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6 Attorneys for Receiver
7 THOMAS C. HEBRANK

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

**NOTICE OF FILING OF COURT-
ORDERED INFORMATION
PACKET**

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

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1 **PLEASE TAKE NOTICE** that, pursuant to the Court's Order Keeping
2 General Partnerships Under Receivership (Dkt. No. 1003) ("Order"), Thomas C.
3 Hebrank ("Receiver"), Court-appointed receiver for First Financial Planning
4 Corporation d/b/a Western Financial Planning Corporation ("Western"), its
5 affiliates, and the General Partnerships established by Western (collectively,
6 "Receivership Entities"), hereby files his proposed sample comprehensive
7 information packet ("Sample Packet") attached hereto as Exhibit 1.

8 The proposed Sample Packet uses the Dayton II property and the General
9 Partnerships associated with the Dayton II property for purposes of providing an
10 example only. The Court also used the Dayton II property as an illustrative example
11 in the Order. Dkt. No. 1003, pp. 4-5. The information packet for each GP property
12 will be tailored to the specifics of each GP property with information about the
13 property and the GPs that own interests in the property. Accordingly, the language
14 will necessarily change somewhat from packet to packet depending on the facts and
15 circumstances of each GP property and the applicable GPs. The Sample Packet,
16 however, provides an example of the information that will be provided and the
17 format in which it will be presented.

18
19 Dated: March 27, 2015

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

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21 By: /s/ Ted Fates

TED FATES
Attorneys for Receiver
THOMAS C. HEBRANK

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EXHIBIT INDEX

Exhibit 1	Proposed Sample Comprehensive Information Packet	4
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EXHIBIT 1

EXHIBIT 1



_____, 2015

Dayton II Information Packet

- Storey County Partners (2005) – 25%
- Comstock Partners (2005) – 25%
- Silver City Partners (2005) – 25%
- Nevada View Partners (2005) – 25%

Dear Investor:

This information packet is being provided to you pursuant to an order of the District Court in the pending case between the Securities and Exchange Commission ("SEC"), Louis Schooler, and First Financial Planning Corporation d/b/a Western Financial Planning Corporation ("Western"). The relevant order, which is dated March 4, 2015, and is entitled Order Keeping General Partnerships Under Receivership ("Order"), is available at the Receiver's website, www.ethreadvisors.com (use the SEC Case Docs tab). You are encouraged to review the order carefully.

This packet is intended to provide you with information about the District Court case, the Receiver's findings, and the financial condition of your General Partnership ("GP"). Specifically, the Order instructs the Receiver to provide you with the following information:

I. SEC ALLEGATIONS

The following is a summary of the allegations made by the SEC in the case:

On September 4, 2012, the SEC filed a complaint against Louis Schooler and Western, alleging they committed fraud and failed to register securities in violation of the federal securities laws.

A. Fraud Allegations

The SEC alleges Mr. Schooler orchestrated an offering fraud that involved buying raw, undeveloped land and using his company, Western, to sell the land to investors for far more than it was worth, without properly disclosing its true value. The SEC alleges Mr. Schooler marked up the land and sold it to investors at a price that was several times higher than what he paid for it (in some cases, 500% higher or more) without disclosing to investors the price he paid.

The SEC also alleges Mr. Schooler led investors to believe they received a good price for the land Western offered. His sales force allegedly used real estate "comps" that appeared to show that similar land was worth even more than what investors were paying for Western's land.

General Partnership Investors

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However, the SEC alleges the "comps" were not truly comparable because they often included entitlements, zoning, water rights, and other features that Western's land did not have.

In addition to misrepresenting the value of the land to investors, the SEC alleges Mr. Schooler concealed the fact the land Western offered to investors was often subject to mortgages Western had taken out to pay for the land. The SEC also alleges Mr. Schooler did not disclose the land was not owned outright nor the risk that the seller could foreclose upon the property if Western ceased making mortgage payments.

B. Registration Violations

The SEC alleges Western sold its land to investors through GPs that it structured, organized, and managed from inception through the time of an eventual land sale. Investors, many of whom were allegedly unsophisticated in business affairs, purchased units in a GP, and the GP purchased land from Western. The SEC alleges the GP units are securities because investors were completely dependent on Schooler and Western to manage their investment. Because Schooler and Western failed to register their securities offerings with the SEC, the SEC alleges they violated the securities registration provisions. On April 25, 2014, the District Court decided that the GP units sold to investors are securities.

II. RECEIVER'S FINDINGS

A. Original Purchase Prices of GP Properties, Funds Raised By Western, and Appraised Values of GP Properties

Western bought the Dayton II land in December 2003 for a purchase price of \$1,800,000. In 2005, Western formed 4 underlying partnerships, each with a 25% undivided interest in the property. Western raised \$8,994,800 when it sold the land to investors, or \$7,194,800 (400%) more than it paid for the land. An outside appraisal obtained in 2013 valued the property at \$100,000. This is all outlined in the chart below.

	Western Land Purchase Price	Amount Raised From Investors	Excess Proceeds Raised by Western	Excess Proceeds %	2013 Appraised Value
Storey County Partners	450,000	2,150,000	1,700,000	378%	25,000
Comstock Partners	450,000	2,214,500	1,764,500	392%	25,000
Silver City Partners	450,000	2,280,900	1,830,900	407%	25,000
Nevada View Partners	450,000	2,349,400	1,899,400	422%	25,000
	1,800,000	8,994,800	7,194,800	400%	100,000

B. How the Difference Between the Original Purchase Prices and the Money Raised Was Spent by Western

Western did not keep separate accounts for the funds it obtained from each GP. All funds it obtained from the GPs for selling land went to the same primary bank account. Therefore,

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there is no way to know exactly how the funds Western obtained for selling the Dayton II land were used, as opposed to funds obtained from selling other land. However, the Receiver did an analysis of how funds were spent by Western for the time period 2005 - 2012. Based upon average amounts spent during that period by category, the \$7,194,800 in excess proceeds received by Western is estimated to have been spent as follows:

	Average % Paid	Estimated Amount Paid
Payments to Schooler	21%	\$1,539,065
Sales Commissions	15%	\$1,112,813
Payroll - Other	17%	\$1,256,079
Operating Expenses	21%	\$1,513,639
Western Investments in GPs	9%	\$653,089
Income Taxes	6%	\$404,398
Payments to Related Parties	6%	\$414,451
Payments to Escrow Companies	4%	\$301,265
	100%	\$7,194,800

Additional information on the Receiver's findings concerning the financial affairs of Western and the GPs can be found on the Receiver's website, www.ethreadvisors.com (use the SEC Case Docs tab), including Part One and Part Two of the Receiver's Forensic Accounting Report.

III. CURRENT FINANCIAL STATUS OF DAYTON II GPS

Listed below are the current and projected cash balances for the Dayton II GPs.

	Cash as of 1/1/2015	Estimated 2015 Receipts	Estimated 2015 Expenses	Estimated Cash as of 12/31/2015	Percentage of Operational Bills Paid Since 2013
Storey County Partners	\$28,787	\$305	(\$4,763)	\$24,329	N/A
Comstock Partners	\$16,678	\$4,402	(\$9,866)	\$11,214	N/A
Silver City Partners	\$19,526	\$8,972	(\$18,373)	\$10,125	N/A
Nevada View Partners	\$9,335	\$16,693	(\$32,297)	(\$6,269)	21%
	\$74,326	\$30,372	(\$65,299)	\$39,399	21%

The receipts primarily consist of investor note payments made by investors who financed a portion of their investments. Expenses consist primarily of administrators, tax preparation, property taxes, insurance, and (for all GPs except Storey County) loan payments due to Western

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for financed investments. Attached as Exhibit "A" are actual and estimated receipts and disbursements for 2014 and 2015 for each GP.

Nevada View Partners is the only Dayton II GP that requires operational billings in order to fund ongoing operations. You will note that it is projected to have a cash deficit of (\$6,269) at the end of 2015. Since 2013, the investors in Nevada View Partners have only funded 21% of their operational billings, meaning that the investors in this GP are not providing enough cash to pay GP expenses. The result of this will be underlying note payments to Western from Nevada View Partners will become delinquent.

It is important to understand that, because of the co-tenancy structure for Dayton II, in which each of the four GPs own a percentage of the same land, the financial status of each GP can potentially affect the other GPs. If, for example, one GP in the group becomes unable to pay its operating expenses such as property taxes, the other GPs may be adversely effected by the late charges and/or penalties incurred for the land as a whole. Our current projection for Dayton II does not indicate that this will occur in 2015 based upon the estimates above.

IV. ESTIMATED CURRENT VALUE OF INVESTMENT

Listed below is the estimated cash proceeds that would be received from a sale of the property, based on its 2013 appraised value. The Receiver intends to obtain current appraisals, as directed by the Court. The estimated net sale proceeds are based on the existing 2013 appraised value (less cost of sale). GP notes payable are amounts due to Western for investors who financed a portion of their investment. The underlying mortgages on Dayton II have now been paid off. A sale based on these assumptions would net \$65,813 for the 4 GPs that comprise the Dayton II property.

	Estimated Net Sale Proceeds	GP Notes Payable to Western	Outstanding Balance on Mortgages	Estimated Cash Proceeds to GPs from Sale
Storey County Partners	\$23,250	\$0	\$0	\$23,250
Comstock Partners	\$23,250	(\$938)	\$0	\$22,312
Silver City Partners	\$23,250	(\$7,790)	\$0	\$15,460
Nevada View Partners	\$23,250	(\$18,459)	\$0	\$4,791
	\$93,000	(\$27,187)	\$0	\$65,813

Sincerely,

Thomas C. Hebrank, CPA, CIRA
Receiver

EXHIBIT A

Storey County

Actual and Projected Receipts and Disbursements from January 2014 through December 2015

	2014 (Actual)	2015 (Projected)
Beginning Cash Balance	37,430	28,787
Receipts		
Investor Operational Contributions	-	-
Misc. Receipts	-	-
Investor Note Payments	1,325	305
Total Receipts	<u>1,325</u>	<u>305</u>
Disbursements		
¹ Administrator Fees	1,300	1,240
² K-1 Preparation	745	2,703
³ Property Taxes/Bond Payments	25	320
Insurance	250	250
Office Supplies	149	150
Appraisal	-	-
State and Local Entity Filings	-	-
Income Taxes	-	-
Miscellaneous	-	100
Operational Loan Repayment	-	-
⁴ Note Repayment to Western	7,501	-
Total Disbursements	<u>9,969</u>	<u>4,763</u>
Ending Cash Balance	<u>28,787</u>	<u>24,329</u>

1 In April 2015, the GPs will pay a small upfront fee to Lincoln Property, but will see a reduction in costs thereafter.

2 It should be noted that the 2014 K-1 preparation was due in 2014, but not paid until 2015 because the Court had not yet authorized that payment. We anticipate that expense will be due and payable in the applicable year on a go-forward basis (i.e., billed in 2015 and paid in 2015). Therefore, the 2015 projected K-1 preparation expense includes 2014 and 2015 fees.

3 It should be noted that as recently as 2012 and 2013, property taxes were \$13,300 and \$6,700 respectively. The Receiver's appeal of the property taxes has lowered that amount to \$320 annually.

4 This payment reflects the amount due from the partnership to Western for investors who financed their investment.

Comstock

Actual and Projected Receipts and Disbursements from January 2014 through December 2015

	2014 (Actual)	2015 (Projected)
Beginning Cash Balance	29,244	16,678
Receipts		
Investor Operational Contributions	-	-
Misc. Receipts	-	-
Investor Note Payments	14,802	4,402
Total Receipts	<u>14,802</u>	<u>4,402</u>
Disbursements		
¹ Administrator Fees	1,300	1,240
² K-1 Preparation	745	2,878
³ Property Taxes/Bond Payments	25	320
Insurance	250	250
Office Supplies	207	-
Appraisal	-	-
State and Local Entity Filings	-	-
Income Taxes	-	-
Miscellaneous	-	100
Operational Loan Repayment	-	-
⁴ Note Repayment to Western	24,842	5,078
Total Disbursements	<u>27,368</u>	<u>9,866</u>
Ending Cash Balance	<u>16,678</u>	<u>11,214</u>

1 In April 2015, the GPs will pay a small upfront fee to Lincoln Property, but will see a reduction in costs thereafter.

2 It should be noted that the 2014 K-1 preparation was due in 2014, but not paid until 2015 because the Court had not yet authorized that payment. We anticipate that expense will be due and payable in the applicable year on a go-forward basis (i.e., billed in 2015 and paid in 2015). Therefore, the 2015 projected K-1 preparation expense includes 2014 and 2015 fees.

3 It should be noted that as recently as 2012 and 2013, property taxes were \$13,300 and \$6,700 respectively. The Receiver's appeal of the property taxes has lowered that amount to \$320 annually.

4 This payment reflects the amount due from the partnership to Western for those investors who financed their investment.

Silver City

Actual and Projected Receipts and Disbursements from January 2014 through December 2015

	2014 (Actual)	2015 (Projected)
Beginning Cash Balance	<u>26,758</u>	<u>19,526</u>
Receipts		
Investor Operational Contributions	-	-
Misc. Receipts	-	-
Investor Note Payments	<u>28,851</u>	<u>8,972</u>
Total Receipts	<u>28,851</u>	<u>8,972</u>
Disbursements		
¹ Administrator Fees	1,300	1,240
² K-1 Preparation	745	2,730
³ Property Taxes/Bond Payments	25	477
Insurance	250	250
Office Supplies	188	190
Appraisal	-	-
State and Local Entity Filings	-	-
Income Taxes	-	-
Miscellaneous	-	100
Operational Loan Repayment	-	-
⁴ Note Repayment to Western	<u>33,575</u>	<u>13,386</u>
Total Disbursements	<u>36,083</u>	<u>18,373</u>
Ending Cash Balance	<u>19,526</u>	<u>10,125</u>

1 In April 2015, the GPs will pay a small upfront fee to Lincoln Property, but will see a reduction in costs thereafter.

2 It should be noted that the 2014 K-1 preparation was due in 2014, but not paid until 2015 because the Court had not yet authorized that payment. We anticipate that expense will be due and payable in the applicable year on a go-forward basis (i.e., billed in 2015 and paid in 2015). Therefore, the 2015 projected K-1 preparation expense includes 2014 and 2015 fees.

3 It should be noted that as recently as 2012 and 2013, property taxes were \$13,300 and \$6,700 respectively. The Receiver's appeal of the property taxes has lowered that amount to \$320 annually.

4 This payment reflects the amount due from the partnership to Western for those investors who financed their investment.

Nevada View

Actual and Projected Receipts and Disbursements from January 2014 through December 2015

	2014 (Actual)	2015 (Projected)
Beginning Cash Balance	19,444	9,335
Receipts		
Investor Operational Contributions	18,517	2,265
Misc. Receipts	-	-
Investor Note Payments	25,657	14,429
Total Receipts	<u>44,175</u>	<u>16,693</u>
Disbursements		
¹ Administrator Fees	1,300	1,240
² K-1 Preparation	745	2,698
³ Property Taxes/Bond Payments	25	320
Insurance	250	250
Office Supplies	278	-
Appraisal	-	-
State and Local Entity Filings	-	-
Income Taxes	-	-
Miscellaneous	924	100
Operational Loan Repayment	-	-
⁴ Note Repayment to Western	50,762	27,689
Total Disbursements	<u>54,284</u>	<u>32,297</u>
Ending Cash Balance	<u>9,335</u>	<u>(6,269)</u>

1 In April 2015, the GPs will pay a small upfront fee to Lincoln Property, but will see a reduction in costs thereafter.

2 It should be noted that the 2014 K-1 preparation was due in 2014, but not paid until 2015 because the Court had not yet authorized that payment. We anticipate that expense will be due and payable in the applicable year on a go-forward basis (i.e., billed in 2015 and paid in 2015). Therefore, the 2015 projected K-1 preparation expense includes 2014 and 2015 fees.

3 It should be noted that as recently as 2012 and 2013, property taxes were \$13,300 and \$6,700 respectively. The Receiver's appeal of the property taxes has lowered that amount to \$320 annually.

4 This payment reflects the amount due from the partnership to Western for those investors who financed their investment.

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 March 27, 2015, I served the within document(s) described as:

➤ **NOTICE OF FILING OF COURT-ORDERED INFORMATION PACKET**

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 March 27, 2015, 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
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- Edward P. Swan, Jr. - pswan@jonesday.com; dpippin@jonesday.com

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

Executed on March 27, 2015, at San Diego, California.

Ted Fates

(Type or print name)

/s/ Ted Fates

(Signature of Declarant)