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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA

10
11 SECURITIES AND EXCHANGE
COMMISSION,

12 Plaintiff,

13 v.

14 LOUIS V. SCHOOLER and FIRST
15 FINANCIAL PLANNING
CORPORATION d/b/a WESTERN
16 FINANCIAL PLANNING
CORPORATION,

17 Defendants.
18

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

**RECEIVER'S SEVENTH INTERIM
REPORT**

Ctrm.: 2D
Judge: Hon. Gonzalo P. Curiel

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1 Thomas C. Hebrank ("Receiver"), Court-appointed receiver for First Financial
2 Planning Corporation d/b/a Western Financial Planning Corporation ("Western"), its
3 subsidiaries and other specifically listed entities (collectively, "Receivership
4 Entities"), submits this Seventh Interim Report on his activities. This report should
5 be read in conjunction with the Receiver's six prior interim reports, Dkt. Nos. 27, 49,
6 80, 184, 481, and 517. This report focuses on the Receiver's activities during the
7 fourth quarter of 2013.

8 I. EXECUTIVE SUMMARY

9 The Receiver has continued his work to preserve and protect the assets of the
10 Receivership Entities, including conducting an investigation as necessary to
11 identify, marshal and preserve assets. Pursuant to the Court's orders, the Receiver
12 completed the forensic accounting of Western and the General Partnerships ("GPs").
13 Part one of the Receiver's Forensic Accounting Report was filed on April 18, 2013
14 (Dkt. No. 182), and Part Two was filed on October 16, 2013 (Dkt. No. 504).

15 On August 16, 2013, the Court issued an Order (1) Granting in Part and
16 Denying in Part Defendants' Motion to Modify Preliminary Injunction Order;
17 (2) Declining to Approve the Receiver's Report and Recommendations Regarding
18 Valuation of Real Estate Assets of Receivership Entities, and (3) Granting
19 Receiver's Motion for Authority to Pursue Claims Against LinMar Borrowers
20 ("August 16, 2013 Order"). Dkt. No. 470.¹ Defendants sought partial
21 reconsideration of the August 16, 2013 Order, which was denied on September 19,
22 2013. Dkt. No. 494. Defendants then moved for a stay pending their appeal of the
23 August 16, 2013 Order. Dkt. No. 495. On November 14, 2013, the Court issued an
24 order staying release of the GPs from the receivership pending resolution of the
25 appeal. Dkt. No. 513. The Securities and Exchange Commission has cross-

27 ¹ Pursuant to the August 16, 2013 Order, the Receiver filed his proposed
28 information packet for investors on September 6, 2013. Dkt. No. 484.
Defendants filed their response on September 13, 2013. Dkt. No. 489.

1 appealed, challenging the ruling in the August 16, 2013 Order that the GPs be
2 released from the receivership.

3 On November 22, 2013, the Receiver filed an Ex Parte Application to address
4 the cash shortage and inability of Western to timely make mortgage payments. Dkt.
5 No. 519. Defendants objected on November 27, 2013. Dkt. No. 520. The Ex Parte
6 Application was granted on December 10, 2013. Dkt. No. 524.

7 The immediate risk of mortgage defaults has been addressed by the
8 December 10, 2013 Order. However, the GPs' ability to pay their past due and
9 upcoming bills is largely dependent on investors paying operational bills, which has
10 been limited to date. Moreover, the Receiver has several concerns (and certain
11 recommendations to address them) regarding the GPs, their day-to-day operations,
12 the expiration of certain GP terms, Mr. Schooler's communications to investors, and
13 the Partnership Administrators. These issues are discussed further below.

14 II. SUMMARY OF RECEIVER'S ACTIVITIES

15 The Receiver's primary focus since his appointment has been on identifying,
16 marshaling, and preserving the Receivership Entities' assets. These activities fall
17 into the following general categories:

18 A. Business Operations

19 The Receiver has continued to operate the Receivership Entities, carry out
20 Western's traditional duties with regard to the GPs, and reduce Western's operating
21 expenses. Western's payroll has been significantly reduced (it no longer has any
22 salaried employees - the one remaining employee is being paid on an hourly basis),
23 it no longer pays rent to LVS III (an entity controlled by Mr. Schooler), and it no
24 longer pays legal expenses (other than as approved by the Court in connection with
25 the receivership).

26 Two of Western's main sources of income - sales of GP ownership units and
27 infusions of capital from Mr. Schooler - no longer exist. As the Receiver advised,
28 the reduction in expenses and sale of Western assets was only a short term solution

1 to Western's cash crisis. Nevertheless, the Receiver has managed to continue to
2 make payments on mortgages secured by GP properties. The Court's December 10,
3 2013 Order has made it possible to make all underlying mortgage payments on a
4 timely and current basis and the Receiver will continue to do so.

5 **B. Asset Investigation & Recovery**

6 The Receiver has investigated various assets reflected on Western's books and
7 records, including the following:

8 **Notes Payable from LinMar Entities.** As discussed in prior reports,
9 Western, while under Mr. Schooler's control, made loans to LinMar
10 Management, Inc., LinMar Shaw, LLC, LinMar III, LLC, LinMar IV, LLC and
11 approximately 16 LinMar Tacoma entities (collectively, "LinMar Borrowers").
12 Mr. Schooler owns LinMar Management, LinMar III, and LinMar IV outright, and
13 has ownership interests in LinMar Shaw and the LinMar Tacoma entities. All of the
14 loans matured prior to the receivership and remain unpaid. As of February 2013, the
15 aggregate amount owing on the notes was approximately \$1.266 million. With the
16 exception of the LinMar Tacoma loan, the loans are unsecured.

17 On February 12, 2013, the Receiver issued a demand to the LinMar
18 Borrowers for full payment of the loans and also issued subpoenas to the LinMar
19 Borrowers and Mr. Schooler seeking documents relevant to his investigation of the
20 loans. Mr. Schooler produced a small portion of the documents requested in the
21 subpoenas. On April 22, 2013, Mr. Schooler made a proposal for repayment of the
22 loans with various unreasonable restrictions on how the funds could be used. The
23 Receiver sent a counter-proposal to Mr. Schooler's counsel on April 24, 2013. To
24 date, no further repayment proposal or settlement offer has been received.

25 On May 23, 2013, the Receiver filed a Motion for Authority to Pursue Claims
26 Against LinMar Borrowers ("LinMar Motion"). Dkt. No. 192. Defendants opposed
27 the LinMar Motion, not disputing the amounts owed, but arguing the Receiver
28 should not spend time and money pursuing collection because the LinMar

1 Borrowers' assets are insufficient to repay the loans. Dkt. No. 205. The Receiver
2 filed his reply on July 18, 2013 (Dkt. No. 359), and the LinMar Motion was granted
3 as part of the August 16, 2013 Order. Dkt. No. 470.

4 Prior to filing complaints, the Receiver made a further settlement proposal to
5 the LinMar Borrowers. The LinMar Borrowers rejected the offer and did not make
6 a counter-offer. On September 13, 2013, the Receiver filed complaints against the
7 three LinMar Borrowers Mr. Schooler owns outright (LinMar Management, LinMar
8 III, and LinMar IV). Service of the complaints was completed on September 19,
9 2013. The Defendants, who are represented by Mr. Schooler's counsel, filed
10 answers on October 8, 2013.

11 On October 28, 2013, the parties participated in an Early Neutral Evaluation
12 ("ENE") of the cases with Magistrate Judge Jan Adler. The Receiver lowered his
13 settlement demand at the ENE, but again, the LinMar Borrowers rejected the offer
14 and refused to make a counter-offer. On November 13, 2013, the parties, through
15 their counsel, participated in an FRCP 26(f) conference. When asked what factual
16 issues the LinMar Borrowers believe exist with regard to the amounts owed, the
17 LinMar Borrowers' counsel would say only that partial payments had been made,
18 but would not state how much was repaid or provide any specifics.

19 Accordingly, Mr. Schooler has caused Western to make loans to entities he
20 owns, failed to repay them, rejected repayment proposals by the Receiver, and
21 argued the Receiver should not bother to collect the loans. Since the Court rejected
22 that argument and authorized the Receiver to collect, Mr. Schooler has contested the
23 collection actions with vague references to partial payments, rejected further
24 settlement offers, and forced the receivership estate to incur fees and costs to litigate
25 collection of loans which Mr. Schooler made in the first place.

26 As the Receiver's forensic accounting shows, in the last nine years alone,
27 Mr. Schooler received more than \$28 million from the Receivership Entities in
28 payroll and pension benefits, rent and other payments to his entities, and

1 improvements made to properties owned by his entities. Docket No. 504, p. 12.
2 The amounts the Receiver is seeking to collect are a tiny fraction of \$28 million.
3 Nevertheless, rather than honor these obligations, Mr. Schooler is forcing the
4 Receiver to litigate collection for the sole purpose of ensuring, for as long as he can,
5 there are no funds available to pay Court-approved fees and costs of the Receiver
6 and his counsel – amounts the Court has confirmed are legitimate expenses.

7 In its December 10, 2013 Order, the Court found the restrictions on the use of
8 funds in Mr. Schooler's April 22, 2013 proposal – his only settlement proposal to
9 date – are unreasonable. The Court stated "[i]t is not for the LinMar Borrowers to
10 dictate to the Receiver how funds owed to a receivership estate should be allocated."
11 Docket No. 524, p. 4. Nevertheless, the LinMar Borrowers continue to reject the
12 Receiver's settlement proposals and refuse to discuss repayment of the loans without
13 the restrictions.

14 The Receiver and the LinMar Borrowers have recently exchanged written
15 discovery. The Receiver will move for summary judgment in the near future. As
16 directed by the Court in the August 16, 2013 Order, the Receiver will report to the
17 Court any reasonable settlement offers from the LinMar Borrowers.

18 **Property Taxes.** As directed by the Court, the Receiver obtained an
19 appraisal of each GP property for purposes of inclusion in his Real Estate Valuation
20 Report. Dkt. No. 203. Based on the appraised values of GP properties and the
21 assessed values of such properties in property tax statements, the Receiver appealed
22 the property tax assessments for certain GPs. To date, those appeals have generated
23 a savings of \$5,577.30, net of fees owed to the property tax consultant, who works
24 entirely on contingency. The Receiver anticipates additional savings will be
25 generated from appeals yet to be resolved.

26 **Real Property Owned by Western.** As discussed in the Receiver's Forensic
27 Accounting Report, Part One, Western retained certain parcels of land purchased
28 from third parties when it sold such land to the GPs. Docket No. 182, p. 9.

1 Attached hereto as Exhibit D is a schedule of land parcels owned by Western,
2 including mortgages on them, their estimated values based on appraisals of the
3 related GP properties,² and the estimated net sale proceeds. Considering Western's
4 cash shortage and the need to pay its basic operating expenses as well as legitimate
5 receivership expenses, the Receiver recommends the Western land parcels be listed
6 for sale with a licensed broker. If and when offers the Receiver believes should be
7 accepted are received, he will seek approval of such sales via noticed motion. The
8 Receiver will also seek Court approval of the commission to be paid to the broker in
9 connection with such sales. Listing the land parcels for sale costs virtually nothing
10 and could generate a meaningful recovery for the receivership estate.

11 III. PENDING LITIGATION

12 There are several pending lawsuits and FINRA arbitrations in which one or
13 more of the Receivership Entities are parties. Initially, the Receiver, with the
14 assistance of counsel, advised the applicable courts and parties of the TRO,
15 including the provision therein restraining and enjoining litigation against the
16 Receivership Entities. The Receiver has since provided updates to the courts and
17 parties regarding the status of this case and the receivership.

18 One of the pending lawsuits involved four of the GPs and the real estate they
19 own. This lawsuit, which was pending in state court in Storey County, Nevada,
20 involved the condemnation of a portion of the GP property by Sierra Pacific Power
21 Company, a public utility company ("Sierra Pacific"). Although Sierra Pacific
22 successfully condemned the relevant portion of the property and paid approximately
23 \$4.4 million to the applicable GPs as compensation, an appeal was pending and
24

25 _____
26 ² The land parcels owned by Western were all at one point part of larger properties
27 now owned by the GPs. When Western purchased the applicable larger
28 properties from third parties, it stripped off a portion and retained it, selling the
remainder to the GPs. Therefore, the appraisals of the related GP properties
provide a reasonable estimate of the value of the land parcels owned by Western
by applying the same price per square foot. Those value estimates are reflected
on Exhibit D.

1 Sierra Pacific had sought to abandon the condemned property and obtain return of
2 the funds. Approximately \$515,000 of the \$4.4 million was used to pay legal,
3 engineering and appraisal costs associated with the litigation. The vast majority of
4 the remaining \$3.9 million was distributed to the general partners of the four GPs
5 involved.

6 Subject to Court approval, the Receiver and Sierra Pacific reached a
7 settlement of the lawsuit. Accordingly, on July 16, 2013, the Receiver filed his
8 Motion for Approval of Settlement with Sierra Pacific Power Company. Docket
9 No. 256. The motion was granted on November 5, 2013 ("November 5, 2013
10 Order"). Docket No. 511.

11 **IV. RECEIPTS AND DISBURSEMENTS**

12 Attached hereto as Exhibit A is a summary of the receipts and disbursements
13 for the Receivership Entities for the period October 1, 2013 through December 31,
14 2013. Attached as Exhibit B is a statement of revenue and expenditures for Western
15 for the quarter ending December 31, 2013. This statement was prepared on a cash
16 basis.

17 As directed by the Court in the August 16, 2013 Order, the Receiver
18 instructed the two former Western employees who handle the day-to-day operations
19 of the GPs, Alice Jacobson and Beverly Schuler ("Partnership Administrators"), to
20 resume operational billings, including collecting amounts the GPs owe Western for
21 loans to cover past GP operational shortfalls. After some delay by the Partnership
22 Administrators, the operational bills went out in late November. Thus far, the GPs
23 have collected \$355,000, only 29% of the total amount billed.

24 The Receiver believes the relatively low collection rate results from a
25 combination of factors, including (a) uncertainty and concern regarding the SEC's
26 allegations and the outcome of the case for the GPs, (b) communications from
27 Mr. Schooler discouraging investors from paying their bills, including the letter
28

1 attached hereto as Exhibit C, and (c) the apparent inability of the Partnership
2 Administrators to respond to investor inquiries in a timely manner (if at all).

3 With regard to the letter from Mr. Schooler, the Receiver submits that such
4 communications to investors (i) violate the Preliminary Injunction Order, which
5 prohibits interference with the Receiver's performance of his Court-ordered duties
6 (which, pursuant to the August 16, 2013 Order, include collecting amounts due to
7 Western from the GPs), (ii) are improper in that they seek to undermine the
8 authority of the Court and the Receiver, and (iii) are counter-productive in that they
9 increase administrative expenses associated with carrying out the Court's orders.
10 Docket No. 174, Part VI. The Receiver recommends Mr. Schooler be reminded that
11 he is prohibited from interfering, directly or indirectly, with the Receiver's
12 performance of his duties.

13 With regard to the Partnership Administrators, the Receiver has received
14 numerous complaints from investors who have tried to reach the Partnership
15 Administrators on multiple occasions with basic questions and have received no
16 response. The Receiver has made the Partnership Administrators aware of these
17 complaints and reminded them of the importance of promptly responding to investor
18 inquiries. The Receiver has real concerns about the ability of the Partnership
19 Administrators to manage the day-to-day operations of the GPs without constant
20 supervision. The Receiver has directed the Partnership Administrators to send a
21 second notice to investors who have not paid their operational bills, which will be
22 mailed out over the next two weeks.

23 V. INVESTOR COMMUNICATIONS

24 The Receiver has continued to update his website, www.ethreadvisors.com,
25 with his reports, briefs filed by the parties that pertain directly to the receivership,
26 and Court orders. The Receiver and his staff have responded to numerous inquiries
27
28

1 from investors and other interested parties about the receivership³ and have updated
2 the Case Updates section of the Receiver's website to address common questions
3 and themes in correspondence from investors. Investors are reminded of the
4 importance of informing the Receiver of any change in their address.

5 VI. PARTNERSHIP ADMINISTRATOR EXPENSES

6 The two people who handle the day-to-day operations of the GPs, Alice
7 Jacobson and Beverly Schuler, have asked the Receiver to have the GPs reimburse
8 them for office supplies and postage. Although Western historically paid for these
9 items, the Receiver is not opposed to having the GPs reimburse the Partnership
10 Administrators for purchasing these items, which are necessary to their mailings and
11 other day-to-day operations. If the GPs are going to operate on their own as the
12 Court's orders contemplate, they need to be able to perform basic functions, which
13 require ordinary office supplies.

14 The Partnership Administrators have also requested the Receiver have the
15 GPs reimburse them for their rent and utilities to share office space with Louis
16 Schooler. The Receiver does not believe this is an appropriate GP expense. The
17 GPs have never paid rent or utilities for the Partnership Administrators. Moreover,
18 at the time the 5186 Carroll Canyon Building was being sold, the Receiver offered
19 to provide office space for the Partnership Administrators to share with Western's
20 one remaining employee and the Partnership Administrators rejected the offer,
21 choosing instead to office with Mr. Schooler. The Partnership Administrators did
22 not ask and the Receiver did not agree to pay rent or utilities for them to share office
23 space with Mr. Schooler. Considering the vast sums of money Mr. Schooler
24 obtained from Western and the GPs, it is inappropriate for him to ask the GPs to pay
25 so he can keep the Partnership Administrators close at hand. The Receiver submits
26

27 ³ Investors have been directed to contact the Partnership Administrators with
28 inquiries regarding the day-to-day operations of the GPs. Inquiries received by
the Receiver's office regarding such matters are forwarded to the Partnership
Administrators for their handling.

1 the Partnership Administrators should be permitted to either work from office space
 2 provided by the Receiver and paid for by Western or make their own arrangements
 3 regarding rent and utilities with Mr. Schooler.

4 **VII. GP TERM EXPIRATIONS**

5 It has come to the Receiver's attention that the term provided in the GP
 6 Agreements for nine of the GPs has expired. The following GPs had 25-year terms
 7 in their GP Agreements, which have expired:

| 8 General Partnership | Year Formed |
|-----------------------|-------------|
| 9 Reno View | 1981 |
| 10 Reno Vista | 1982 |
| 11 Reno Partners | 1982 |
| 12 Valley Vista | 1987 |
| 13 Bratton View | 1987 |
| 14 Honey Springs | 1988 |
| Jamul Meadows | 1988 |
| Lyons Valley | 1988 |
| Hidden Hills | 1988 |

15 The Receiver recommends that these GPs take a vote of their investors to
 16 determine whether to (a) extend the term of the GP to a date in 2019 (five years
 17 from now), or (b) terminate the GP and sell their property interest after such
 18 property interest has been listed and marketed by a licensed broker. If approved by
 19 the Court, the Receiver will prepare and send a letter to each investor in the nine
 20 GPs (i) advising them of the termination of the term of their GP, (ii) stating the
 21 appraised value of their property interest, the balance due on mortgages on their
 22 property interest, the estimated costs of sale, and the estimated net sale proceeds,
 23 and (iii) instructing them to vote as discussed above and return their ballots to the
 24 Receiver. Of course, if they vote to extend, nothing prevents these GPs from selling
 25 their property interests between now and 2019. The new five-year period simply
 26 extends the termination date of the GPs if their property interests have not been sold
 27 by that time.

28

1 Pursuant to the GP Agreements, a vote of investors holding a majority of
2 ownership units for each GP decides the course of action for that GP. However,
3 pursuant to the Co-Tenancy Agreements, all GPs that own an interest in the property
4 must unanimously vote to sell. Accordingly, if any one GP votes to extend its term,
5 the terms of their co-tenant GPs will also necessarily be extended.

6 The Receiver will tally and report the votes to the Court and, depending on
7 the outcome of the vote, either prepare amendments to the GPs Agreements
8 extending their terms or list the properties for sale with a licensed broker, subject to
9 Court approval of such sales via noticed motion.

10 Finally, two GPs associated with the Tecate property – Tecate South and
11 Twin Plant – have 25-year terms that expire this year. Pursuant to the Co-Tenancy
12 Agreement, these GPs cannot sell their undivided property interests unless all 11
13 GPs that own an interest in the Tecate property vote to sell. The last GP formed for
14 the Tecate property, Prosperity, was formed in 1994, and therefore expires in 2019.
15 Accordingly, the Receiver recommends the terms of Tecate South and Twin Plant
16 be extended to 2019 such that they are co-terminus with Prosperity and can vote
17 collectively whether to extend or terminate at that time.

18 **VIII. 2013 TAX RETURNS**

19 The Receiver engaged the accounting firm Duffy, Kruspodin &
20 Company LLP ("Duffy") to prepare and file the 2012 state and federal tax returns
21 for the GPs and the associated K-1s for investors. Duffy completed the project in a
22 timely manner and the Court approved its fees and costs as part of the November 5,
23 2013 Order. Dkt. No. 511.

24 The Receiver recommends Duffy be engaged to prepare the 2013 state and
25 federal tax returns for the GPs and the associated K-1s for investors. Duffy will
26 again seek Court approval of its fees and costs and such fees and costs will not be
27 paid until such approval is obtained. The Receiver also recommends two former
28 Western employees who historically helped gather, organize, and provide data to

1 Duffy for purposes of preparing the tax returns and K-1s be engaged on an hourly
2 basis to perform those same functions.

3 **IX. RECOMMENDATIONS**

4 In addition to the recommendations discussed above, the Receiver
5 recommends the receivership over Western and the other Receivership Entities
6 continue pursuant to the Court's orders and the Receivership Entities' assets continue
7 to be preserved and protected pending the outcome of the litigation.

8 **X. CONCLUSION**

9 Based on the foregoing, the Receiver requests approval of this Seventh
10 Interim Report and his recommendations discussed above.

11
12 Dated: February 5, 2014

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

14 By: /s/ Ted Fates

15 TED FATES
16 Attorneys for Receiver
THOMAS C. HEBRANK

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EXHIBIT INDEX

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|-----------|--|----|
| Exhibit A | Summary of Receipts and Disbursements for the Receivership Entities for the Period October 1, 2013 through December 31, 2013 | 15 |
| Exhibit B | Statement of Revenue and Expenditures for Western for the Quarter Ending December 31, 2013 | 19 |
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| Exhibit D | Land Parcels Owned By Western | 26 |

EXHIBIT A

EXHIBIT A

| Bank Name | Balance at the end of Q2 | Balance at the end of Q3 | Ending Balance | | | Deposits | | | Disbursements | | |
|-----------------------------|--------------------------|--------------------------|----------------|------------|------------|----------|----------|-----------|---------------|----------|-----------|
| | | | October | November | December | October | November | December | October | November | December |
| BANK ACCOUNTS: | | | October | November | December | October | November | December | October | November | December |
| ABL Partners | 27,087.44 | 26,787.44 | 26,687.44 | 26,687.44 | 25,667.12 | - | - | - | 100.00 | - | 1,020.32 |
| Antelope Springs Partners | 16,895.94 | 9,556.14 | 9,630.37 | 8,047.00 | 7,119.36 | 1,657.60 | - | 1,657.60 | 1,583.37 | 1,583.37 | 2,585.24 |
| Big Ranch Partners | 19,412.64 | 8,146.08 | 8,046.08 | 8,046.08 | 6,940.71 | - | - | - | 100.00 | - | 1,105.37 |
| BLA Partners | 899.76 | 678.06 | 578.06 | 578.06 | 12,603.93 | - | - | 13,150.24 | 100.00 | - | 1,124.37 |
| Borderland Partners | 183.67 | 47.82 | 47.82 | 47.82 | 3,705.05 | - | - | 3,657.23 | - | - | - |
| Bratton View Partners | 183.33 | 33.33 | 33.33 | 33.33 | 7,770.17 | - | - | 8,425.96 | - | - | 689.12 |
| Cactus Ridge Partners | 62,621.38 | 59,522.71 | 56,770.90 | 55,437.36 | 49,349.65 | - | 594.13 | 594.13 | 2,751.81 | 1,927.67 | 6,681.84 |
| Carson Valley Partners | 8,557.70 | 6,087.78 | 5,987.78 | 5,987.78 | 5,104.16 | - | - | - | 100.00 | - | 883.62 |
| Checkered Flag Partners | 431.55 | 251.05 | 251.05 | 251.05 | 15,932.84 | - | - | 16,745.41 | - | - | 1,063.62 |
| Comstock Partners | 38,169.52 | 34,472.15 | 33,457.68 | 31,117.36 | 29,244.32 | 1,180.18 | 1,180.18 | 1,180.18 | 2,194.65 | 3,520.50 | 3,053.22 |
| Crystal Clearwater Partners | 93,353.21 | 87,783.44 | 88,232.53 | 89,241.58 | 85,830.55 | 849.09 | 1,009.05 | 849.09 | 400.00 | - | 4,260.12 |
| Dayton View Partners | 43,485.53 | 42,875.19 | 42,775.19 | 42,675.19 | 41,588.62 | - | - | - | 100.00 | 100.00 | 1,086.57 |
| Desert View Partners | 68,551.98 | 62,572.95 | 60,735.04 | 56,400.17 | 55,092.37 | 1,244.88 | - | 2,489.76 | 3,082.79 | 4,334.87 | 3,797.56 |
| Eagle View Partners | 280,862.32 | 258,860.43 | 257,363.88 | 263,731.09 | 239,766.77 | 6,367.21 | 6,367.21 | 6,316.77 | 7,863.76 | - | 30,281.09 |
| F-86 Partners | 66,116.00 | 66,066.00 | 66,066.00 | 66,066.00 | 66,066.00 | - | - | - | - | - | - |
| Fairway Partners | 50,601.55 | 49,991.21 | 49,991.21 | 49,791.21 | 48,794.19 | - | - | - | 100.00 | 100.00 | 997.02 |
| Falcon Heights Partners | 282,560.30 | 271,515.42 | 250,652.42 | 254,932.20 | 234,517.08 | - | 4,279.78 | 4,279.78 | 20,863.00 | - | 24,694.90 |
| Free Trade Partners | 854.12 | 158.78 | 158.78 | 158.78 | 2,971.46 | - | - | 3,569.75 | - | - | 757.07 |
| Frontage 177 Partners | 64,490.45 | 57,708.34 | 55,328.92 | 56,128.14 | 50,854.93 | 978.22 | 899.22 | 978.22 | 3,357.64 | 100.00 | 6,251.43 |
| Galena Ranch Partners | 122,712.87 | 118,788.29 | 118,429.72 | 118,171.15 | 116,000.32 | 1,140.95 | 1,140.95 | 1,140.95 | 1,499.52 | 1,399.52 | 3,311.78 |
| Gila View Partners | 26,984.83 | 25,778.75 | 23,134.23 | 20,524.68 | 18,865.31 | - | 1,731.87 | 1,731.87 | 2,644.52 | 4,341.42 | 3,391.24 |
| Gold Ridge Partners | 187,940.04 | 179,099.43 | 178,999.43 | 178,999.43 | 178,097.81 | - | - | - | 100.00 | - | 901.62 |
| Grand View Partners | 215,521.12 | 214,605.38 | 214,505.38 | 214,505.38 | 213,547.51 | - | - | - | 100.00 | - | 957.87 |
| Green View Partners | 54,079.83 | 53,469.49 | 53,369.49 | 53,269.49 | 52,345.82 | - | - | - | 100.00 | 100.00 | 923.67 |
| Heavenly View Partners | 6,628.33 | 4,158.40 | 4,058.40 | 4,058.40 | 3,123.48 | - | - | - | 100.00 | - | 934.92 |
| Hidden Hills Partners | 443.43 | 33.43 | 33.43 | 33.43 | 15,624.10 | - | - | 16,310.39 | - | - | 719.72 |
| High Desert Partners | 93,803.57 | 86,913.72 | 84,097.49 | 85,016.84 | 79,640.05 | 1,319.35 | 1,319.35 | 1,319.35 | 4,135.58 | 400.00 | 6,696.14 |
| Highway 50 Partners | 83,545.23 | 77,335.46 | 75,232.57 | 73,129.68 | 67,968.99 | 1,234.62 | 1,234.62 | 1,234.62 | 3,337.51 | 3,337.51 | 6,395.31 |
| Hollywood Partners | 1,080.19 | 100.69 | 100.69 | 100.69 | 14,738.34 | - | - | 14,737.65 | - | - | 100.00 |
| Honey Springs Partners | 526.41 | 86.41 | 86.41 | 86.41 | 14,034.88 | - | - | 14,791.94 | - | - | 843.47 |
| Horizon Partners | 183.04 | 1,584.83 | 1,484.83 | 1,484.83 | 5,820.86 | - | - | 6,576.13 | 100.00 | - | 2,240.10 |
| International Partners | 1,602.15 | 622.15 | 472.15 | 472.15 | 15,221.85 | - | - | 15,843.07 | 150.00 | - | 1,093.37 |
| Jamul Meadows Partners | 4,669.41 | 3,616.74 | 3,466.74 | 3,466.74 | 2,566.87 | - | - | - | 150.00 | - | 899.87 |
| Lahontan Partners | 128,357.95 | 124,056.19 | 123,187.58 | 122,073.87 | 118,778.36 | 2,083.88 | 1,838.43 | 2,083.88 | 2,952.49 | 2,952.14 | 5,379.39 |
| Las Vegas Partners | 28,315.49 | 28,315.49 | 28,315.49 | 28,315.49 | 28,315.49 | - | - | - | - | - | - |
| Lyons Valley Partners | 150.04 | 0.04 | 0.04 | 0.04 | 7,520.43 | - | - | 8,222.11 | - | - | 701.72 |
| Mesa View Partners | 106,077.32 | 102,369.29 | 101,069.86 | 101,594.62 | 96,456.00 | 1,876.84 | 1,876.84 | 1,876.84 | 3,176.27 | 1,352.08 | 7,015.46 |
| Mex-Tec Partners | 41,748.09 | 41,448.09 | 41,348.09 | 41,348.09 | 40,349.72 | - | - | - | 100.00 | - | 998.37 |
| Mohawk Mountain Partners | 86,698.45 | 84,721.39 | 83,300.73 | 82,704.21 | 77,668.53 | 2,650.15 | 2,650.15 | 2,650.15 | 4,070.81 | 3,246.67 | 7,685.83 |
| Mountain View Partners | 52,939.66 | 49,776.07 | 48,851.93 | 47,859.90 | 42,424.21 | - | 803.31 | 803.31 | 924.14 | 1,795.34 | 6,239.00 |
| Nevada View Partners | 35,494.39 | 28,057.44 | 25,878.26 | 22,373.23 | 19,443.93 | 2,560.07 | 2,560.07 | 2,560.07 | 4,739.25 | 6,065.10 | 5,489.37 |
| Night Hawk Partners | 323,970.82 | 311,337.86 | 299,223.06 | 302,667.63 | 284,270.51 | 3,686.57 | 3,444.57 | 2,975.69 | 15,801.37 | - | 21,372.81 |

| Bank Name | Balance at the end of Q2 | Balance at the end of Q3 | Ending Balance | | | Deposits | | | Disbursements | | |
|-------------------------------|--------------------------|--------------------------|----------------|------------|------------|----------|----------|-----------|---------------|----------|-----------|
| North Springs Partners | 81,054.04 | 78,493.03 | 77,840.33 | 77,287.63 | 73,528.98 | 1,273.91 | 1,273.91 | 1,273.91 | 1,926.61 | 1,826.61 | 5,032.56 |
| Ocotillo View Partners | 76,002.34 | 73,675.66 | 72,751.52 | 72,038.46 | 66,923.59 | - | 517.16 | 517.16 | 924.14 | 1,230.22 | 5,632.03 |
| Orange Vista Partners | 104,208.34 | 102,545.38 | 102,192.03 | 101,838.68 | 98,228.58 | 1,363.49 | 1,363.49 | 1,295.99 | 1,716.84 | 1,716.84 | 4,906.09 |
| Osprey Partners | 339,061.21 | 329,576.69 | 319,740.35 | 322,866.12 | 307,603.24 | 2,962.45 | 3,125.77 | 2,962.45 | 12,798.79 | - | 18,225.33 |
| P-39 Aircobra Partners | 163,249.48 | 153,320.28 | 147,979.44 | 149,049.00 | 141,615.91 | 1,469.56 | 1,469.56 | 1,469.56 | 6,810.40 | 400.00 | 8,902.65 |
| P-40 Warhawk Partners | 176,115.80 | 168,419.41 | 163,301.36 | 165,364.15 | 149,609.41 | 1,945.32 | 2,062.79 | 1,945.32 | 7,063.37 | - | 17,700.06 |
| Painted Desert Partners | 25,934.21 | 23,830.54 | 21,536.85 | 18,690.60 | 16,794.64 | - | 1,244.35 | 1,244.35 | 2,293.69 | 4,090.60 | 3,140.31 |
| Par Four Partners | 52,660.27 | 52,049.92 | 51,949.92 | 51,849.92 | 50,975.30 | - | - | - | 100.00 | 100.00 | 874.62 |
| Park Vegas Partners | 495.00 | 345.00 | 295.00 | 245.00 | 3,129.48 | - | - | 3,432.80 | 50.00 | 50.00 | 548.32 |
| Pecos Partners | 145,641.04 | 140,243.72 | 134,755.10 | 135,228.83 | 121,987.35 | 473.73 | 473.73 | 473.73 | 5,962.35 | - | 13,715.21 |
| Pine View Partners | 12,164.08 | 9,694.16 | 9,594.16 | 9,494.16 | 8,709.99 | - | - | - | 100.00 | 100.00 | 784.17 |
| Production Partners | 127.70 | 100.36 | 100.36 | 100.36 | 23,752.29 | - | - | 24,510.80 | - | - | 858.87 |
| Prosperity Partners | 195.28 | 95.28 | 95.28 | 95.28 | 8,748.51 | - | - | 9,550.25 | - | - | 897.02 |
| Pueblo Partners | 117,878.00 | 111,199.80 | 98,870.49 | 100,383.96 | 85,309.62 | 1,513.47 | 1,513.47 | 1,513.47 | 13,842.78 | - | 16,587.81 |
| Pyramid Highway 177 Partners | 50,868.37 | 44,086.40 | 43,526.34 | 43,763.26 | 40,166.52 | 336.92 | 336.92 | 336.92 | 896.98 | 100.00 | 3,933.66 |
| Rail Road Partners | 117,623.61 | 114,104.02 | 112,635.78 | 111,894.91 | 108,690.34 | - | 727.02 | 727.02 | 1,468.24 | 1,467.89 | 3,931.59 |
| Rainbow Partners | 155.55 | 55.55 | 55.55 | 55.55 | 2,757.18 | - | - | 4,007.71 | - | - | 1,306.08 |
| Rawhide Partners | 82,761.48 | 80,176.65 | 79,516.01 | 80,857.64 | 75,132.54 | 1,341.63 | 1,341.63 | 1,341.63 | 2,002.27 | - | 7,066.73 |
| Redfield Heights Partners | 120,844.61 | 114,743.85 | 113,782.47 | 112,719.69 | 109,728.56 | 976.44 | 875.04 | 875.04 | 1,937.82 | 1,937.82 | 3,866.17 |
| Reno Partners | 7,272.51 | 704.48 | 604.48 | 604.48 | 15,346.00 | - | - | 15,455.48 | 100.00 | - | 713.96 |
| Reno View Partners | 2,625.18 | 1,814.58 | 1,814.58 | 1,714.58 | 5,090.17 | - | - | 4,143.55 | - | 100.00 | 767.96 |
| Reno Vista Partners | 4,459.87 | 324.19 | 224.19 | 124.19 | 6,380.08 | - | - | 6,355.89 | 100.00 | 100.00 | 100.00 |
| Road Runner Partners | 114,746.33 | 111,962.19 | 110,807.24 | 108,601.28 | 106,776.59 | 25.20 | 301.07 | 301.07 | 1,180.15 | 2,507.03 | 2,125.76 |
| Rolling Hills Partners | 217,885.89 | 216,970.14 | 216,870.14 | 216,870.14 | 215,794.83 | - | - | - | 100.00 | - | 1,075.31 |
| Rose Vista Partners | 97,254.37 | 91,505.49 | 90,490.87 | 89,303.87 | 85,904.32 | 1,532.94 | 1,360.56 | 1,110.56 | 2,547.56 | 2,547.56 | 4,510.11 |
| Santa Fe View Partners | 88,285.94 | 80,231.70 | 67,582.03 | 70,517.65 | 52,048.40 | 2,935.62 | 2,935.62 | 2,935.62 | 15,585.29 | - | 21,404.87 |
| Sierra View Partners | 19,712.83 | 17,242.90 | 17,142.90 | 17,042.90 | 16,104.39 | - | - | - | 100.00 | 100.00 | 938.51 |
| Silver City Partners | 32,878.81 | 30,670.25 | 30,152.05 | 28,308.00 | 26,758.04 | 2,404.21 | 2,404.21 | 7,606.33 | 2,922.41 | 4,248.26 | 9,156.29 |
| Silver State Partners | 12,519.67 | 9,155.60 | 9,095.60 | 6,769.44 | 6,052.73 | - | - | - | 60.00 | 2,326.16 | 716.71 |
| Sky View Partners | 229,063.84 | 228,148.09 | 228,048.09 | 227,948.09 | 226,852.53 | - | - | - | 100.00 | 100.00 | 1,095.56 |
| Snow Bird Partners | 45,524.24 | 42,460.26 | 41,505.60 | 38,754.03 | 36,976.61 | 1,576.74 | 1,576.74 | 1,576.74 | 2,531.40 | 4,328.31 | 3,354.16 |
| Sonora View Partners | 108,270.22 | 105,600.16 | 104,853.10 | 102,853.96 | 101,172.54 | 1,476.22 | 1,476.22 | 1,476.22 | 2,223.28 | 3,475.36 | 3,157.64 |
| Spanish Springs View Partners | 26,479.89 | 20,313.39 | 22,794.77 | 23,527.55 | 21,937.95 | 2,581.38 | 732.78 | 732.78 | 100.00 | - | 2,322.38 |
| Spruce Heights Partners | 128,657.44 | 126,000.14 | 125,546.35 | 125,092.91 | 122,045.28 | 424.64 | 424.64 | 424.64 | 878.43 | 878.08 | 3,472.27 |
| Steamboat Partners | 94,246.13 | 88,996.99 | 88,196.90 | 87,396.81 | 84,740.82 | 696.72 | 696.72 | 696.72 | 1,496.81 | 1,496.81 | 3,352.71 |
| Storey County Partners | 43,529.00 | 41,450.04 | 40,975.04 | 38,896.83 | 37,430.35 | 277.36 | - | 53.99 | 752.36 | 2,078.21 | 1,520.47 |
| SunTec Partners | 262.26 | 106.92 | 106.92 | 106.92 | 11,605.06 | - | - | 12,289.85 | - | - | 791.71 |
| Tecate South Partners | 283.58 | 536.31 | 236.31 | 86.31 | 4,641.24 | - | - | 5,509.69 | 300.00 | 150.00 | 954.76 |
| Twin Plant Partners | 411.39 | 111.39 | 161.39 | 161.39 | 10,251.21 | 50.00 | - | 11,244.59 | - | - | 1,154.77 |
| Valley Vista Partners | 416.95 | 155.46 | 155.46 | 155.46 | 8,631.59 | - | - | 9,342.09 | - | - | 865.96 |
| Via 188 Partners | 924.20 | 468.86 | 318.86 | 168.86 | 2,193.63 | - | - | 2,174.77 | 150.00 | 150.00 | 150.00 |
| Victory Lap Partners | 127.30 | 100.80 | 100.80 | 100.80 | 11,329.96 | - | - | 12,389.52 | - | - | 1,160.36 |
| Vista Del Sur Partners | 113,753.41 | 108,422.33 | 107,077.28 | 103,958.55 | 102,052.54 | 1,874.03 | - | 3,748.06 | 3,219.08 | 3,118.73 | 5,654.07 |
| Vista Tecate Partners | 569.44 | 46.78 | 46.78 | 46.78 | 6,087.51 | - | - | 6,040.73 | - | - | - |
| Wild Horse Partners | 28,838.81 | 27,245.80 | 27,904.20 | 27,804.20 | 27,788.14 | 758.40 | - | 1,516.80 | 100.00 | 100.00 | 1,532.86 |

| Bank Name | Balance at the end of Q2 | Balance at the end of Q3 | Ending Balance | | | Deposits | | | Disbursements | | |
|-------------------------------|--------------------------|--------------------------|---------------------|---------------------|---------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | | | | | | | | | | | |
| Clearwater Bridge, LLC | 5,038.38 | 3,144.18 | 2,135.33 | 1,126.48 | 2,635.46 | - | - | 3,026.55 | 1,008.85 | 1,008.85 | 1,517.57 |
| Eagle View Partners, LLC | 25,170.98 | 16,409.83 | 16,409.83 | 8,646.07 | 26,792.78 | 7,763.76 | - | 28,792.67 | 7,763.76 | 7,763.76 | 10,645.96 |
| F-86, LLC | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | - | - | - | - | - | - |
| Falcon Heights Partners, LLC | 14,058.83 | 6,139.86 | 19,981.30 | 13,059.74 | 27,749.63 | 20,763.00 | - | 24,594.90 | 6,921.56 | 6,921.56 | 9,905.01 |
| Frontage 177, LLC | 5,659.13 | 2,107.75 | 3,736.57 | 3,736.57 | 4,943.37 | 3,257.64 | - | 5,296.26 | 1,628.82 | - | 4,089.46 |
| High Desert Shadow, LLC | 5,412.32 | 2,659.19 | 4,526.98 | 2,659.19 | 5,946.80 | 3,735.58 | - | 5,603.37 | 1,867.79 | 1,867.79 | 2,315.76 |
| Night Hawk Partners, LLC | 11,941.09 | 5,709.89 | 16,177.47 | 10,943.68 | 22,296.73 | 15,701.37 | - | 19,531.59 | 5,233.79 | 5,233.79 | 8,178.54 |
| Osprey Pescador, LLC | 9,130.03 | 3,899.69 | 12,365.55 | 8,132.62 | 17,074.00 | 12,698.79 | - | 16,529.01 | 4,232.93 | 4,232.93 | 7,587.63 |
| P-39 Aircobra, LLC | 8,364.28 | 2,813.45 | 7,087.05 | 4,950.25 | 8,677.36 | 6,410.40 | - | 6,410.43 | 2,136.80 | 2,136.80 | 2,683.32 |
| P-40 Warhawk, LLC | 8,059.18 | 3,032.27 | 7,632.85 | 5,120.06 | 17,686.19 | 6,663.37 | - | 15,330.69 | 2,062.79 | 2,512.79 | 2,764.56 |
| Pueblo Partners, LLC | 6,287.13 | 4,721.39 | 16,398.43 | 14,332.69 | 16,840.38 | 13,742.78 | - | 15,330.69 | 2,065.74 | 2,065.74 | 12,823.00 |
| Pyramid Highway 177, LLC | 5,398.77 | 2,679.23 | 2,679.23 | 1,882.25 | 3,130.74 | 796.98 | - | 2,800.74 | 796.98 | 796.98 | 1,552.25 |
| Santa Fe View, LLC | 8,437.33 | 4,758.90 | 16,515.76 | 16,515.76 | 18,673.07 | 15,485.29 | - | 20,496.72 | 3,728.43 | - | 18,339.41 |
| The Pecos Partnership, LLC | 3,843.81 | 3,256.46 | 8,031.46 | 6,944.11 | 7,459.59 | 5,862.35 | - | 12,627.74 | 1,087.35 | 1,087.35 | 12,112.26 |
| Total GP Bank Accounts | 5,931,682.22 | 5,588,272.38 | 5,538,398.56 | 5,486,452.67 | 5,527,083.29 | 171,981.30 | 61,163.13 | 499,727.30 | 221,855.12 | 113,109.02 | 459,096.68 |

| | | | | | | | | | | | |
|---------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fernley I, LLC | 94.26 | 24.18 | 2,900.82 | 2,977.46 | 5,854.10 | 2,876.64 | 2,876.64 | 2,876.64 | - | 2,800.00 | - |
| P51 LLC | 513.10 | 5,302.37 | 9,501.96 | 4,431.29 | 7,993.55 | 4,199.59 | 4,199.59 | 4,199.59 | - | 9,270.26 | 637.33 |
| Santa Fe Venture | 32.91 | 5,759.01 | 9,728.67 | 15,198.33 | 32,783.84 | 6,881.52 | 8,381.52 | 46,703.97 | 2,911.86 | 2,911.86 | 29,118.46 |
| SFV II, LLC | 981.46 | 5,762.18 | 3,194.62 | 5,620.42 | 5,691.94 | 2,425.80 | 2,425.80 | 2,568.20 | 4,993.36 | - | 2,496.68 |
| WFPC - Corp | 25,898.11 | 145,326.79 | 119,096.36 | 18,691.37 | 23,554.97 | 118,788.16 | 91,679.88 | 130,195.15 | 145,018.59 | 192,084.87 | 125,331.55 |
| WFPC - Business | - | - | - | - | - | 145,018.59 | 160,767.40 | 94,784.93 | 145,018.59 | 160,767.40 | 94,784.93 |
| WFPC - Payroll | - | - | - | - | - | - | - | - | - | - | - |
| WFPC - MMKT | - | - | - | - | - | - | - | - | - | - | - |
| WFPC - Special | 64.22 | 64.22 | 64.22 | 64.22 | 64.22 | - | - | - | - | - | - |
| WFPC - FFP | 627.26 | 313.43 | 2,404.35 | 1,051.35 | 3,277.26 | 2,090.92 | 2,047.00 | 2,225.91 | - | 3,400.00 | - |
| WFPC - Las Vegas Prop Tax | 1,771.53 | 1,771.53 | 1,771.53 | 1,771.53 | 1,771.53 | - | - | - | - | - | - |
| WSCC, LLC | - | 57,759.39 | 80,139.45 | 50,311.98 | 66,390.57 | 167,494.12 | 182,793.25 | 255,010.06 | 145,114.06 | 212,620.72 | 238,931.47 |
| First Financial Planning | - | - | - | - | - | - | - | - | - | - | - |
| Receiver Operating Acct | - | - | 58,120.25 | - | - | 58,120.25 | 23.79 | - | - | 58,144.04 | - |
| Total WFPC Bank Accounts | 29,982.85 | 222,083.10 | 286,922.23 | 100,117.95 | 147,381.98 | 507,895.59 | 455,194.87 | 538,564.45 | 443,056.46 | 641,999.15 | 491,300.42 |

| | | | | | | | | | | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|--|--|--|--|--|
| Total All Bank Accounts | 5,961,665.07 | 5,810,355.48 | 5,825,320.79 | 5,586,570.62 | 5,674,465.27 | | | | | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|--|--|--|--|--|

EXHIBIT B

EXHIBIT B

FIRST FINANCIAL PLANNING
DBA WESTERN FINANCIAL PLANNING
STATEMENT OF REVENUE AND EXPENDITURES
12 MONTHS ENDED 12/31/2013

| | YEAR TO DATE |
|----------------------------------|--------------------------|
| INCOME | |
| Interest Income | 171,676.64 |
| Interest Income Bank Accts | 0.13 |
| Commissions | <u>2,496.79</u> |
| TOTAL INCOME | <u><u>174,173.56</u></u> |
| EXPENSES | |
| PAYROLL EXPENSE | |
| Salary | 1,082.18 |
| Outside Temp Services | 165,357.07 |
| Insurance | <u>(2,811.00)</u> |
| TOTAL PAYROLL EXPENSE | <u><u>163,628.25</u></u> |
| SALES EXPENSE | |
| TOTAL SALES EXPENSE | <u><u>0.00</u></u> |
| TRAVEL EXPENSE | |
| TOTAL TRAVEL EXPENSE | <u><u>0.00</u></u> |
| OFFICE EXPENSE | |
| Subscriptions & Forms | 513.02 |
| Licenses | 822.50 |
| Membership dues | 50.00 |
| Building Rent | 1,896.00 |
| Storage | 2,891.75 |
| Utilities | <u>(75.84)</u> |
| Telephone | 8,009.92 |
| Computer Expense | 6,728.74 |
| Equipment Lease Postage Meter | 1,355.28 |
| Copier Supplies & Maintenance | 1,731.11 |
| Postage | 5,000.00 |
| Express Couriers | 84.49 |
| Office Expense | 279.00 |
| Office Supplies | 111.45 |
| Kitchen Supplies Admin SD | <u>71.52</u> |
| TOTAL OFFICE EXPENSE | <u><u>29,468.94</u></u> |
| GENERAL OPERATING EXPENSE | |
| Partnership Related Expenses | <u>(5,811.88)</u> |
| Legal General General | 175.00 |
| Consulting | 190.00 |
| Insurance Liability General | 3,253.05 |
| Insurance Land General | 1,776.00 |
| Interest Expense General | 125,580.78 |

| | |
|------------------------------------|---------------------|
| Bank Service Charges General | 10.00 |
| Fees and Finance Charges | 1,845.72 |
| Depreciation | 24,878.00 |
| Taxes Property | 3,025.63 |
| Taxes California Franchise General | (9,200.00) |
| Capital Gain Income/Loss General | (264.90) |
| TOTAL GENERAL EXPENSE | <u>145,457.40</u> |
| TOTAL EXPENSE | <u>338,554.59</u> |
| NET INCOME (LOSS) | <u>(164,381.03)</u> |

Prepared Internally

EXHIBIT C

EXHIBIT C

Louis V. Schooler
1253 Activity Rd.
Suite C
Vista, CA 92081
louisschooler@gmail.com

December 31, 2013

Dear Partner:

I am writing to provide you an update regarding events that have transpired since the Court's August 16, 2013 Order, in which the judge agreed with the arguments my attorneys had presented regarding the need for the real estate general partnerships (the "GPs") to be removed from the receivership. In that Order, the Court agreed that the GPs had never been provided with a hearing on the issue of whether the GPs should be subjected to the receivership. It is a violation of due process for an entity to have its assets subjected to a receivership without having first had an opportunity for a hearing before the Court. However, the Court's order did not rest merely on procedure, but also agreed with our substantive arguments as well, finding that there was no need for the GPs to remain under the receivership because they are independent entities capable of handling their own matters without a receiver's intervention. Thus, the Court ordered the GPs to be removed from the receivership.

However, instead of immediately ordering the GPs to be removed from the Receivership, the Court instructed the Receiver to draft an information packet to be sent to all investors explaining certain details regarding the structure and operation of the GPs. The Receiver submitted his draft information packet to the Court on September 6, 2013. My attorneys found the Receiver's draft to include various misstatements and inaccuracies, so they filed a corrected version for the Court's consideration. According to the Court's August 16 Order, upon the Court's approval of a final information packet, the Receiver was to distribute that information packet to investors, and the GPs were to be formally and completely removed from the Receivership 21 days after the information packet was distributed.

The Court has not issued an order approving a final information packet, so the 21-day period has not been triggered. Unfortunately, because the Court has not approved the final information packet, the GPs still continue to be subjected to the Receivership despite the Court having ruled more than four months ago that the GPs have never been provided with the hearing that is constitutionally required before any entity in this country can be subjected to a receivership.

The Court has instead required that an additional condition be met before the GPs are removed from the receivership. The additional requirement is that the GPs be forced to purchase from Western all of the units that Western holds in the various GPs. We believe this requirement is unconstitutional in that it forces the GPs to use their available assets in a manner the GPs have never consented to. There still has not been a hearing at which the GPs can be heard regarding the receivership, and yet the Court continues to order the GPs' cash to be used in ways not set forth in the GP governing documents and not approved by a vote of the GP partners.

Also, my attorneys believe it is a direct violation of Western's private property rights to be forced to liquidate more than \$11 million worth of units lawfully purchased by Western in the exact same form and fashion in which investors like yourself invested money in the GPs. For all of the reasons listed above, my attorneys have filed an appeal of that portion (and only that portion) of the August 16, 2013 Order requiring the GPs to use their assets to purchase Western's GP units and thereby also force the sale of Western's assets prior to a trial being held in this matter.

As we have pointed out to the Court in the appeal, while allegations have been made, they have not been proven. Western is entitled to a full trial on the merits. My attorneys believe we will prevail at trial and should we do so, there would be no legal basis whatsoever to dispossess Western of its private property. And as stated above, there is no legal basis whatsoever by which the GPs, having never had a hearing before this Court, can be forced to spend their available cash to purchase Western's units instead of using that cash for the original purpose intended when each of you made your investment, and that is to pay the property taxes and insurance. I, and my attorneys, do not believe there is a valid basis in the law to force the GPs to spend a single dollar of their assets in a manner not directly set forth in the GP governing documents or by a specific vote of the GP members.

Because the Court's requirement simultaneously violates the due process and property rights of not only Western, but also all the investors in the GPs, my attorneys are vigorously pursuing its repeal through the appeal.

Unfortunately, the Receiver has attempted to recast these significant constitutional violations in an overly-simplistic manner. In a letter sent on November 22 to members of those GPs needing to replenish operating funds, the Receiver simply indicated that removal of the GPs was being held up due to Western's appeal of the August 16 Order. The Receiver fails to explain in that letter the reasons for the appeal. If the Receiver were meeting his obligations and the duty of care he owes to the GPs, he would be joining in our appeal. One reason he may not be doing so is that if money in the GP accounts for the payment of GP obligations is instead used to repurchase Western units, that cash will transfer from the GP bank accounts to Western's bank account, from which the Receiver would pay his own fees. We believe this is a direct conflict of interest that is causing him to not meet the duty of care he owes to the GPs.

To be clear, the money for the GPs' purchase of Western's GP units would come from the GP accounts. That means that the money you and your fellow partners have contributed to the GP operating expenses would be used to ultimately pay the Receiver instead of paying the taxes, insurance, etc. on the land held by your GP. The Court has also approved the Receiver's Third and Fourth Fee Applications, which means that additional funds intended for the GP operating expenses will be used to pay the Receiver instead. Because the Court's Order that ended the receivership of the GPs actually imposes a severe financial burden on the GPs, it was necessary to file an appeal to the Ninth Circuit to seek relief.

Also, the Receiver's letter fails to mention that on November 15, 2013, the SEC filed a cross-appeal from the Court's order, which has resulted in a delay in the briefing of arguments before

the Ninth Circuit. At present, it is unclear what the SEC's basis is for appealing the Court's decision. The briefing will be completed in mid-March 2014, and the Ninth Circuit may issue a decision in late 2014 or early 2015.

There is no basis under the law to continue to subject the GPs to a receivership during the pendency of Western's appeal when the Court has itself declared that the receivership is (1) a violation of the GPs' due process, and (2) no longer necessary to the orderly administration and function of the GPs. We believe the Court's August 16 Order compels the GPs to be immediately removed from the receivership without any further delay and certainly without being forced to wait for the lawful appeal to be heard. My attorneys are pursuing all avenues to further these arguments.

While much of the information shared in this letter may seem very discouraging due to the continued subjection of the GPs to the receivership, please note that the August 16, 2013 Order was a significant development in this case in that a Federal District Judge put in writing that the GPs should not be subjected to the receivership. This was no small accomplishment. What remains, is for the Court to fully release the GPs, but the Court is at least in agreement that there is not a sufficient basis for the GPs to be in receivership. We believe the final actual removal of the GPs is possible, but will require additional persistent effort. I encourage each of you to make your wishes known to all parties as members of the GPs.

I hope you have found this letter as helpful as the previous letters. If you have any questions please contact my attorney, Eric Hougcn, at 619-702-1000 or at eric@hougenlaw.com.

Sincerely,

A handwritten signature in cursive script that reads "Louis V. Schooler".

Louis V. Schooler

EXHIBIT D

EXHIBIT D

Land Owned by Western

| | Mortgages | | | Land | | | |
|--------------------|-----------------|---------------------|---------------|---------------|--------------------------|-------------------|----------------------|
| | Monthly Payment | Outstanding Balance | Maturity date | Total Acreage | Estimated Price Per Acre | Estimated Value | Estimated Sale value |
| Dayton IV | 4,180.00 | 158,561.00 | 10/2016 | 445.00 | 500.00 | 222,500.00 | 57,545.10 |
| Yuma III | 1,775.00 | 53,162.00 | 12/2015 | 30.00 | 300.00 | 9,000.00 | (39,745.80) |
| Yuma II | | | | 6.74 | 300.00 | 2,022.00 | 1,819.80 |
| Yuma IV | | | | 84.24 | 300.00 | 25,272.00 | 22,744.80 |
| Silver Springs So. | | | | 26.38 | 5,000.00 | 131,900.00 | 118,710.00 |
| Totals | 5,955.00 | 211,723.00 | | 592.36 | | 390,694.00 | 161,073.90 |

PROOF OF SERVICE

I am employed in the County of San Diego, State of California. I am over the age of eighteen (18) and am not a party to this action. My business address is 501 West Broadway, 15th Floor, San Diego, California 92101-3541.

On February 5, 2014, I served the within document(s) described as:

➤ **RECEIVER'S SEVENTH INTERIM REPORT**

on interested parties in this action by:

BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF"): the foregoing document(s) will be served by the court via NEF and hyperlink to the document. On February 5, 2014, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email addressed indicated below:

- Lynn M. Dean - deanl@sec.gov; larofiling@sec.gov; berryj@sec.gov; irwinma@sec.gov; cavallones@sec.gov
- Philip H. Dyson - phildysonlaw@gmail.com; jldossegger2@yahoo.com; phdtravel@yahoo.com
- Edward G. Fates - tfates@allenmatkins.com; bcrfilings@allenmatkins.com; jbatiste@allenmatkins.com
- Eric Hougen - eric@hougenlaw.com
- Sara D. Kalin - kalins@sec.gov; irwinma@sec.gov
- Sam S. Puathasnanon - puathasnanons@sec.gov; haackk@sec.gov; berryj@sec.gov; irwinma@sec.gov; cavallones@sec.gov
- Edward P. Swan, Jr. - pswan@jonesday.com; dpippin@jonesday.com

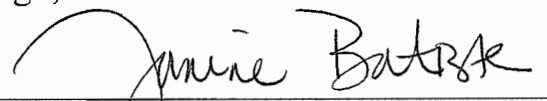
BY MAIL: I placed a true copy of the document in a sealed envelope or package addressed as indicated on the attached Service List on the above-mentioned date in San Diego, California for collection and mailing pursuant to the firm's ordinary business practice. I am familiar with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

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

Executed on February 5, 2014, at San Diego, California.

Janine L. Batiste

(Type or print name)



(Signature of Declarant)