

# 341 Creditors' Meeting for William F Garlock, April 17, 2013

## Transcription by petitioner Douglas Smith

T = Trustee Milgrom; G = debtor Garlock; F = debtor's attorney Fried; B = petitioners' attorney Bonis;  
S = petitioner Smith; Numbers (4:25, etc = minutes/seconds count on the recording)

T: First call, case of William F. Garlock, case number 12-30802. Hello.

G: Hello.

T: How are you?

G: (*Mumbles unintelligibly.*)

F: Say again [??]

(*Unintelligible*)

00:28 T: The problem with these is that this is information that you give to the accountant, and he puts on here. It's got to be independent information.

F: (grunts)

00:36-40: F & T speak simultaneously...

00:43 T: For the record, .... Why don't we first start anyway. Do you solemnly swear and affirm that the testimony that you are about to give will be the truth, the whole truth, and nothing but the truth?

G: Yes.

T: Please state your name for the record.

G: William Garlock.

T: Thank you. I've got a California driver's license. William F. Garlock, photo matches.

1:08 T: And you've moved since this? Since you got the driver's license, is the address on the petition the correct address?

G: Uh, yes.

T: Thank you. I would have to continue this, I think, anyhow, because we don't have the Schedules still on file, correct?

1:26 F: No, I believe I filed them after the last hearing. The judge gave me until Monday, and I filed them.

T: When did you file them?

F: The....(*hesitates*) Monday after the last hearing. [*In fact they were filed Tuesday morning.*] They said I had until Monday, and I filed them....

T: I hadn't, couldn't see them. (*Ruffles through papers.*)

1:50 F: That's about with me... the, uh, items I had told you about, regarding the horses and his tax returns.

T: That wasn't me, you were talking to my assistant.

F: I'm sorry.

T: That's okay. When did you file the Schedules?

F: I believe it was last month, after our last hearing. For the motion for turnover. The 183,000 polo ponies. [*sic!*]

2:33 T: I don't see it. Or I'm not (*unintelligible*).

T: (*looking at Bonis??*) Do you have a copy with you? You guys want to come up? Do you have a date there, that he filed the Schedules?

B: I can look it up.

T: Pull it up, I don't see it.

3:09 B: I guess the first question, Mr. Trustee, would be which Schedules?

T: Schedules of Assets and Liabilities.

B: A and B?

Smith: A and B? They were done long ago.

F: A through J was done last year.

T: I through J was (*unintelligible*)?

F: Yeah. That was done last year. And after the motion for turnover of property....

T: I thought that was just a hearing and the judge said, "File everything."

F: That was not for A through J, that was for Statement of Current Financials and Declaration...

T: Are those filed?

F: Those are filed.

T: And when were those filed?

F: The, uh Monday after the hearing.

T: Do you have that? (*apparently looking at Bonis*).

F: I believe it was March....

(*?? A couple people whispering.*)

F: That sounds right.

T: What do you have?

B: March 18<sup>th</sup>.

F: So the following Monday from that.

T: That's not on here. I don't show anything between March ...April 10<sup>th</sup>

F: (*Talking at the same time*) Statement of Current Income, ...

4:25 F: Do you want me to go to the clerk's office and get a copy for you?

T: No, you know, it could be, there's two different ways to download it, I don't think I can download this because it's not on my ..

F: I had some problems with my ECS so I brought them in my hand and filed them that way.

T: I wonder if that's why. Just give me a sec, let's see...

T: All right, where are we on this, I saw that the Order for Examination was issued?

F: Right.

T: Do you want to come up? (*question probably directed to Bonis*)

F: Here are the tax returns, the latest are still from 2010.

T: The big picture is, as I understand it, you are carrying the ball on this?

B: I would say that adequately sums it up.

T: The order was issued for a Rule of 2004 Exam...

B: Correct

T: ...allowing you to take 40-some depositions...

B: I'm not sure there were quite that many depositions, but there were a lot.

T: If you count each of the (*Bonis talking overlaps*)... so some of those may be duplicates, I don't know exactly which ones are duplicates. I guess the motion for turnover of the ponies is denied.

B: Well, the judge just told Mr. Isaacs to handle it, is basically what he did. His first question was, "Why are you doing the Trustee's job?" and I said, "Sorry." Then he said to let Mr. Isaacs handle it, and that was the end of it.

T: Well, Mr. Isaacs has told you, I think we've talked about this for a long time, ....

B: I understand.

T: ... that you know, so I'm trying to decide how to proceed today. Because all this additional discovery that's being done anyway, I don't want to duplicate this and waste everybody's time.

B: I'm fine with that.

T: Do you have a preference for how you want to proceed with the Meeting of Creditors?

B: Normally I assume you'll have about 15 minutes to allot us, correct?

T: Less.

B: (Laughs) OK.

T: Why don't we do this. Let me ask the standard questions, then we still need to deal with the Social Security information, I'll get to that in a second. Some of the (*unintelligible*) stuff. I swore you in already, right?

G: Yes.

T: OK, in connection with the bankruptcy, you filed a petition, Schedule of Assets and Liabilities, and Statement of Financial Affairs, correct?

G: Yes.

T: Did you review those?

G: Yes.

T: Did you sign them?

G: Yes.

T: Did you review them carefully?

G: Best I could.

T: Are they true and correct in all respects?

G: To the best of my knowledge.

T: Are all your creditors listed?

G: There are so many I just don't.... I think so.

T: To the best of your knowledge all of your creditors....

G: To the best of my knowledge.

T: Are all your assets listed?

G: Yes.

T: Are there any changes listed in those documents?

G: With regards to my assets, I don't believe so.

T: Assets, or anything else in those documents. Is there any changes or mistakes in any of those documents?

G: I didn't see any.

T: Did you ever file bankruptcy before?

G: I've filed bankruptcy on behalf of numerous LLCs before.

T: OK, have you personally filed before?

G: No.

T: Do you owe child support to anybody?

G: No.

T: Are you married?

G: Yes.

T: Does your wife own any assets other than what is shown in the Schedules?

G: My wife would have a couple LLCs that I thought were foreclosed out but haven't been foreclosed out yet, so

T: I don't show in the Schedules, the LLCs that you're referring to?

G: Uh, no, I don't believe so.

T: OK, are those community property rights?

G: Uh, no.

T: They're separate property?

G: Yes.

T: And is there a separate property agreement that shows those to be separate property?

G: From back in 2002.

T: (*unintelligible*) ..are you familiar with this?

G: No.

T: (to Bonis) Do you want...

B: I'd like to see the agreement. And I'd also like to see the records of them so I can (*unintelligible??*) transfers. [*minute 8:12*] I'd also like to see the records of when these LLCs were transferred.

T: OK, so, if there are LLCs that your wife owns that aren't showing on the Schedules, because you're asserting they're separate property, you have to provide for Mr. Bonis copies of the LLC documents, anything that shows ownership, anything that shows when she acquired title and what consideration was given for that, okay?

G: Well they weren't transferred by me, they were originally set up when the asset was purchased.

T: OK, any information that exists concerning that. If there isn't any, then there isn't any.

G: We'll pick up what we can.

T: But if there are LLCs that are in her name, and they're separate property, do you have something to show how they're separate property? They're separate property because she acquired them before marriage?

G: No, no, no, no, we had nothing before the marriage.

T: She acquired them during the marriage?

G: When they were purchased, a new LLC was formed to own them, and my wife owned the LLC.

T: But how did she come to own the LLC? Why is it not community property?

G: Because back in 2002, I believe, we did a separate property agreement.

T: OK, so that's what, have you seen that? (*To Bonis*) That's what he needs to see.

G: Okay.

T: When can you get that to him?

G: We should have it someplace?

T: OK, within a week?

G: Yes.

T: (*To Bonis?*) You'd already got to it?

B: I would also request that if there's any management contracts for those LLCs, I'd like to see those.

T: Is that okay?

G: Uh, yeah, sure. What is....

T: Can you get them within a week?

G: What does management contract for an LLC mean?

T: Uh, if you have an LLC that's not (*unintelligible??*) company ... and you're paying somebody presumably to a management agreement, then he wants a copy of the management agreement.

G: There are none.

T: Okay, fair enough.

B: But all those LLCs own property and I'd like to know who's managing the property, who's getting the funds from the property, because I do not believe that this is anything but a sham.

T: Once again, do you follow what the question is?

G: Sure.

*Minute 10:16*

T: OK, they all the LLCs own a piece of real estate, right?

G: Yes.

T: The real estate's being managed, correct?

G: No.

T: Not being.... What is it with the LLC?

G: One is a house down in the desert, and the other one is a piece of land.

T: OK, so there's no money, the piece of land, there's no income from it, correct?

G: Right.

T: And the house in the desert, who's collecting the rents?

G: There's no rents, it's a house we stay in, and Bank of America has the note. We were trying to complete a short sale, and they kept raising the price, and I can't find anybody to buy at that price so it'll be foreclosed on.

B: It's not listed on the Schedules.

T: He claims it's a separate property. The fact that it's separate property doesn't have to be [declared] but he is entitled to see any information to show that it's separate property, okay?

G: That's fine, no problem.

T: I asked you, you didn't file bankruptcy before personally. Umm..... have you provided a copy of the most recently filed tax returns?

F: I have them here.

T: The 2011 return has not been filed, correct?

G: (*grunts, probably meaning yes*).

T: Any objections if I give this to Mr. Bonis?

F: Can I review one more time to be sure I have...

T: Just a second. So you own your residence, correct? That's the only piece of real estate that's in your name is the residence?

G: The one down south?

T: I don't know.

G: That one's in the name of Karlo LLC.

T: OK, you have ... a number of properties that are in your name.

G: If you'll name them, I'll tell you where they are now.

T: The first one, I don't want to read the address of the residence – the Cambridge Avenue property? That's your r..., that's showing as your address?

G: That was an office building. It was foreclosed on.

T: This shows, in your tax return, or in your Schedule A, that you have home mortgage interest deduction. What property do you have home mortgage interest deduction for?

G: I don't know. I'd have to go back and check that.



T: And you had a property on Stone Pine Lane?

G: Yes. That's not mine. We have the debt.

T: Well, you're showing on your Schedule E...

G: Yeah, we put a loan, a friend of ours used our credit to obtain a loan.

T: Why do you have it on your Schedule E?

G: I don't know, the tax guys do all that.

T: What about Runnymede?

G: That was foreclosed out.

T: When?

G: *(long pause)* 2011.

T: Can I get information for Mr. Bonis to show that?

G: Okay.

T: What about Baron Court? Watsonville? What about that?

G: Foreclosed out.

T: When was that?

G: 2011.

T: Ok, do you want to provide that to Mr. Bonis as well?

G: Do you remember that one? *[unsure of this text. He may be talking to Fried. Baron Ct is one of the 16 townhouses he stole from investor Mary Kay Parks. Checking Santa Cruz Cty Recorder records I see foreclosures in 2009, then again in 2010 and 2011. Too many to check now and the equity's long gone anyway. ]*

F(?): *(unintelligible.)*

T: There's also some LLCs on here, I'll give this to you (*Bonis*), it's some of the things review [???]. He's entitled to get it. There's a provision in the bankruptcy code that says that the (???? *Minute 13:52*) for 30 days.

F: Right.

T: But I don't want to get in the middle of this and a big argument about it.

F: Those two properties were Baron Court and ...

T: Yeah, I'm looking at, uh, Part 2 of Schedule E. So Schedule E has three properties on it. And then it shows under Part 2 "Income or Loss from Partnership and S Corporation" it's got Karlo LLC DDB "Residential Partners" and JBudd LLC. I'll give this to you in just a second, I'll fold this one so you can see it. Dang, I've just gotten caught up again too.

So you haven't filed a 2011 return, is that correct?

G: Correct.

T: Is there a reason for that? Have you given the information to the accountant to provide it?

G: No.

T: How come?

G: Don't have the money to pull off all the LLCs and everything from a filing standpoint.

15:17 T: OK, so what I would like is if you make a copy and send it to my assistant ...

B: Absolutely. Electronic or hard copy?

T: I don't need a hard copy. You can send it to ...

F: That's, uh, that's our only copy right now.

B: I'll get it back to you.

T: That's all right?

F: I'd rather do the photocopying. We can go to Kinko's nearby. But if you wanted to review it...

B(?): I think our time's probably about up..... *(didn't catch the rest of this, minute 15:40)*

T: He's going to have a lot more questions than we have time for at this, .... What else?

T: Did you review the bankruptcy information sheet?

G: Yes.

T: Do you owe alimony or child support?

G: No.

T: All right, so we're going to continue this to May first at 11 a..m. But you don't have to appear – this is not uncommon that people don't have all the SS information. You either have to appear then and bring me the Social Security information, or you can go to the 7<sup>th</sup> floor, US Trustee office, you bring them a copy of the SS card or whatever information you have, and your drivers license. They'll then email it to

me. And assuming there's no problem and it's consistent with the filing information, then you don't have to appear on the 1<sup>st</sup>.

G: I don't have a SS card per se.

T: Then you've got to go to the SS Office and they'll give you something that shows what your number is.

G: Does a passport work?

T: Passport doesn't have your SS number on it.

F: Can we make that closer to May 20<sup>th</sup> incase he has to get a new SS card?

T: He won't have to get a new card. They'll give you something. I can make it May 15<sup>th</sup>, would you rather have the 15<sup>th</sup>?

F: Sure.

T: Let's continue to May 15<sup>th</sup> at 11 a.m. But if you go to the SS Administration Office – I've never been to the office but people go all the time – they'll give you something that shows what the number is.

F: Okay.

T: So we'll continue this till May 15<sup>th</sup> at 11 a.m. Do you want to ask a few questions?

B: Yeah, I guess a couple questions. I'd also like to get a date for Mr. Garlock and his counsel when they're available for deposition.

T: OK, do you want to give him the microphone, so we can make sure we're on the record?

F: Do you want the thing about the horses?

T: What do you have about the horses?

F: This is how they were pledged, and they're no longer his.

T: If you want, you take that and make-get a copy to my (*unintelligible minute 17:55*) for. Let the record show it's about an inch worth of documents.

T: Do you want to make a statement for the record, please?

B: My name is Peter Bonis. I represent the petitioning creditors. Mr. Garlock, what are your monthly expenses?

G: (*long pause*) Um, 5,000,..... what kind of expenses?

B: Everything. Horses, car, house payment, the works.

G: I don't have a house payment.

B: Why not?

G: I (*speaking slowly*) basically live in a house that's under construction.

B: Who owns that house?

G: Royal Parking Corporation.

B: When was Royal Parking Corporation created?

G: November, 2011.

B: Who owns it?

F: I own part of it along with another person. I don't know,

T: He has to testify to that.

G: It's owned by Jon, along with (*long pause*) Curtis.

B: Curtis who?

G: Gaspard.

B: And who pays for your horse payments?

G: That's an agreement I've got worked out with Royal Parking Corporation.

B: So, Royal Parking Corporation is paying for the fee of your six polo ponies,

G: Five or six, yeah.

B: Are they paying for the gentleman that you pay to ride the polo ponies with you when you compete?

G: Uhhhhh, sometimes.

B: Are they paying for the horse Gentry that your wife owns?

T: Does your wife own the horse Gentry?

G: No.

T: Do you own five or six polo ponies?

G: I, I do but there's debt against them, the lien that ,.. they've been liened by the bank.

F: That's why I brought that over, because he's, it's not really that he owns them, they've been pledged.

T: But he still owns them?

G(? – *uncertain who's talking*): Yeah, that's why I said that.

T: I'm sorry, go ahead.

B: Who pays the two grooms that you use to take care of your horses?

G: Uhh (*pause*)... that would be Royal Parking Corporation. [*minute 20:00*]

B: And who paid the fees for Gentry to be in the, I think it's called the HITS Shows?

G: Royal Parking Corp.

B: So how much is Royal Parking paying for your living expenses every month?

G: I don't know.

B: Can you give me an estimate?

G: No, I'd rather just give you a breakdown if that's what you want.

T: Did you file Schedule I?

F: It should be on there.

B: It's not on there.

T: Let me ask a question. Schedule I and J, is that a complete statement of your income and expenses?

G: I reviewed things, I don't, uh, .... If it's not I'll fix it.

T: That's not an answer, you're not supposed to fix it, it's supposed to be right when you file it. You're filing under penalty of perjury. Is that (Schedule) correct or not?

G: It was ... (*pause*) to the best of my knowledge.

T: Did you make every effort to try to get correct information?

G: Yes.

T: So after making every effort to try to get correct information, the information on Schedules I and J are your current income and expenses to the best of your knowledge, correct?

G: Yes.

T: OK. This is going to take, so I don't know what you want to do...

B: Let's, I'd just like to get a date here, this is one step up. You've got your calendar handy?

F: We can't talk about the wife because he hasn't conferred with her, but how about, uh, May 16<sup>th</sup>.

B: OK.

F: It's the day after this one. So tomorrow's off?

B: I hadn't heard any confirmation. If you want to do it tomorrow, I can do it tomorrow.

F: Do you have, uh.... no May 16<sup>th</sup> is fine.

T: Why don't you do it tomorrow? (*unintelligible, then laughter by Bonis*). Won't get done otherwise.

B: I understand, but ... and you can confer with Rosie, do you represent her?

F: I do not represent her.

B: Who does?

G: She doesn't have anybody to represent her right now, she doesn't....

21:57 B: (*unintelligible*) for her?

F: No I cannot. I don't represent her.

T: Do you have an address for her?

G: I'll accept, I don't want my wife upset. So give me whatever you need to give me for her.

F?: You can't.

T: I'll leave it up to you to work it out.

OK

T: SO this is continued to May 15<sup>th</sup>, Meeting of Creditors 11 a.m. If you get the SS information over to me and everything's in order, then nobody has to appear, okay?

F: OK.

T: Very good. Any other creditors present .... Oh, wait, there's somebody else. Who else is here on Garlock?

Female voice: We all are.

B: I represent all of them.

T: Ok, I'm sorry. Anybody else want to come up and ask any questions? Very good.

B: Do you want to ask questions?

S: Umm, there are a few.

T: Go ahead. Your name for the record.

S: My name is Douglas Smith. I am one of the petitioning creditors.

F: And as a point of order, he's represented by Peter Bonis, so I would just object at Peter Bonis not doing the questioning, but just put that on the record.

T: All right.

S: I would like to ask Mr. Garlock – I couldn't hear very well being behind him – who owns Royal Parking Corporation.

G: That is Jon and Curtis Gaspard.

23:30 T: Did you make an appearance for the record? *(not sure of that text)*

F: Uh, Jon Fried.

S: And what percentage does Mr. Fried own?

G: I have no idea.

S: Can Mr. Fried speak to that?

T: He can if he wants to.

F: No, I'm not going to. I'm not the one in bankruptcy here, so

T: He's not, I can't, uh...

S: Fried and Curtis Gaspard. It sounds from what I could hear that Royal Parking Corporation has been extraordinarily generous. What is Royal Parking Corporation getting in return for all this beneficence?

G: *(answering very slowly)* Um, they get... services from me.

S: What services do you perform for Royal Parking Corporation?

G: I, help with, uh, trying to increase volume on garages and just using my (??) knowledge.

S: Buying *(unintelligible)*?

G: No, just improving service on garages.

S: Does Royal Parking Corporation have any sort of agreement with the garage at 12<sup>th</sup> and Kissling?

G: No.

S: Have you seen the grant deed that Mr. Kaufmann received after he purchased the 12<sup>th</sup> & Kissling garage in 2011?

G: No.

S: Have you seen the master lease referred to in that document, the master lease held by Royal Parking Corporation?

G: I don't remember.

S: An unrecorded master lease?

G: *(long pause)* I don't remember.

S: There is an unrecorded .... The document, the grant deed received by Mr. Ron Kaufman the purchaser of the 12<sup>th</sup> & Kissling garage in December of 2011 refers specifically to an unrecorded master lease held by Royal Parking Corporation. And you don't know anything about that?

G: You asked me if I'd seen it. I don't remember it.

T: I think now he's asking if you know anything about it.

G: Sure. But I don't remember the lease. I don't remember what specifics were in it.

T (I think): Have you ever seen it?

G: I'm sure I haven't.

T: OK.

S: Are you familiar with NorCal Care, Inc?

G: Yes.

S: What is your association with NorCal Care, Inc?

G: I don't have a direct association.

S: What is the indirect association?

F: *(long pause)* what is the indirect association?

G: Uh, the guy that runs it asks me questions once in a while.

S: Who is in charge of NorCal Care Corporation right now?

G: You know, I don't have the docs on that, so I don't know.

S: So you don't remember?

G: No. You're asking me specific questions. I'm under oath here,

T: Who runs the corporation? You must have some idea. *(Garlock speaks over him)*



G: I don't know how legally they've set it up.

T: He didn't ask you how legally they've set it up, he said who runs the corporation.

G: Blythe Selby.

S: So it's Mr. Selby. Have you ever had business dealings with Mr. Selby before?

G: *(long pause)* We worked on some deals before, but, I can't remember what we worked on.

S: What is the business that NorCal Corporation is in?

G: It's a, um, dispensary.

S: And what do they dispense?

G: Um marijuana.

S: Marijuana. And do you have any idea what kind of monthly gross this dispensary has?

G: No.

S: And so your only association is advisory?

T: What's the name of that marijuana dispensary?

S: NorCal Care Incorporated.

T: So how'd you get into the business of, uh, marijuana dispensary?

G: I'm not in the business of marijuana dispensary, but uh, Mr. Selby was looking for one. And I found somebody that had screwed up, and put them together.

T: All right, I think we're going to have to call it. I'm sorry but we're already a half hour behind everybody else who's sitting here.

S: Understand.

T: And you guys are going to be going for days I'm sure.

Leslie *(or other female)*: Will we have an opportunity to go for days?

T: Yeah. The counsel Mr. Bonis has got an order from the bankruptcy court to examine – he'll tell you – to examine lots of people and have lots and lots of documents produced. And I presume to go through that if he goes through all those it's going to be days, weeks, months, it's not going to be five minutes.

B: No, I'd agree with you there.

T: All right, so this is continued to May 15<sup>th</sup> at 11 a.m. solely for the SS number. If you get that, then no appearance will be necessary, okay? And for the record, lots of creditors are here.