receiver prepared his Twenty-Fifth
16 Interim Report, which was filed on October 26, 2018. Dkt. No. 1673.

17 II. SUMMARY OF RECEIVER'S ACTIVITIES

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

21 A. Business Operations

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

25 B. Asset Recoveries

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

28

1 **Notes Payable from LinMar Entities.** The Receiver continued efforts to
 2 enforce the judgment entered by the Court against LinMar III. During the fourth
 3 quarter of 2018, the post-judgment receiver was able to complete and close the
 4 sale of the LinMar III property located in Fresno. Unfortunately, the sale proceeds
 5 were not sufficient to pay the senior liens and the judgment obtained by the
 6 Receiver in full. The mortgage on the property in favor of Rabobank had matured
 7 and the property needed to be sold in the short term or Rabobank would have
 8 proceeded with a foreclosure. Additionally, some material changes in the
 9 leases/tenancy at the property reduced the overall value. Accordingly, the
 10 Receiver agreed to accept a reduced amount (\$120,000) in exchange for a release
 11 of his lien in order to allow the sale to be completed and avoid the property being
 12 lost to foreclosure. The sale closed on December 31, 2018.

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

14 To date, the Receiver has closed sales of 21 receivership properties,¹ signed
 15 contracts with buyers for 4 additional properties (3 of which have already been
 16 approved by the Court), and has the remaining 12 properties² listed for sale with
 17 licensed brokers. The following is a summary of recently closed and pending
 18 sales:

- 19 • On May 18, 2018, the Receiver filed a motion for approval of the sale of
 20 the Washoe V property. Dkt. No. 1613. The motion was granted on
 21 July 17, 2017. Dkt. No. 1633. Then, as the parties were preparing the
 22 close the sale transaction, the buyer notified the Receiver that, for tax
 23 purposes, it needed to assign the purchase and sale agreement to two tax
 24 exempt trusts. The title company, however, would not issue a title
 25 insurance policy to anyone but the buyer identified in the Court's order
 26 approving the sale. The buyer then paid the receivership estate \$4,000

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 for the Receiver to file a motion to amend the sale approval order. The
 2 motion was filed on October 23, 2018 and granted on December 5, 2018.
 3 Dkt. Nos. 1671, 1678. The sale closed on December 13, 2018.

- 4 • On May 31, 2018, the Receiver filed a motion for approval of the sale of
 5 the Las Vegas 2 property. Dkt. No. 1616. The motion was granted on
 6 July 30, 2018 (Dkt. No. 1637) and the sale closed on October 11, 2018.
- 7 • On July 24, 2018, the Receiver filed a motion for approval of the sale of
 8 the Washoe IV property. Dkt. No. 1634. The motion was granted on
 9 August 28, 2018. Dkt. No. 1651. Escrow has since been extended at the
 10 buyer's request and the buyer has again increased its non-refundable
 11 earnest money deposit. The sale is expected to close in March 2019.
- 12 • On October 12, 2018, the Receiver filed a motion for approval of the sale
 13 of the Dayton I property. Dkt. No. 1643. The motion was granted on
 14 December 5, 2018 (Dkt. No. 1679) and the sale closed on December 12,
 15 2018.
- 16 • On December 12, 2018, the Receiver filed a motion for approval of the
 17 sale of the Borderland property. Dkt. No. 1680. The motion is set to be
 18 heard on January 25, 2018.

19 **D. Pending Offers and Negotiations**

20 The Receiver has continued to vet other potential offers, while other
 21 previously noticed offers have been withdrawn. As the offers are developed, the
 22 Receiver will endeavor to ensure they are consistent with the previously received
 23 valuations for the applicable properties. Consistent with the Modified Orderly
 24 Sale Process, the Receiver will notify investors of all credible offers.

25 **III. RECEIPTS AND DISBURSEMENTS**

26 Attached hereto as Exhibit A is a summary of the receipts and
 27 disbursements for the consolidated receivership accounts during the fourth quarter
 28 of 2019. Receipts during the period comprised of proceeds from the sales of

1 receivership properties and bank interest earned on the account balance. During
 2 this past quarter, because of the higher balances expected to accrue for a short
 3 period of time, the Receiver was able to negotiate a higher rate of interest³ for the
 4 bank account that holds the majority of cash in the receivership estate.

5 Pursuant to the Court's order entered on April 30, 2018, which grants the
 6 Receiver authority to make interim distributions (Dkt. No. 1610), the Receiver
 7 issued distributions totaling \$13,000,000 to investors with allowed claims. The
 8 checks were put in the mail to investors on or about June 12, 2018. As noted
 9 above, by the end of the fourth quarter, \$12,580,887 in distribution checks and
 10 wires (for international investors) had cleared from the receivership account.

11 The checks were mailed to investors at the address they previously provided
 12 to the Receiver. If previous correspondence to that address had been returned
 13 undeliverable, the Receiver did not mail a check to avoid live checks being mailed
 14 without a reasonable expectation of delivery. After 6 months had passed since
 15 checks were mailed, and out of an abundance of caution, the Receiver put stop
 16 payments on all remaining uncashed checks. To reduce fees, the Receiver was
 17 able to negotiate a lower than normal stop payment fee which saved approximately
 18 \$2,000.

19 Pursuant to the procedures laid out in the Court-approved Distribution Plan
 20 (Dkt. No. 1181-1, Exhibit E), the Receiver is attempting to identify current
 21 addresses for investors whose distribution checks were returned via searches of
 22 various online databases. The Receiver will then reissue distribution checks to
 23 those for whom a current address can be identified.

24 Other notable disbursements during the period include:

- 25 • Property taxes in the amount of \$12,297.

26
 27
 28 ³ The interest rate was doubled by Banner Bank as compared to its regular market rate.

- Court-approved fees and expenses of the Receiver and his professionals in the amount of \$206,177.

Attached as Exhibit B is the Standardized Fund Accounting Report for the fourth quarter of 2018.

IV. INVESTOR COMMUNICATIONS

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

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

The Receiver continues to provide monthly email updates to all investors. The emails provide investors with updates on new and anticipated developments in the receivership, including sales of properties. Each case update reminds investors to provide updated contact information if their contact information changes. Investors are able to sign up to receive these updates on the Receiver's website or to "unsubscribe" from receiving them if they choose.

1 **V. RECOMMENDATIONS**

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

6 **VI. CONCLUSION**

7 Based on the foregoing, the Receiver requests approval of this Twenty-Sixth
8 Interim Report and his recommendations discussed above.

9
10 Dated: January 30, 2019

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

11 By: /s/ Edward Fates

12 EDWARD G. FATES
13 Attorneys for Receiver
14 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	9
Exhibit B	Standardized Fund Accounting Report	11

EXHIBIT A

EXHIBIT A

	Oct-18	Nov-18	Dec-18	Q4 2018 TOTAL
Balance - Money Market Account	3,769,048	6,460,320	6,463,773	3,769,048
Balance - Operating Account	263,893	152,173	92,845	263,893
Total	4,032,942	6,612,493	6,556,618	4,032,942
Receipts - Money Market Account				
36000 - Interest - Money Market Account	2,907	3,452	3,840	10,199
48000 - Sales - Partnership Property	2,898,012	-	1,050,033	3,948,045
67000 - Property Tax - Refund	354	-	-	354
Total Receipts - Money Market Account	2,901,272	3,452	1,053,873	3,958,598
Receipts - Operating Account				
Transfer to Operating Account from Money Market Account	210,000	-	50,000	260,000
47900 - Sales - WFPC Property	-	-	-	-
48000 - Sales - Partnership Property	-	-	-	-
66500 - LLC Filing Fees - Refund	125	-	-	125
67000 - Property Tax - Refund	-	-	-	-
Total Receipts - Operating Account	210,125	-	50,000	260,125
Disbursements - Money Market Account				
Transfer from Money Market Account to Operating Account	210,000	-	50,000	260,000
Transfer from Money Market Account to Claims Distribution	-	-	-	-
Total Disbursements - Money Market Account	210,000	-	50,000	260,000
Disbursements - Operating Account				
60000 - Marketing of Property Sales	411	761	691	1,863
60400 - Bank Service Charges	77	302	150	530
61700 - Computer and Internet Disbursementss	525	440	1,025	1,990
63300 - Insurance Disbursements	-	-	-	-
63400 - Interest on Mortgages	-	-	-	-
63450 - Mortgage Payoff Fees	-	-	-	-
63451 - Mortgage Late Penalties	-	-	-	-
63460 - Loan Write Off - Paid in Full	-	-	-	-
63500 - Maintenance	-	-	-	-
65000 - Postage & Shipping Fees	114	16	3	133
65500 - Printing Services	18	20	4	42
66500 - LLC Filing Fees	-	-	-	-
66650 - Legal Fees	-	-	-	-
66700 - Professional Fees	-	-	-	-
66750 - Receiver Fees	-	-	-	-
66800 - Tax Preparation Services	203,177	-	-	203,177
66830 - Permit Fees	-	-	-	-
67000 - Property Tax	-	12,651	-	12,651
67050 - Property Tax Special Assessment	-	-	-	-
67500 - Storage	772	772	770	2,315
68000 - Taxes - Federal and State	-	-	-	-
68600 - Utilities	89	240	-	329
68800 - Claims Distribution	116,662	44,125	43,433	204,220
69000 - WFP-Partnership Capital Contribution Refunds	-	-	-	-
Total Disbursements - Operating Account	321,846	59,327	46,076	427,249
Ending Balance - Money Market Account	6,460,320	6,463,773	7,467,646	7,467,646
Ending Balance - WFP Receivership	152,173	92,845	96,769	96,769
Total Ending Balance	6,612,493	6,556,618	7,564,415	7,564,415

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 10/01/2018 TO 12/31/2018

STANDARDIZED FUND ACCOUNTING REPORT for Western Financial Planning - Case Basis

Receivership; Case No. 3:12-cv-02164-GPC-JMA
Reporting Period 10/01/2018 to 12/31/2018

FUND ACCOUNTING (See instructions):			
		Detail	Subtotal
			Grand Total
Line 1	Beginning Balance (As of 10/01/18):	4,032,942	4,032,942
	<i>Increases in Fund Balance:</i>		
Line 2	Business Income	-	-
Line 3	Cash and Securities	-	-
Line 4	Interest/Dividend Income	10,199	10,199
Line 5	Business Asset Liquidation	3,948,045	3,948,045
Line 6	Personal Asset Liquidation	-	-
Line 7	Third-Party Litigation Income	-	-
Line 8	Misc - Insurance & Prop Tax Refunds	479	479
	Total Funds Available (Lines 1 - 8):	7,991,665	7,991,665
	<i>Decreases in Fund Balance:</i>		
Line 9	Disbursements to Investors	(204,220.00)	(204,220.00)
Line 10	Disbursements to Receivership Operations		
Line 10a	Disbursement to Receiver or Other Professionals	(203,177)	(203,177)
Line 10b	Business Asset Expenses	(19,853)	(19,853)
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		(223,030)
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):		(427,250)
Line 13	Ending Balance (As of 12/31/2018):		7,564,415

STANDARDIZED FUND ACCOUNTING REPORT for Western Financial Planning - Case Case

Receivership; Case No. 3:12-cv-02164-GPC-JMA
Reporting Period 10/01/2018 to 12/31/2018

Line 14 Ending Balance of Fund - Net Assets:			
Line 14a Cash & Cash Equivalents			7,564,415
Line 14b Investments			-
Line 14c Other Assets or Uncleared Funds			-
Total Ending Balance of Fund - Net Assets			7,564,415
OTHER SUPPLEMENTAL INFORMATION:			
	Detail	Subtotal	Grand Total
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.....			0
Line 19b # of Claimants/Investors Paid Since Inception of Fund.....			3318

Receiver:

By:



Thomas C. Hebrank

Court-Appointed Receiver

Date:

1/25/19

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 January 30, 2019, 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 January 30, 2019, 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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- Bryan Charles Vess - bryan@vesslaw.com; annamforsberg@gmail.com
- 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 January 30, 2019, at San Diego, California.

Edward G. Fates
(Type or print name)

/s/ Edward Fates
(Signature of Declarant)