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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, on the one hand, and Paul Weinberg,
3 Igor Shlimovich, Yakov Shlimovich, and Inglewood Jewelry & Loan, Inc.
4 (collectively the “Settling Parties”), on the other hand.

5 Based upon the investigation by the Receiver and his attorneys and agents, the
6 Receiver filed a complaint against the Settling Parties, among others, to recover “net
7 winnings” that they received from Westmoore entities (*Gill v. Blessing, et al.*, case
8 number SACV 13-132 AG). The Receiver has alleged that, in the aggregate, the
9 Settling Parties received net winnings in excess of \$5 million; the Settling Parties’
10 own expert’s report shows that, in the aggregate, they received in excess of \$2.8
11 million. Even if the Settling Parties’ numbers are accepted, the Receiver could be
12 entitled to millions of dollars more in interest and, if the Settling Parties are shown
13 to have acted in bad faith, the return of all payments (not just net winnings) received
14 by them.

15 The Settling Parties assert that they have a number of defenses, and
16 vigorously deny any liability. Among other things, they allege that Westmoore was
17 not a Ponzi scheme until sometime in 2008, and therefore the Receiver may not
18 recover net winnings (if any) paid to them prior thereto. They also allege that they
19 should be given credit for over \$1 million of transfers made by them to entities that
20 the Receiver believes are not part of this receivership or were not part of the Ponzi
21 scheme. They also allege that the Receiver’s claims are time barred because (a) the
22 Receiver cannot prove when creditors could have discovered the existence of the
23 transfers made by Westmoore to the Settling Parties, and (b) the Receiver allegedly
24 knew of the transfers or had sufficient information to learn of the transfers after his
25 appointment and needed to have filed his lawsuit against the Settling Parties more
26 quickly. With respect to the limitations issues, the Settling Parties requested that the
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2 Court enter summary judgment in their favor, but the Court denied their motion and
3 likened their position to a criticism of someone searching for a needle in a haystack.

4 After the Court denied the Settling Parties' motion for summary judgment, the
5 parties attended mediation with retired Superior Court Judge John W. Kennedy, Jr.
6 During mediation, certain of the Settling Parties provided, on a confidential basis
7 and for settlement purposes only, financial information and documents pursuant to
8 which the Receiver could evaluate difficulties that would be encountered in
9 collection as to them. The parties did not settle at the mediation, but continued
10 settlement discussions.

11 A jury trial was scheduled to commence on November 12, 2014. On
12 November 10, 2014, the Receiver and the Settling Parties agreed to the terms of a
13 settlement and executed a term sheet.

14 Subject to Court approval to be obtained in accordance with the procedures
15 established by this Court, the Receiver has entered into a formal settlement
16 agreement with the Settling Parties. The general terms of the settlement are that the
17 Settling Parties will pay an aggregate of \$1.2 million in full and complete
18 satisfaction of the Receiver's claims, with \$500,000 to be paid within one week after
19 Court approval and the balance to be paid by November 10, 2015. If the Receiver
20 does not timely receive the required amounts, the Receiver will be authorized to
21 seek entry of judgment against the Settling Parties, jointly and severally, in the
22 amount of \$1.5 million less any amounts already received by the Receiver under the
23 settlement. Effective upon Court approval, the Receiver and the Settling Parties also
24 will exchange mutual releases of any and all claims.

25 In arriving at this settlement, the Receiver took into account a variety of
26 factors typically considered by equity receivers and bankruptcy trustees, including
27 but not limited to the additional legal fees and costs that would be incurred to
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2 litigate the matter, the complexity of the litigation involved, the probability of
3 success on the merits, and the difficulties that would be encountered in collection as
4 to certain of the Settling Parties. Under the circumstances, in his business judgment,
5 the Receiver believes that the proposed settlement is a fair and reasonable settlement
6 of his claims against the Settling Parties.

7 The Receiver has been represented in this matter by special litigation counsel
8 Castillo Snyder P.C. In accordance with the terms of Castillo Snyder's retention
9 agreement approved by the Court in August 2012, Castillo Snyder is entitled to
10 payment of 35% of the net proceeds to be received by the Receiver from the Settling
11 Parties. The "net proceeds" is the amount equal to the gross amounts received by
12 the Receiver, less out-of-pocket expenses incurred and advanced by the firm for the
13 prosecution of the case that resulted in the recovery.

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

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

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

PLEASE TAKE FURTHER NOTICE that if no objection is timely filed and served, pursuant to the Procedural Order the Receiver will be authorized to proceed with the proposed compromise without further notice or order of the Court.

Dated: November 26, 2014 CASTILLO SNYDER, PC

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

Dated: November 26, 2014 THE COOPER LAW FIRM, P.C.

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

