

1 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
2 DAVID R. ZARO (BAR NO. 124334)
865 South Figueroa Street, Suite 2800
3 Los Angeles, California 90017-254
Phone: (213) 622-5555
4 Fax: (213) 620-8816
E-Mail: dzaro@allenmatkins.com

5 ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
6 EDWARD G. FATES (BAR NO. 227809)
One America Plaza
7 600 West Broadway, 27th Floor
8 San Diego, California 92101-0903
Phone: (619) 233-1155
9 Fax: (619) 233-1158
E-Mail: tfates@allenmatkins.com

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.

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

**RECEIVER'S TWENTY-EIGHTH
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-Eighth Interim Report, which
6 focuses on the Receiver's activities during the second 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, which motion was approved on June 17, 2019. Dkt. 1727. The
17 Receiver also continued to address other legal issues unique to certain properties.
18 In addition, the Receiver prepared his Twenty-Seventh Interim Report, which was
19 filed on May 6, 2019. Dkt. 1718.

20 II. SUMMARY OF RECEIVER'S ACTIVITIES

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

24 A. Business Operations

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

28

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 After the final bills of the receivership were paid, the post-judgment receiver
17 was holding approximately \$44,000 in the post-judgment receivership account.
18 Pursuant to the agreement of the parties, these funds were to be paid to the
19 Securities and Exchange Commission ("Commission"), which had not received
20 any funds from the sale of the LinMar III property. The Commission then agreed
21 to have the funds transferred to the Receiver to be distributed to investors with
22 allowed claims. However, Attorney Philip Dyson, who had a lien on the
23 LinMar III property refused to agree and argued that he had not agreed the funds
24 should go to the Commission. Accordingly, the Receiver filed a motion on July 3,
25 2019 seeking to resolve this dispute and requesting that the post-judgment receiver
26 be discharged. The motion is set for hearing on October 25, 2019.

27
28

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

2 To date, the Receiver has closed 26 sales of receivership properties, signed
3 contracts with buyers for 6 additional properties, and has the remaining 6
4 properties listed for sale with licensed brokers. The following is a summary of
5 recently closed and pending sales:

- 6 • On March 6, 2019, the Receiver filed a motion for approval of the sale of
7 the Fernley I property. Dkt. 1701. The motion was approved on
8 June 17, 2019 (Dkt. 1726) and the sale closed on June 21, 2019.
- 9 • On March 28, 2019, the Receiver filed a motion for approval of the sale
10 of the remaining 65-acre portion of the Stead I property. Dkt. No. 1707.
11 The Motion was granted on June 4, 2019 (Dkt. 1723) and the sale closed
12 on June 14, 2019.
- 13 • On May 10, 2019, the Receiver moved for approval of the sale of the
14 ABL/Mex-Tec property. Dkt. 1719. The motion was granted on July 29,
15 2019 (Dkt. No. 1739) and is expected to close this month.
- 16 • On May 10, 2019, the Receiver moved for approval of the sale of the
17 Vista Tecate property. Dkt. 1722. The motion was granted on July 24,
18 2019 (Dkt. No. 1737) and is expected to close this month.
- 19 • On July 19, 2019, the Receiver moved for approval of the sale of the
20 Yuma I, Yuma II, Yuma III, and Western-owned Yuma properties.
21 Dkt. 1735. The motion is set for hearing on November 15, 2019.

22 **D. Pending Offers and Negotiations**

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

26 **III. RECEIPTS AND DISBURSEMENTS**

27 Attached hereto as Exhibit A is a summary of the receipts and
28 disbursements for the consolidated receivership accounts during the second quarter

1 of 2019. Receipts during the period comprised of proceeds from the sales of
 2 receivership properties and bank interest earned on the account balance. During
 3 this past quarter, because of the higher balances expected to accrue for a short
 4 period of time, the Receiver was able to negotiate a higher rate of interest¹ for the
 5 bank account that holds the majority of cash in the receivership estate.

6 Attached as Exhibit B is the Standardized Fund Accounting Report for the
 7 second quarter of 2019. As noted above, on April 8, 2019, the Receiver filed a
 8 motion seeking authority to make a second round of interim distributions in the
 9 total amount of \$6,000,000, which motion was granted on June 17, 2019.

10 Accordingly, on July 24, 2019, interim distribution checks totaling \$5,934,758
 11 were mailed/wired out to investors with allowed claims. The difference between
 12 the sent distributions and the amount approved for distribution is due to the small
 13 number of investors that the Receiver has been unable to contact.

14 **IV. INVESTOR COMMUNICATIONS**

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

24 Investors are again reminded of the importance of informing the Receiver of
 25 any change in their email address or physical address, especially if they have an
 26 allowed claim and have not received an interim distribution check.

27 _____
 28 ¹ The interest rate was doubled by Banner Bank as compared to its regular
 market rate.

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

7 V. RECOMMENDATIONS

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

12 VI. CONCLUSION

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

15
 16 Dated: August 26, 2019

ALLEN MATKINS LECK GAMBLE
 MALLORY & NATSIS LLP

17 By: /s/ Edward Fates

18 EDWARD G. FATES
 Attorneys for Receiver
 19 THOMAS C. HEBRANK
 20
 21
 22
 23
 24
 25
 26
 27
 28

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 August 26, 2019, I served the within document(s) described as:

• RECEIVER'S TWENTY-EIGHTH 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 August 26, 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
- Timothy P. Dillon - tdillon@dghmalaw.com; ksouser@dghmalaw.com; sahuja@dghmalaw.com
- Philip H. Dyson - phildysonlaw@gmail.com; jldossegger2@yahoo.com; phdtravel@yahoo.com
- Edward G. Fates - tfates@allenmatkins.com; bcrfilings@allenmatkins.com; jholman@allenmatkins.com
- Dennis Frisman - gary@aguirrelawapc.com
- Eric Hougen - eric@hougenlaw.com
- Sara D. Kalin - kalins@sec.gov; chattoop@sec.gov; irwinma@sec.gov
- E. Andrew Schooler - andyschooler@att.net
- Carol Elizabeth Schultze - schultzec@sec.gov; masseym@sec.gov; caroleschultze@gmail.com; clarket@sec.gov
- 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 August 26, 2019, at San Diego, California.

Edward G. Fates
(Type or print name)

/s/ Edward Fates
(Signature of Declarant)

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

	Apr-19	May-19	Jun-19	Q2 2019 TOTAL
Balance - Money Market Account	8,115,593	7,973,786	7,982,255	7,982,255
Balance - Operating Account	75,625	71,419	49,795	49,795
Total	8,191,218	8,045,205	8,032,050	8,032,050
Receipts - Money Market Account				
36000 · Interest - Money Market Account	8,193	8,470	8,607	25,270
37000 · Linmar Settlement	-	-	-	-
48000 · Sales - Partnership Property	-	-	1,179,816	1,179,816
67000 · Property Tax - Refund	-	-	-	-
Total Receipts - Money Market Account	8,193	8,470	1,188,423	1,205,086
Receipts - Operating Account				
Transfer to Operating Account from Money Market/Claim Accounts	150,000	-	75,000	225,000
47900 · Sales - WFPC Property	-	-	-	-
48000 · Sales - Partnership Property	-	-	-	-
66500 · LLC Filing Fees - Refund	-	-	-	-
67000 · Property Tax - Refund	-	-	-	-
Total Receipts -Operating Account	150,000	-	75,000	225,000
Disbursements - Money Market Account				
Transfer from Money Market Account to Operating Account	150,000	-	75,000	225,000
Transfer from Money Market Account to Claims Distribution	-	-	-	-
Total Disbursements - Money Market Account	150,000	-	75,000	225,000
Disbursements - Operating Account				
60000 · Marketing of Property Sales	427	1,502	-	1,929
60400 · Bank Service Charges	-	81	-	81
61700 · Computer and Internet Disbursementss	440	54	1,269	1,763
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	1	2	1	3
65500 · Printing Services	1	2	1	4
66500 · LLC Filing Fees	44	-	-	44
66650 · Legal Fees	60,422	-	18,733	79,155
66700 · Professional Fees	-	-	-	-
66750 · Receiver Fees	48,109	-	39,986	88,096
66800 · Tax Preparation Services	37,490	-	-	37,490
66830 · Permit Fees	-	200	-	200
67000 · Property Tax	-	12,325	10	12,335
67050 · Property Tax Special Assessment	-	-	-	-
67500 · Storage	772	852	-	1,624
68000 · Taxes - Federal and State	800	-	-	800
68600 · Utilities	224	198	108	530
68800 · Claims Distribution	5,476	6,409	3,210	15,095
69000 · WFP-Partnership Capital Contribution Refunds	-	-	-	-
Total Disbursements - Operating Account	154,206	21,624	63,319	239,149
Ending Balance - Money Market Account	7,973,786	7,982,255	9,095,679	9,095,679
Ending Balance - WFP Receivership	71,419	49,795	61,477	61,477
Total Ending Balance	8,045,205	8,032,050	9,157,155	9,157,155

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 04/01/2019 TO 06/30/2019

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

Reporting Period 04/01/2019 to 06/30/2019

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 01/01/19):	8,191,218		8,191,218
<i>Increases in Fund Balance:</i>			
Line 2 Business Income	-		-
Line 3 Cash and Securities	-		-
Line 4 Interest/Dividend Income	25,270		25,270
Line 5 Business Asset Liquidation	1,179,816		1,179,816
Line 6 Personal Asset Liquidation	-		-
Line 7 Third-Party Litigation Income	-		-
Line 8 Misc - Insurance & Prop Tax Refunds	-		-
Total Funds Available (Lines 1 - 8):	9,396,304		9,396,304
<i>Decreases in Fund Balance:</i>			
Line 9 Disbursements to Investors	(15,095)		(15,095)
Line 10 Disbursements to Receivership Operations			
Line 10a Disbursement to Receiver or Other Professionals	(204,741)		(204,741)
Line 10b Business Asset Expenses	(18,513)		(18,513)
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	(800)		(800)
Total Disbursements for Receivership Operations			(224,054)
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):			(239,149)
Line 13 Ending Balance (As of 06/30/2019):			9,157,155

STANDARDIZED FUND ACCOUNTING REPORT for Investment Financial Planning - Cash Basis
Receivership; Case No. 3:12-cv-02164-GPC-JMA
Reporting Period 04/01/2019 to 06/30/2019

Line 14 Ending Balance of Fund - Net Assets:			
Line 14a Cash & Cash Equivalents			9,157,155
Line 14b Investments			-
Line 14c Other Assets or Uncleared Funds			-
Total Ending Balance of Fund - Net Assets			9,157,155
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:

8/26/19