



August 28, 2015

**Silver Springs North Information Packet**

- North Springs Partners (2007) – 25%
- Rawhide Partners (2007) – 25%
- Highway 50 Partners (2008) – 25%
- Orange Vista Partners (2008) – 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 Silver Springs North land in August 2005 for a purchase price of \$1,362,752. In 2007 - 2008, Western formed 4 underlying partnerships, each with a 25% undivided interest in the property. Western raised \$8,032,200 when it sold the land to investors, or \$6,669,448 (489%) more than it paid for the land. An outside appraisal obtained in August 2015 valued the property at \$320,000. An appraisal obtained by the Receiver in 2013 valued the property at \$360,000. This is all outlined in the chart below.

Western transferred \$6,572,740 of the excess proceeds to itself after the initial funding.

	<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>
North Springs Partners	\$340,688	\$1,920,000	\$1,579,312	464%	\$80,000
Rawhide Partners	\$340,688	\$1,977,500	\$1,636,812	480%	\$80,000
Highway 50 Partners	\$340,688	\$2,036,800	\$1,696,112	498%	\$80,000
Orange Vista Partners	\$340,688	\$2,097,900	\$1,757,212	516%	\$80,000
	\$1,362,752	\$8,032,200	\$6,669,448	489%	\$320,000

**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 Silver Springs North 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 \$6,669,448 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%	\$1,426,685
Sales Commissions	15%	\$1,031,557
Payroll - Other	17%	\$1,164,362
Operating Expenses	21%	\$1,403,116
Western Investments in GPs	9%	\$605,402
Income Taxes	6%	\$374,870
Payments to Related Parties	6%	\$384,189
Payments to Escrow Companies	4%	\$279,267
	100%	\$6,669,448

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.ethreeadvisors.com](http://www.ethreeadvisors.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 SILVER SPRINGS NORTH GPS**

Listed below are the current and projected cash balances for the Silver Springs North 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>
North Springs Partners	\$50,950	\$26,234	(\$42,643)	\$34,181	N/A
Rawhide Partners	\$53,410	\$32,200	(\$46,642)	\$38,968	N/A
Highway 50 Partners	\$26,844	\$29,630	(\$100,954)	(\$44,480)	N/A
Orange Vista Partners	\$76,588	\$27,874	(\$51,166)	\$53,296	N/A
	\$207,432	\$115,938	(\$241,405)	\$81,965	N/A

The receipts primarily consist solely of investor note payments made by investors who financed a portion of their investments. Expenses consist primarily of administrative costs, tax preparation, property taxes, insurance, and most significantly, loan payments due to Western for financed investments. Attached as Exhibit "A" are actual and estimated receipts and disbursements for 2014, 2015 and 2016 for each GP.

Highway 50 GP is the only Silver Springs North GP that requires a capital call in order to fund ongoing operations. You will note that it is projected to have a cash deficit of (\$15,956) at the end of 2015, and (\$44,479) at the end of 2016. Accordingly, a capital call will be sent out shortly to the investors in Highway 50 Partners to fund this projected deficiency. Investors in the Silver Springs North GPs have not previously had to pay any operational billings or capital calls.

It is important to understand that, because of the co-tenancy structure for Silver Springs North, 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 Silver Springs North is that this will occur before the end of 2015. Per the Court's order, if the investors in Highway 50 Partners do not raise sufficient funds in this capital call, investors in the remaining 3 GPs (North Springs, Rawhide and Orange Vista) will be given the opportunity to cover the shortfall in capital needed to pay expenses. Highway 50 Partners investors can also voluntarily contribute additional capital to the Highway 50 GP, with a corresponding increase in their ownership interest. Should sufficient capital not be raised through these means, the Silver Springs North property may be sold, subject to Court approval of the sale terms.

#### 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). GP notes payable are amounts due to Western for investors who financed a portion of their investment. The underlying mortgages on Silver Springs North are also listed below. A sale based on these assumptions would yield net proceeds of \$189,145 for the 4 GPs that comprise the Silver Springs North property.

	<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>
North Springs Partners	\$74,400	(\$9,281)	(\$1,621)	\$63,498
Rawhide Partners	\$74,400	(\$13,081)	(\$1,621)	\$59,698
Highway 50 Partners	\$74,400	(\$59,534)	(\$1,621)	\$13,245
Orange Vista Partners	\$74,400	(\$20,075)	(\$1,621)	\$52,704
	\$297,600	(\$101,971)	(\$6,484)	\$189,145

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Sincerely,

A handwritten signature in blue ink that reads "Thomas C Hebrank". The signature is fluid and cursive, with a large initial 'T' and a stylized 'C'.

Thomas C. Hebrank, CPA, CIRA  
Receiver

# **EXHIBIT “A”**

## North Springs

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

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	73,529	50,590	26,089
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	-	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	15,287	13,117	13,117
<b>Total Receipts</b>	<b>15,287</b>	<b>13,117</b>	<b>13,117</b>
<b>Disbursements</b>			
Administrator Payroll	1,300	1,300	<sup>1</sup> 1,200
K-1 Preparation	725	2,096	<sup>2</sup> 2,000
Property Taxes/Bond Payments	454	475	475
Insurance	150	150	150
Office Supplies	179	200	200
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	<sup>3</sup> 1,000
Operational Loan Repayment	-	-	-
Mortgage Loan Repayment	35,419	32,397	<sup>4</sup> -
<b>Total Disbursements</b>	<b>38,226</b>	<b>37,618</b>	<b>5,025</b>
Ending Cash Balance	50,590	26,089	34,181
<b>Amount to be Billed</b>			-

<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.

<sup>4</sup> This payment reflects the amount due from the partnership to Western for those Investors that financed their investment.

## Rawhide

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

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	75,133	53,410	27,871
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	1,342		-
Miscellaneous Receipts	-	-	-
Partner Note Payments	16,065	16,100	16,100
<b>Total Receipts</b>	<b>17,406</b>	<b>16,100</b>	<b>16,100</b>
<b>Disbursements</b>			
Administrator Payroll	1,300	1,300	<sup>1</sup> 1,200
K-1 Preparation	720	2,208	<sup>2</sup> 2,000
Property Taxes/Bond Payments	454	454	454
Insurance	150	150	150
Office Supplies	179	200	200
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	<sup>3</sup> 1,000
Operational Loan Repayment	-	-	-
Mortgage Loan Repayment	36,327	36,327	<sup>4</sup> -
<b>Total Disbursements</b>	<b>39,129</b>	<b>41,638</b>	<b>5,004</b>
Ending Cash Balance	53,410	27,871	38,966
<b>Amount to be Billed</b>			-

<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.

<sup>4</sup> This payment reflects the amount due from the partnership to Western for those Investors that financed their investment.



## Highway 50

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

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	67,969	26,844	(15,956)
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	-	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	13,932	14,815	14,815
<b>Total Receipts</b>	<b>13,932</b>	<b>14,815</b>	<b>14,815</b>
<b>Disbursements</b>			
Administrator Payroll	1,200	1,300 <sup>1</sup>	1,200
K-1 Preparation	850	2,117 <sup>2</sup>	2,000
Property Taxes/Bond Payments	454	475	475
Insurance	-	150	150
Office Supplies	203	225	225
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000 <sup>3</sup>	1,000
Operational Loan Repayment	-	-	-
Mortgage Loan Repayment	52,349	52,349 <sup>4</sup>	38,288
<b>Total Disbursements</b>	<b>55,056</b>	<b>57,616</b>	<b>43,338</b>
Ending Cash Balance	26,844	(15,956)	(44,479)
<b>Amount to be Billed</b>			<b>44,479</b>

<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.

<sup>4</sup> This payment reflects the amount due from the partnership to Western for those Investors that financed their investment.

## Orange Vista

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

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	98,229	76,588	52,225
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	(2)	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	13,966	13,937	13,937
<b>Total Receipts</b>	<b>13,964</b>	<b>13,937</b>	<b>13,937</b>
<b>Disbursements</b>			
Administrator Payroll	1,200	1,300 <sup>1</sup>	1,200
K-1 Preparation	700	2,295 <sup>2</sup>	1,400
Property Taxes/Bond Payments	454	454	454
Insurance	150	150	150
Office Supplies	199	200	200
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000 <sup>3</sup>	1,000
Operational Loan Repayment	-	-	-
Mortgage Loan Repayment	32,901	32,901 <sup>4</sup>	8,462
<b>Total Disbursements</b>	<b>35,605</b>	<b>38,300</b>	<b>12,866</b>
Ending Cash Balance	76,588	52,225	53,295
<b>Amount to be Billed</b>			-

<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.

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