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15 **Attorneys for Permanent Receiver - DAVID GILL**

16 UNITED STATES DISTRICT COURT
17 CENTRAL DISTRICT OF CALIFORNIA

18 SECURITIES AND EXCHANGE
19 COMMISSION

20 Plaintiffs,

21 vs.

22 WESTMOORE
23 MANAGEMENT, LLC, et al

24 Defendants.

Case No. 8:10-cv-00849 AG (MLGx)

**RECEIVER'S NOTICE OF INTENT
TO COMPROMISE LITIGATION**

*[Per order entered December 5, 2011,
no hearing required unless objection
filed]*

25 **COMES NOW** David A. Gill, the permanent receiver for the Westmoore
26 entities appointed in the above-captioned case (the "Receiver") and hereby provides
27 notice pursuant to the Court's *Order Granting Receiver's Motion for Order Limiting*
28 *Meeting and Notice Requirements in Local Rules 7-3 and 66-7, Establishing*
Procedures Re: the Sale of Real and Personal Property and Approval of Settlements
(the "Procedural Order") that the Receiver has reached a settlement and compromise

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2 of any and all claims between the Receiver and one of Westmoore's former
3 investors (the "Settling Party").¹

4 Based upon the investigation by the Receiver and his attorneys and agents, the
5 Receiver believes that, in 2007, the Settling Party invested \$1 million with
6 Westmoore in the form of a loan evidenced by, among other things, a promissory
7 note secured by certain real property in San Diego, California. After one extension
8 of the maturity date, the loan matured and came due in mid-2008. Westmoore did
9 not pay the Settling Party when the loan came due, though it made a large partial
10 payment in late 2008. In early 2009, the real property in San Diego was facing
11 foreclosure and it appeared likely that the Settling Party's security interest would be
12 wiped out. In or about April 2009, allegedly in exchange for a forbearance,
13 Westmoore entered into a Pledge and Security Agreement, purporting to pledge to
14 the Settling Party one million shares of common stock in China Tel Group, Inc.
15 ("China Tel"). Later that year, an aggregate of 2,380,952 shares of China Tel stock
16 (some of which apparently could not be immediately traded on the open market)
17 were transferred to the Settling Party in full satisfaction of Westmoore's obligation
18 to the Settling Party under the 2007 promissory note.

19 The Receiver filed a complaint against the Settling Party, and more recently
20 filed a motion for summary judgment seeking entry of a judgment against the
21 Settling Party in the amount of approximately \$1 million, plus interest, representing
22 the value of the shares transferred to the Settling Party during 2009. Alternatively,
23 the Receiver requested that the Court grant partial summary judgment against the
24 Settling Party for \$461,657, representing the "net winnings" the Settling Party
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27 ¹ The settlement agreement provides that, to the extent reasonably practicable, the
28 agreement and its provisions are confidential. Therefore, for purposes of this publicly filed notice,
the former investor is referred to only as the Settling Party.

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2 received. The Settling Party also has filed a motion for summary judgment,
3 requesting that the Court enter judgment in favor of the Settling Party and
4 determining that the Receiver is not entitled to recover anything on account of his
5 claims. Among other things, the Settling Party alleges that it acted at all times in
6 good faith, and that the value of the China Tel shares it received was not \$1 million
7 as alleged by the Receiver. A hearing on these cross-motions for summary judgment
8 is currently on the Court's calendar for September 15, 2014, though the parties
9 expect the hearing to be continued or taken off calendar due to this settlement.

10 In July 2014, the Receiver and his counsel attended a mediation with a former
11 United States District Court judge. Although the matter did not settle at that time,
12 the parties continued their settlement discussions.

13 Subject to Court approval to be obtained in accordance with the procedures
14 established by this Court, the Receiver has entered into a settlement agreement with
15 the Settling Party. The general terms of the settlement are that the Settling Party
16 will pay \$500,000.00 to the Receiver and the Settling Party will release and any all
17 claims it has against the Receivership Estate. In arriving at this settlement, the
18 Receiver took into account a variety of factors typically considered by equity
19 receivers and bankruptcy trustees, including but not limited to the additional legal
20 fees and costs that would be incurred to litigate the matter, the complexity of the
21 litigation involved, the probability of success on the merits, and the difficulties that
22 would be encountered in collection. Under the circumstances, in his business
23 judgment, the Receiver believes that the proposed settlement is a fair and reasonable
24 settlement of his claims against the Settling Party.

25 In accordance with the terms of the Court-approved retention agreement of
26 special litigation counsel Castillo Snyder P.C., from the payment received at closing
27 of the settlement, the Receiver will pay 30% of the settlement amount in fees to
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2 Castillo Snyder for their work on this matter, in accordance with the Court-approved
3 contingent fee agreement between the Receiver and said law firm. The Receiver
4 will also reimburse Castillo Snyder and its local counsel actual costs incurred by
5 them in connection with this matter.

6 **PLEASE TAKE FURTHER NOTICE** that pursuant to the Court's *Order*
7 *Granting Receiver's Motion for Order Limiting Meeting and Notice Requirements in*
8 *Local Rules 7-3 and 66-7, Establishing Procedures Re: the Sale of Real and*
9 *Personal Property and Approval of Settlements* (the "Procedural Order"), the
10 Receiver will post a copy of this Notice available for download on the Receiver's
11 website: www.westmoorereceivership.com. Service of the notice is deemed
12 complete upon the posting of the notice on the website.

13 **PLEASE TAKE FURTHER NOTICE** that pursuant to the Court's
14 Procedural Order, objections to the Receiver's proposed compromise with the
15 Settling Party must be (a) in writing and (b) filed with the Court and served in
16 accordance with the Court's Local Rules not later than fourteen (14) days from the
17 date on which this notice was filed with the Court or, if later, posted on the
18 Receiver's website.

19 **PLEASE TAKE FURTHER NOTICE** that if an objection is timely filed
20 and served, the Receiver may file a reply and notice the matter for hearing. In that
21 event, a separate notice of the hearing will be filed and served.

22 **PLEASE TAKE FURTHER NOTICE** that if no objection is timely filed
23 and served, pursuant to the Procedural Order the Receiver will be authorized to
24 proceed with the proposed compromise without further notice or order of the Court.
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Dated: August 18, 2014

CASTILLO SNYDER, PC

By: /s/ Edward C. Snyder
Edward C. Snyder
Counsel for Plaintiff

Dated: August 18, 2014

THE COOPER LAW FIRM, P.C.

By: /s/ Scott Cooper
Scott Cooper
Counsel for Plaintiff

