



August 31, 2015

**Silver Springs South Information Packet**

- Rail Road Partners (2006) – 25%
- Spruce Heights Partners (2007) – 25%
- Vista Del Sur Partners (2007) – 25%
- Lahontan Partners (2007) – 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 South land in August 2005 for a purchase price of \$2,457,000. In 2006 - 2007, Western formed 4 underlying partnerships, each with a 25% undivided interest in the property. Western raised \$11,541,100 when it sold the land to investors, or \$9,084,100 (370%) more than it paid for the land. Western transferred \$9,845,944 of the excess proceeds to itself after the initial funding.

An outside appraisal obtained in August 2015 valued the property at \$440,000. A similar appraisal obtained by the Receiver in 2013 valued the property at \$300,000. 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>
Rail Road Partners	\$614,250	\$2,758,600	\$2,144,350	349%	\$110,000
Spruce Heights Partners	\$614,250	\$2,841,400	\$2,227,150	363%	\$110,000
Vista Del Sur Partners	\$614,250	\$2,926,650	\$2,312,400	376%	\$110,000
Lahontan Partners	\$614,250	\$3,014,450	\$2,400,200	391%	\$110,000
	\$2,457,000	\$11,541,100	\$9,084,100	370%	\$440,000

**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 South 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 \$9,084,100 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%	\$1,943,212
Sales Commissions	15%	\$1,405,030
Payroll - Other	17%	\$1,585,916
Operating Expenses	21%	\$1,911,109
Western Investments in GPs	9%	\$824,586
Income Taxes	6%	\$510,590
Payments to Related Parties	6%	\$523,283
Payments to Escrow Companies	4%	\$380,374
	100%	\$9,084,100

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 SILVER SPRINGS SOUTH GPS**

Listed below are the current and projected cash balances for the Silver Springs South GPs.

	<b>Cash as of 1/1/2015</b>	<b>Estimated 2015 &amp; 2016 Receipts</b>	<b>Estimated 2015 &amp; 2016 Expenses</b>	<b>Estimated Cash as of 12/31/2016</b>	<b>Percentage of Operational Bills Paid Since 2013</b>
Rail Road Partners	\$89,300	\$15,446	(\$19,836)	\$84,910	N/A
Spruce Heights Partners	\$106,412	\$10,192	(\$16,996)	\$99,608	N/A
Vista Del Sur Partners	\$75,015	\$42,032	(\$79,542)	\$37,505	N/A
Lahontan Partners	\$96,445	\$43,140	(\$69,371)	\$70,214	N/A
	\$367,172	\$110,810	(\$185,745)	\$292,237	N/A

The receipts 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 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. None of the Silver Springs South GPs are expected to run out of cash prior to the end of 2016.

It is important to understand that, because of the co-tenancy structure for Silver Springs South, 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 South does not indicate that this will occur prior to 2017 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 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 South are also listed below, with the mortgage almost paid off. A sale based on these assumptions would net a total \$338,343 for the 4 GPs that comprise the Silver Springs South 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>
Rail Road Partners	\$102,300	\$0	(\$728)	\$101,572
Spruce Heights Partners	\$102,300	\$0	(\$728)	\$101,572
Vista Del Sur Partners	\$102,300	(\$38,164)	(\$728)	\$63,408
Lahontan Partners	\$102,300	(\$29,781)	(\$728)	\$71,791
	\$409,200	(\$67,945)	(\$2,912)	\$338,343

Sincerely,



Thomas C. Hebrank, CPA, CIRA  
Receiver

# **EXHIBIT “A”**

## Rail Road

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

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	108,690	89,300	83,149
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	727		-
Miscellaneous Receipts	-	-	-
Partner Note Payments	7,723	7,723	7,723
<b>Total Receipts</b>	<b>8,450</b>	<b>7,723</b>	<b>7,723</b>
<b>Disbursements</b>			
Administrator Payroll	1,200	1,300	<sup>1</sup> 1,200
K-1 Preparation	740	2,393	<sup>2</sup> 2,000
Property Taxes/Bond Payments	1,341	1,349	1,349
Insurance	188	188	188
Office Supplies	216	225	225
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	<sup>3</sup> 1,000
Operational Loan Repayment	-	-	-
Mortgage Loan Repayment	24,155	7,419	<sup>4</sup> -
<b>Total Disbursements</b>	<b>27,840</b>	<b>13,874</b>	<b>5,962</b>
Ending Cash Balance	89,300	83,149	84,909
<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.

## Spruce Heights

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

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	122,045	106,412	100,449
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	-	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	5,096	5,096	5,096
<b>Total Receipts</b>	<b>5,096</b>	<b>5,096</b>	<b>5,096</b>
<b>Disbursements</b>			
Administrator Payroll	1,200	1,300 <sup>1</sup>	1,200
K-1 Preparation	725	2,102 <sup>2</sup>	2,000
Property Taxes/Bond Payments	1,341	1,349	1,349
Insurance	188	188	188
Office Supplies	197	200	200
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000 <sup>3</sup>	1,000
Operational Loan Repayment	-	-	-
Mortgage Loan Repayment	17,077	4,920 <sup>4</sup>	-
<b>Total Disbursements</b>	<b>20,729</b>	<b>11,059</b>	<b>5,937</b>
Ending Cash Balance	106,412	100,449	99,607
<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.

## Vista Del Sur

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

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	102,053	75,015	44,502
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	-	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	21,875	21,016	21,016
<b>Total Receipts</b>	<b>21,875</b>	<b>21,016</b>	<b>21,016</b>
<b>Disbursements</b>			
Administrator Payroll	1,300	1,300	<sup>1</sup> 1,200
K-1 Preparation	700	2,302	<sup>2</sup> 2,000
Property Taxes/Bond Payments	1,341	1,349	1,349
Insurance	188	188	188
Office Supplies	218	225	225
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	<sup>3</sup> 1,000
Operational Loan Repayment	-	-	-
Mortgage Loan Repayment	45,165	45,165	<sup>4</sup> 22,051
<b>Total Disbursements</b>	<b>48,912</b>	<b>51,529</b>	<b>28,013</b>
Ending Cash Balance	75,015	44,502	37,504
<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.



## Lahontan

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

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	118,778	96,445	69,575
<b>Receipts</b>			
Partner Operational Contributions	-	-	-
2013 Cleared Deposits	1,544	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	30,574	21,570	21,570
<b>Total Receipts</b>	<b>32,118</b>	<b>21,570</b>	<b>21,570</b>
<b>Disbursements</b>			
Administrator Payroll	1,200	1,300 <sup>1</sup>	1,200
K-1 Preparation	700	2,346 <sup>2</sup>	2,000
Property Taxes/Bond Payments	1,341	1,341	1,341
Insurance	188	188	188
Office Supplies	284	300	300
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000 <sup>3</sup>	1,000
Operational Loan Repayment	-	-	-
Mortgage Loan Repayment	50,739	41,966 <sup>4</sup>	14,901
<b>Total Disbursements</b>	<b>54,451</b>	<b>48,441</b>	<b>20,930</b>
Ending Cash Balance	96,445	69,575	70,215
<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.