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15 **UNITED STATES DISTRICT COURT**
 16 **SOUTHERN DISTRICT OF CALIFORNIA**

17 SECURITIES AND EXCHANGE
 18 COMMISSION,

19 Plaintiff,

20 v.

21 LOUIS V. SCHOOLER and FIRST
 22 FINANCIAL PLANNING
 23 CORPORATION d/b/a WESTERN
 24 FINANCIAL PLANNING
 25 CORPORATION,

26 Defendants.

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

**DECLARATION OF THOMAS C.
 HEBRANK IN SUPPORT OF
 MOTION FOR AUTHORITY TO
 PURSUE CLAIMS AGAINST
 LINMAR BORROWERS**

Date: July 26, 2013
 Time: 1:30 p.m.
 Ctrm.: 9D
 Judge: Hon. Gonzalo P. Curiel

**NO ORAL ARGUMENT UNLESS
 REQUESTED BY THE COURT**

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1 I, Thomas C. Hebrank, declare:

2 1. I am the Court-appointed receiver for First Financial Planning
3 Corporation d/b/a Western Financial Planning Corporation ("Western"), and its
4 subsidiaries and affiliates (collectively, "Receivership Entities"). I have personal
5 knowledge of the facts stated herein, and if called upon to do so, I could and would
6 personally and competently testify to them.

7 2. Western made loans to LinMar Management, Inc., LinMar Shaw, LLC,
8 LinMar III, LLC, LinMar IV, LLC, and approximately 16 LinMar Tacoma entities
9 (collectively, "LinMar Borrowers"). The LinMar Borrowers are managed by
10 Mr. Schooler or entities he controls. With the exception of the LinMar Tacoma loan,
11 the loans are all unsecured. The Deed of Trust in favor of Western on the LinMar
12 Tacoma property is junior to other liens.

13 3. My understanding is that the LinMar Borrowers, with the exception of
14 LinMar Management, were each set up to purchase a piece of commercial property
15 and that LinMar Management was set up to help manage properties for the other
16 LinMar Borrowers and other LinMar entities. LinMar Management operates out of
17 the same Sorrento Valley office space as Western.

18 4. All of the loans have matured. On February 12, 2013, I issued a
19 demand to the LinMar Borrowers on behalf of Western for full repayment of the
20 loans. At that time, the amounts due on each loan were as follows:

Borrower	Amount Due
LinMar Management Inc.	\$57,017.57
LinMar Shaw, LLC	\$263,708.02
LinMar III, LLC	
First Loan	\$18,997.85
Second Loan	\$50,725.34
Third Loan	\$18,530.71
Fourth Loan	\$7,068.29
Fifth Loan	\$41,711.67
LinMar III, LLC Total	\$137,033.86

Borrower	Amount Due
Borrower	Amount Due
LinMar IV, LLC	
First Loan	\$175,574.72
Second Loan	\$109,318.11
Third Loan	\$73,561.69
LinMar IV, LLC Total	\$358,454.52
LinMar Tacoma Entities	\$450,000.00
Grand Total	\$1,266,213.90

5. No response to my demand was received. Accordingly, in March 2013, I issued subpoenas to the LinMar Borrowers and Mr. Schooler seeking documents relevant to his investigation of the loans. In early April 2013, Mr. Schooler produced a small portion of the requested documents. Mr. Schooler later made a proposal for repayment of the loans. I sent a counter-proposal to Mr. Schooler's counsel on April 24, 2013. To date, no response to my counter-proposal has been received.

6. The LinMar Tacoma entities own a commercial building in Tacoma, Washington known as the Provident Building. As noted above, the loan Western made to the LinMar Tacoma entities is secured by a junior Deed of Trust on the property. In November 2012, my counsel was contacted by counsel for 2010-1 CRE Venture, LLC ("CRE Venture"), the senior secured lender on the Provident Building. The LinMar Tacoma entities had defaulted on the loan to CRE Venture. CRE Venture initiated a foreclosure proceeding in Washington state court and obtained an order appointing a receiver.

7. Based on information provided by CRE Venture, it appears CRE Venture is owed approximately \$4 million and that the Provident Building, which is the LinMar Tacoma entities' only asset, is worth substantially less than that. Accordingly, the sale of the property is unlikely to produce a recovery for Western. I will continue to monitor the state court proceedings in Washington, but at this time, I do not recommend pursuing collection on the LinMar Tacoma loan.

1 8. I'm requesting authority to pursue actions to collect on loans made by
2 Western to the LinMar Borrowers (although, at this time, I do not intend to pursue
3 collection of the LinMar Tacoma loan). The loans were made, have matured, and
4 have not been repaid. I am not aware of any viable defenses to collection. I have
5 demanded payment and no payments have been made. I have attempted in good
6 faith to negotiate a repayment plan, but several weeks have passed since my proposal
7 was sent to Mr. Schooler's counsel and no response has been received.

8 9. Due to the failure of the LinMar Borrowers and Mr. Schooler to produce
9 subpoenaed documents, I do not know the exact ownership structure of the LinMar
10 Borrowers or the approximate value of their assets. Nevertheless, I believe actions to
11 collect should not be delayed by further efforts to obtain this information. This and
12 other information will be demanded through discovery in the collection actions.

13 10. I have consulted with Allen Matkins and believe that the legal fees for
14 each collection action could be as low as \$7,500 in the event of a prompt settlement
15 and as much as \$100,000 in the event of a full trial. However, I believe it is unlikely
16 that trials will be necessary and the cases will likely be resolved with legal fees at the
17 lower end of that range. As we do with all matters, Allen Matkins and I will make
18 every effort to minimize administrative expenses associated with the proposed
19 collection actions.

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21 I declare under penalty of perjury under the laws of the United States that the
22 foregoing is true and correct.

23 Executed this 23rd day of May, 2013, at San Diego, California.

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THOMAS C. HEBRANK

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