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11 Attorneys for Receiver
THOMAS C. HEBRANK

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

14
15 SECURITIES AND EXCHANGE
COMMISSION,

16 Plaintiff,

17 v.

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

21 Defendants.
22

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

**RECEIVER'S TWENTY-SEVENTH
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-Seventh Interim Report, which
6 focuses on the Receiver's activities during the first quarter of 2019.

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 first quarter, a total of \$12,692,351 in
13 distribution checks and wires (for international investors) had cleared from the
14 receivership account. On April 8, 2019, the Receiver filed a motion seeking
15 authority to make a second round of interim distributions in the total amount of
16 \$6,000,000. The Receiver also continued to address other legal issues unique to
17 certain properties. In addition, the Receiver prepared his Twenty-Sixth Interim
18 Report, which was filed on January 30, 2018. Dkt. No. 1700.

19 II. SUMMARY OF RECEIVER'S ACTIVITIES

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

23 A. Business Operations

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

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1 **B. Asset Recoveries**

2 The Receiver has investigated and pursued recoveries from various assets,
3 including the following:

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

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

17 To date, the Receiver has closed sales of 24 receivership properties,¹ signed
18 contracts with buyers for 8 additional properties,² and has the remaining 6
19 properties listed for sale with licensed brokers. The following is a summary of
20 recently closed and pending sales:

- 21 • On July 24, 2018, the Receiver filed a motion for approval of the sale of
22 the Washoe IV property. Dkt. No. 1634. The motion was granted on
23 August 28, 2018. Dkt. No. 1651. Escrow was then extended at the
24 buyer's request and the buyer increased its non-refundable earnest money
25 deposit. The sale closed on March 18, 2019.

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

- 1 • On November 20, 2018, the Receiver filed a motion for approval of the
- 2 sale of the Freetrade/Sun-tec/Via 188 property. Dkt. No. 1675. The
- 3 motion was granted on January 28, 2019. Dkt. No. 1681. The sale
- 4 closed on February 8, 2019.
- 5 • On December 12, 2018, the Receiver filed a motion for approval of the
- 6 sale of the Borderland property. Dkt. No. 1680. The motion was granted
- 7 on January 28, 2019. Dkt. No. 1698. The sale closed on February 11,
- 8 2019.
- 9 • On March 6, 2019, the Receiver filed a motion for approval of the sale of
- 10 the Fernley I property. Dkt. No. 1701. The Motion is set for hearing on
- 11 June 21, 2019.
- 12 • On March 28, 2019, the Receiver filed a motion for approval of the sale
- 13 of the remaining 65-acre portion of the Stead I property. Dkt. No. 1707.
- 14 The Motion is set for hearing on June 7, 2019.

15 **D. Pending Offers and Negotiations**

16 The Receiver has continued to list the remaining unsold properties for sale
 17 through licensed brokers and vet all offers received. Consistent with the Modified
 18 Orderly Sale Process, the Receiver will notify investors of all credible offers.

19 **III. RECEIPTS AND DISBURSEMENTS**

20 Attached hereto as Exhibit A is a summary of the receipts and
 21 disbursements for the consolidated receivership accounts during the first quarter of
 22 2019. Receipts during the period comprised of proceeds from the sales of
 23 receivership properties and bank interest earned on the account balance. During
 24 this past quarter, because of the higher balances expected to accrue for a short
 25 period of time, the Receiver was able to negotiate a higher rate of interest³ for the
 26 bank account that holds the majority of cash in the receivership estate.

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

1 Pursuant to the Court's order entered on April 30, 2018, which grants the
2 Receiver authority to make interim distributions (Dkt. No. 1610), the Receiver
3 issued distributions totaling \$13,000,000 to investors with allowed claims. The
4 checks were put in the mail to investors on or about June 12, 2018. As noted
5 above, by the end of the first quarter, \$12,692,351 in distribution checks and wires
6 (for international investors) had cleared from the receivership account.

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

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

20 Attached as Exhibit B is the Standardized Fund Accounting Report for the
21 first quarter of 2019. As noted above, on April 8, 2019, the Receiver filed a
22 motion seeking authority to make a second round of interim distributions in the
23 total amount of \$6,000,000. Dkt. No. 1714. The motion is set to be heard on
24 June 21, 2019.

25 IV. INVESTOR COMMUNICATIONS

26 The Receiver has continued to update his website, www.ethreeadvisors.com,
27 with orders entered by the Court, Receiver reports, and briefs filed by the parties
28 that pertain directly to the receivership. The Receiver and his staff have also

1 responded to numerous inquiries from investors and other interested parties about
2 the receivership, distribution checks, and have updated the Case Updates section of
3 the Receiver's website to address common questions and themes in correspondence
4 from investors. The Receiver has provided answers to Frequently Asked
5 Questions to address common investor questions and misconceptions about the
6 receivership.

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

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

21 **V. RECOMMENDATIONS**

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

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VI. CONCLUSION

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

Dated: May 6, 2019

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

By: /s/ Edward Fates
EDWARD G. FATES
Attorneys for Receiver
THOMAS C. HEBRANK

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

	Jan-19	Feb-19	Mar-19	Q1 2019 TOTAL
Balance - Money Market Account	7,467,646	7,592,976	7,782,401	7,782,401
Balance - Operating Account	96,769	44,497	103,843	103,843
Total	7,564,415	7,637,473	7,886,244	7,886,244
Receipts - Money Market Account				
36000 · Interest - Money Market Account	5,330	7,358	8,400	21,087
37000 · Linmar Settlement	120,000	-	-	120,000
48000 · Sales - Partnership Property	-	282,067	324,792	606,859
67000 · Property Tax - Refund	-	-	-	-
Total Receipts - Money Market Account	125,330	289,425	333,192	747,947
Receipts - Operating Account				
Transfer to Operating Account from Money Market Account	-	100,000	-	100,000
47900 · Sales - WFPC Property	-	-	-	-
48000 · Sales - Partnership Property	-	-	-	-
66500 · LLC Filing Fees - Refund	-	-	-	-
67000 · Property Tax - Refund	-	-	-	-
Total Receipts - Operating Account	-	100,000	-	100,000
Disbursements - Money Market Account				
Transfer from Money Market Account to Operating Account	-	100,000	-	100,000
Transfer from Money Market Account to Claims Distribution	-	-	-	-
Total Disbursements - Money Market Account	-	100,000	-	100,000
Disbursements - Operating Account				
60000 · Marketing of Property Sales	-	-	395	395
60400 · Bank Service Charges	1,274	-	-	1,274
61700 · Computer and Internet Disbursements	525	780	525	1,830
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	11	5	1	16
65500 · Printing Services	14	6	1	21
66500 · LLC Filing Fees	-	-	-	-
66650 · Legal Fees	-	-	-	-
66700 · Professional Fees	-	-	-	-
66750 · Receiver Fees	-	-	-	-
66800 · Tax Preparation Services	-	-	-	-
66830 · Permit Fees	-	-	-	-
67000 · Property Tax	-	-	-	-
67050 · Property Tax Special Assessment	-	1,605	-	1,605
67500 · Storage	776	772	800	2,349
68000 · Taxes - Federal and State	-	-	-	-
68600 · Utilities	232	249	225	707
68800 · Claims Distribution	49,440	37,237	26,270	112,947
69000 · WFP-Partnership Capital Contribution Refunds	-	-	-	-
Total Disbursements - Operating Account	52,272	40,654	28,217	121,144
Ending Balance - Money Market Account	7,592,976	7,782,401	8,115,593	8,115,593
Ending Balance - WFP Receivership	44,497	103,843	75,625	75,625
Total Ending Balance	7,637,473	7,886,244	8,191,218	8,191,218

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 01/01/2019 TO 03/31/2019

STANDARDIZED FUND ACCOUNTING REPORT for Western Financial Planning - Case Case

Receivership; Case No. 3:12-cv-02164-GPC-JMA
Reporting Period 01/01/2019 to 03/31/2019

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 01/01/19):	7,564,415		7,564,415
<i>Increases in Fund Balance:</i>			
Line 2 Business Income	-		-
Line 3 Cash and Securities	-		-
Line 4 Interest/Dividend Income	21,088		21,088
Line 5 Business Asset Liquidation	606,859		606,859
Line 6 Personal Asset Liquidation	-		-
Line 7 Third-Party Litigation Income	-		-
Line 8 Misc - Insurance & Prop Tax Refunds	120,000		120,000
Total Funds Available (Lines 1 - 8):	8,312,362		8,312,362
<i>Decreases in Fund Balance:</i>			
Line 9 Disbursements to Investors	(112,947)		(112,947)
Line 10 Disbursements to Receivership Operations			
Line 10a Disbursement to Receiver or Other Professionals			-
Line 10b Business Asset Expenses	(8,197)		(8,197)
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			(8,197)
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):			(121,144)
Line 13 Ending Balance (As of 03/31/2019):			8,191,218

STANDARDIZED FUND ACCOUNTING REPORT for Western Financial Planning - Cash Basis

Receivership; Case No. 3:12-cv-02164-GPC-JMA
Reporting Period 01/01/2019 to 03/31/2019

Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents			8,191,218
Line 14b	Investments			-
Line 14c	Other Assets or Uncleared Funds			-
	Total Ending Balance of Fund - Net Assets			8,191,218

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:

5/6/19

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 May 6, 2019, I served the within document(s) described as:

- **RECEIVER'S TWENTY-SEVENTH 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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- 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 May 6, 2019, at San Diego, California.

Edward G. Fates
(Type or print name)

/s/ Edward Fates
(Signature of Declarant)