

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-NINTH
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-Ninth Interim Report, which focuses
6 on the Receiver's activities during the third 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. On April 8, 2019, the
11 Receiver filed a motion seeking authority to make a second round of interim
12 distributions in the total amount of \$6,000,000, which motion was approved on
13 June 17, 2019. Dkt. 1727. Accordingly, the Receiver issued distribution checks
14 totaling \$5,934,758 to investors with allowed claims in July 2019 (as discussed
15 below, the difference between the total distributions sent out and the amount
16 approved for distribution is due to the small number of investors the Receiver has
17 been unable to contact). As of September 30, 2019, a total of \$5,680,868 in
18 distribution checks had cleared the receivership account for the second
19 distribution. The Receiver also continued to address other legal issues unique to
20 certain properties. In addition, the Receiver prepared his Twenty-Eighth Interim
21 Report, which was filed on August 26, 2019. Dkt. 1742.

22 II. SUMMARY OF RECEIVER'S ACTIVITIES

23 The Receiver's primary focus since his appointment has been on preserving
24 and protecting the Receivership Entities' assets. These activities fall into the
25 following general categories:
26
27
28

1 **A. Business Operations**

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

5 **B. Asset Recoveries**

6 The Receiver has investigated and pursued recoveries from various assets,
7 including the following:

8 **Notes Payable from LinMar Entities.** The Receiver continued efforts to
9 enforce the judgment entered by the Court against LinMar III. During the fourth
10 quarter of 2018, the post-judgment receiver was able to complete and close the
11 sale of the LinMar III property located in Fresno. Unfortunately, the sale proceeds
12 were not sufficient to pay the senior liens and the judgment obtained by the
13 Receiver in full. The mortgage on the property in favor of Rabobank had matured
14 and the property needed to be sold in the short term or Rabobank would have
15 proceeded with a foreclosure. Additionally, some material changes in the
16 leases/tenancy at the property reduced the overall value. Accordingly, the
17 Receiver agreed to accept the reduced amount of \$120,000 in exchange for a
18 release of his lien in order to allow the sale to be completed and avoid the property
19 being lost to foreclosure. The other lien holders, including Attorney Philip Dyson
20 (“Dyson”), and the Securities and Exchange Commission (“Commission”) also
21 agreed to reduced payoffs for their respective liens. Dyson, Louis Schooler’s
22 former attorney, agreed to a percentage reduction on his lien comparable to the
23 Receiver. The Commission agreed that they would receive any remaining funds
24 after the closing. The sale closed on December 31, 2018.

25 After the final bills of the receivership were paid, the post-judgment receiver
26 was holding approximately \$44,000 in the post-judgment receivership account.
27 Pursuant to the agreement of the parties, these funds were to be paid to the
28 Commission. The Commission had a claim to these funds pursuant to their

1 judgment against Louis Schooler. Additionally, the Commission agreed to have
 2 the funds transferred to the Receiver to be distributed to investors with allowed
 3 claims. However, upon learning that the amount of funds available to the
 4 Commission was significant, Dyson argued that he had not agreed the funds
 5 should go to the Commission. To resolve the conflict, the Receiver filed a motion
 6 on July 3, 2019 arguing that the parties had already agreed to a distribution of the
 7 funds and requesting that the post-judgment receiver be discharged. The
 8 Receiver's motion was granted on October 25, 2019, the remaining funds in the
 9 post-judgment receivership account were transferred to the Receiver, and the post-
 10 judgment receivership was concluded.

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

12 To date, the Receiver has closed 28 sales of receivership properties, signed
 13 contracts with buyers for 4 additional properties, and has the remaining 6
 14 properties listed for sale with licensed brokers. The following is a summary of
 15 recently closed and pending sales:

- 16 • On May 10, 2019, the Receiver moved for approval of the sale of the
 17 ABL/Mex-Tec property. Dkt. 1719. The motion was granted on July 29,
 18 2019 (Dkt. No. 1739) and the sale closed on August 13, 2019.
- 19 • On May 10, 2019, the Receiver moved for approval of the sale of the
 20 Vista Tecate property. Dkt. 1722. The motion was granted on July 24,
 21 2019 (Dkt. No. 1737) and the sale closed on August 13, 2019.
- 22 • On July 19, 2019, the Receiver moved for approval of the sale of the
 23 Yuma I, Yuma II, Yuma III, and Western-owned Yuma properties.
 24 Dkt. 1735. The motion was granted on November 13, 2019 and the sale
 25 is expected to close in the coming weeks.

26
 27
 28

1 **D. Pending Offers and Negotiations**

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

5 **III. RECEIPTS AND DISBURSEMENTS**

6 Attached hereto as Exhibit A is a summary of the receipts and
7 disbursements for the consolidated receivership accounts during the third quarter
8 of 2019. Receipts during the period comprised of proceeds from the sales of
9 receivership properties and bank interest earned on the account balance. During
10 this past quarter, because of the higher balances expected to accrue for a short
11 period of time, the Receiver was able to negotiate a higher rate of interest¹ for the
12 bank account that holds the majority of cash in the receivership estate.

13 Attached as Exhibit B is the Standardized Fund Accounting Report for the
14 third quarter of 2019. As noted above, on April 8, 2019, the Receiver filed a
15 motion seeking authority to make a second round of interim distributions in the
16 total amount of \$6,000,000, which motion was granted on June 17, 2019.
17 Accordingly, on July 24, 2019, interim distribution checks totaling \$5,934,758
18 were mailed/wired out to investors with allowed claims. The difference between
19 the sent distributions and the amount approved for distribution is due to the small
20 number of investors that the Receiver has been unable to contact.

21 For investors for whom the Receiver does not have current contact
22 information, the Receiver has reached out to all known points of contact (e.g.
23 mailing addresses, email addresses, and phone numbers). When those efforts were
24 unsuccessful, the Receiver's staff has conducted internet searches on those
25 investor points of contact to see if the investor, or even a relative of the investor,
26 could be located. In some instances, these efforts have been successful. If,

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

1 however, the Receiver is unable to locate current contact information for an
2 investor, then, as provide for in the Court-approved Distribution Plan, the
3 investor's claim will be permanently extinguished before the third and final
4 distribution is made (which is likely to be in 2020).

5 **IV. INVESTOR COMMUNICATIONS**

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

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

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

24 **V. RECOMMENDATIONS**

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

VI. CONCLUSION

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

Dated: November 20, 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 2019	9
Exhibit B	Standardized Fund Accounting Report	11

EXHIBIT A

EXHIBIT A

	Jul-19	Aug-19	Sep-19	Q3 2019 TOTAL
Balance - Money Market Account	9,095,679	6,355,066	3,080,813	3,080,813
Balance - Operating Account	61,477	1,229,798	1,012,825	1,012,825
Total	9,157,155	7,584,863	4,093,638	4,093,638
Receipts - Money Market Account				
36000 - Interest - Money Market Account	9,387	3,916	3,167	16,470
37000 - Linmar Settlement	-	-	-	-
48000 - Sales - Partnership Property	-	221,831	-	221,831
67000 - Property Tax - Refund	-	-	-	-
Total Receipts - Money Market Account	9,387	225,747	3,167	238,301
Receipts - Operating Account				
Transfer to Operating Account from Money Market/Claim Accounts	2,750,000	3,500,000	-	6,250,000
47900 - Sales - WFPC Property	-	-	-	-
48000 - Sales - Partnership Property	-	-	-	-
66500 - LLC Filing Fees - Refund	-	-	-	-
67000 - Property Tax - Refund	-	-	-	-
68600 - Utilities - Refund	359	-	-	359
Total Receipts - Operating Account	2,750,359	3,500,000	-	6,250,359
Disbursements - Money Market Account				
Transfer from Money Market Account to Operating Account	2,750,000	3,500,000	-	6,250,000
Transfer from Money Market Account to Claims Distribution	-	-	-	-
Total Disbursements - Money Market Account	2,750,000	3,500,000	-	6,250,000
Disbursements - Operating Account				
60000 - Marketing of Property Sales	-	275	-	275
60400 - Bank Service Charges	14	276	210	501
61700 - Computer and Internet Disbursementss	534	449	54	1,037
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	3	1,675	18	1,696
65500 - Printing Services	3	2,133	23	2,159
66500 - LLC Filing Fees	125	-	-	125
66650 - Legal Fees	-	-	-	-
66700 - Professional Fees	-	-	-	-
66750 - Receiver Fees	-	-	-	-
66800 - Tax Preparation Services	-	-	-	-
66830 - Permit Fees	-	-	-	-
67000 - Property Tax	-	25,450	-	25,450
67050 - Property Tax Special Assessment	-	32,101	-	32,101
67500 - Storage	1,683	863	1,018	3,564
68000 - Taxes - Federal and State	-	-	-	-
68600 - Utilities	-	-	-	-
68800 - Claims Distribution	1,579,676	3,653,750	447,442	5,680,868
69000 - WFP-Partnership Capital Contribution Refunds	-	-	-	-
Total Disbursements - Operating Account	1,582,038	3,716,972	448,766	5,747,776
Ending Balance - Money Market Account	6,355,066	3,080,813	3,083,980	3,083,980
Ending Balance - WFP Receivership	1,229,798	1,012,825	564,060	564,060
Total Ending Balance	7,584,863	4,093,638	3,648,039	3,648,039

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 07/01/2019 TO 09/30/2019

STANDARDIZED FUND ACCOUNTING REPORT for Western Financial Planning - Cash Basis

Receivership; Case No. 3:12-cv-02164-GPC-JMA
Reporting Period 07/01/2019 to 09/30/2019

FUND ACCOUNTING (See instructions):			
	Detail	Subtotal	Grand Total
Line 1 Beginning Balance (As of 07/01/19):	9,157,155		9,157,155
<i>Increases in Fund Balance:</i>			
Line 2 Business Income	-		-
Line 3 Cash and Securities	-		-
Line 4 Interest/Dividend Income	16,470		16,470
Line 5 Business Asset Liquidation	221,831		221,831
Line 6 Personal Asset Liquidation	-		-
Line 7 Third-Party Litigation Income	-		-
Line 8 Misc - Insurance & Prop Tax Refunds	359		359
Total Funds Available (Lines 1 - 8):	9,395,815		9,395,815
<i>Decreases in Fund Balance:</i>			
Line 9 Disbursements to Investors	(5,680,868)		(5,680,868)
Line 10 Disbursements to Receivership Operations			
Line 10a Disbursement to Receiver or Other Professionals	-		-
Line 10b Business Asset Expenses	(66,908)		(66,908)
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			(66,908)
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):			(5,747,776)
Line 13 Ending Balance (As of 09/30/2019):			3,648,039

STANDARDIZED FUND ACCOUNTING REPORT for Western Financial Planning - Cash Basis

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

Reporting Period 07/01/2019 to 09/30/2019

Line 14 Ending Balance of Fund - Net Assets:			
Line 14a Cash & Cash Equivalents			3,648,039
Line 14b Investments			-
Line 14c Other Assets or Uncleared Funds			-
Total Ending Balance of Fund - Net Assets			3,648,039
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:

11/19/19