



August 27, 2015

**Dayton III Information Packet**

- Gold Ridge Partners (2005) – 25%
- Sky View Partners (2005) – 25%
- Grand View Partners (2005) – 25%
- Rolling Hills Partners (2006) – 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](http://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.

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 III land in August 2004 for a purchase price of \$1,804,624. In 2005 - 2006, Western formed 4 underlying partnerships, each with a 25% undivided interest in the property. Western raised \$10,391,360 when it sold the land to investors, or \$8,586,736 (476%) more than it paid for the land. Western transferred \$8,266,969 of the excess proceeds to itself after the initial funding. An outside appraisal obtained in August 2015 valued the property at \$60,000. An appraisal obtained by the Receiver in 2013 valued the property at \$50,000. This is all outlined in the chart below.

	<b>Western Land Purchase Price</b>	<b>Amount Raised From Investors</b>	<b>Excess Proceeds Raised by Western</b>	<b>Excess Proceeds %</b>	<b>2015 Appraised Value</b>
Gold Ridge Partners	\$451,156	\$2,483,760	\$2,032,604	451%	\$15,000
Sky View Partners	\$451,156	\$2,558,300	\$2,107,144	467%	\$15,000
Grand View Partners	\$451,156	\$2,635,100	\$2,183,944	484%	\$15,000
Rolling Hills Partners	\$451,156	\$2,714,200	\$2,263,044	502%	\$15,000
	\$1,804,624	\$10,391,360	\$8,586,736	476%	\$60,000

**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, there is no way to know exactly how the funds Western obtained for selling the Dayton III 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 \$8,586,736 in excess proceeds received by Western is estimated to have been spent as follows:

	<b>Average % Paid</b>	<b>Estimated Amount Paid</b>
Payments to Schooler	21%	\$1,836,819
Sales Commissions	15%	\$1,328,103
Payroll - Other	17%	\$1,499,085
Operating Expenses	21%	\$1,806,474
Western Investments in GPs	9%	\$779,439
Income Taxes	6%	\$482,635
Payments to Related Parties	6%	\$494,633
Payments to Escrow Companies	4%	\$359,549
	100%	\$8,586,736

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](http://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 III GPs**

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

	<b>Cash as of 1/1/2015</b>	<b>Est 2015 &amp; 2016 Receipts</b>	<b>Est 2015 &amp; 2016 Expenses</b>	<b>Estimated Cash as of 12/31/2016</b>	<b>Percentage of Operational Bills Paid Since 2013</b>
Gold Ridge Partners	\$171,218	\$0	(\$9,369)	\$161,849	N/A
Sky View Partners	\$220,533	\$0	(\$9,731)	\$210,802	N/A
Grand View Partners	\$206,649	\$0	(\$9,701)	\$196,948	N/A
Rolling Hills Partners	\$213,035	\$0	(\$8,568)	\$204,467	N/A
	\$811,435	\$0	(\$37,369)	\$774,066	N/A

There are no cash receipts for these GPs. Expenses consist primarily of administrative costs, tax preparation, property taxes, and insurance. Attached as Exhibit "A" are actual and estimated receipts and disbursements for 2014, 2015 and 2016 for each GP. The Dayton III GPs are projected to have sufficient cash to pay operating expenses through 2016.

It is important to understand that, because of the co-tenancy structure for Dayton III, 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 III is that this will not occur before the end of 2016.

#### 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 August 2015 appraised value. The estimated net sale proceeds are based on the existing 2015 appraised value (less cost of sale).

This property originally consisted of 620 acres. 480 acres were the subject of a condemnation trial in Nevada, and are no longer owned by the GPs. Mr. Schooler and other investors have alleged potential mineral rights on the property. This is discussed in detail in the Receiver's January 23, 2015 Receiver's Report and Recommendations Regarding General Partnerships, which can be found on the Receiver's website.

	<b>Estimated Net Sale Proceeds</b>	<b>GP Notes Payable to Western</b>	<b>Outstanding Balance on Mortgages</b>	<b>Estimated Cash Proceeds to GPs from Sale</b>
Gold Ridge Partners	\$13,950	\$0	\$0	\$13,950
Sky View Partners	\$13,950	\$0	\$0	\$13,950
Grand View Partners	\$13,950	\$0	\$0	\$13,950
Rolling Hills Partners	\$13,950	\$0	\$0	\$13,950
	\$55,800	\$0	\$0	\$55,800

Sincerely,



Thomas C. Hebrank, CPA, CIRA  
Receiver

# **EXHIBIT “A”**

## Gold Ridge

### 2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	178,098	171,218	166,198
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	(4,622)		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
<b>Total Receipts</b>	<b>(4,622)</b>	<b>-</b>	<b>-</b>
<b>Disbursements</b>			
Administrator Payroll	1,300	1,300	<sup>1</sup> 1,200
K-1 Preparation	650	1,971	<sup>2</sup> 1,400
Property Taxes/Bond Payments	-	424	424
Insurance	150	150	150
Office Supplies	158	175	175
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	<sup>3</sup> 1,000
Operational Loan Repayment	-	-	-
Note Repayment to Western	-	-	-
<b>Total Disbursements</b>	<b>2,258</b>	<b>5,020</b>	<b>4,349</b>
Ending Cash Balance	171,218	166,198	161,850

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<sup>1</sup> In April 2015, the GPs will pay a small upfront fee to Lincoln property, but will see comparable costs thereafter.

<sup>2</sup> 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 K-1 Preparation expenses include 2014 and 2015 fees.

<sup>3</sup> This amount is included for budgetary reasons but is not expensed if not used.

## Sky View

### 2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	226,853	220,533	215,175
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	(4,082)		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
<b>Total Receipts</b>	<b>(4,082)</b>	<b>-</b>	<b>-</b>
<b>Disbursements</b>			
Administrator Payroll	1,200	1,300 <sup>1</sup>	1,200
K-1 Preparation	700	2,283 <sup>2</sup>	1,400
Property Taxes/Bond Payments	-	424	424
Insurance	150	150	150
Office Supplies	188	200	200
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000 <sup>3</sup>	1,000
Operational Loan Repayment	-	-	-
Note Repayment to Western	-	-	-
<b>Total Disbursements</b>	<b>2,238</b>	<b>5,357</b>	<b>4,374</b>
Ending Cash Balance	220,533	215,175	210,801

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<sup>1</sup> In April 2015, the GPs will pay a small upfront fee to Lincoln property, but will see comparable costs thereafter.

<sup>2</sup> 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 K-1 Preparation expenses include 2014 and 2015 fees.

<sup>3</sup> This amount is included for budgetary reasons but is not expensed if not used.

## Grand View

### 2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	213,548	206,649	201,322
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	(4,622)		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
<b>Total Receipts</b>	<b>(4,622)</b>	<b>-</b>	<b>-</b>
<b>Disbursements</b>			
Administrator Payroll	1,300	1,300	<sup>1</sup> 1,200
K-1 Preparation	650	2,253	<sup>2</sup> 1,400
Property Taxes/Bond Payments	-	424	424
Insurance	150	150	150
Office Supplies	177	200	200
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	<sup>3</sup> 1,000
Operational Loan Repayment	-	-	-
Note Repayment to Western	-	-	-
<b>Total Disbursements</b>	<b>2,277</b>	<b>5,327</b>	<b>4,374</b>
Ending Cash Balance	206,649	201,322	196,948

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<sup>1</sup> In April 2015, the GPs will pay a small upfront fee to Lincoln property, but will see comparable costs thereafter.

<sup>2</sup> 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 K-1 Preparation expenses include 2014 and 2015 fees.

<sup>3</sup> This amount is included for budgetary reasons but is not expensed if not used.



## Rolling Hills

### 2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	215,795	213,035	208,865
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	(4,185)		
Miscellaneous Receipts	3,680	-	-
Partner Note Payments	-	-	-
<b>Total Receipts</b>	<b>(505)</b>	<b>-</b>	<b>-</b>
<b>Disbursements</b>			
Administrator Payroll	1,200	1,300 <sup>1</sup>	1,200
K-1 Preparation	700	1,070 <sup>2</sup>	1,400
Property Taxes/Bond Payments	-	424	424
Insurance	150	150	150
Office Supplies	205	225	225
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000 <sup>3</sup>	1,000
Operational Loan Repayment	-	-	-
Note Repayment to Western	-	-	-
<b>Total Disbursements</b>	<b>2,255</b>	<b>4,169</b>	<b>4,399</b>
Ending Cash Balance	213,035	208,865	204,467

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<sup>1</sup> In April 2015, the GPs will pay a small upfront fee to Lincoln property, but will see comparable costs thereafter.

<sup>2</sup> 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 K-1 Preparation expenses include 2014 and 2015 fees.

<sup>3</sup> This amount is included for budgetary reasons but is not expensed if not used.