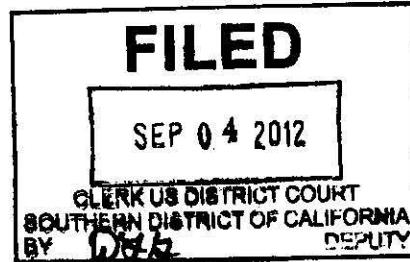


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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE COMMISSION, | Case No. 12CV2164LABJMA

Plaintiff,

vs.

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

## Defendants.

Case No. 12CV2164LABJMA

**COMPLAINT FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS**

## **SUMMARY**

1. This case involves an ongoing offering fraud orchestrated by Defendant Louis V.  
2  
3 Schooler (“Schooler”), who owns and controls First Financial Planning Corporation, which does  
4 business as Western Financial Planning Corporation (“Western”). Schooler buys raw,  
5 undeveloped land in the southwest United States, then sells the land at grossly inflated prices to  
6 general partnerships (“GPs”) comprised of numerous unsophisticated investors. Defendants,  
7 however, do not disclose this enormous markup and mislead the investors about the true value of  
8 the underlying property. As a result of Western’s and Schooler’s fraudulent conduct, they have  
9 raised about \$50 million since 2007 from hundreds of investors. Just recently, in July 2012,  
10 Western raised approximately \$50,000.

11        2. Defendants organize the GPs solely to purchase and hold the land that Defendants  
12 have bought, and offer investors units in the GPs. The GP units are securities in the form of  
13 investment contracts. Defendants have formed more than 100 GPs, about 86 of which currently  
14 exist, owning dozens of parcels of real estate comprising more than 10,000 acres.

15       3. Defendants, however, do not disclose that they purchased the land at significantly  
16 lower prices than what the investors are paying in aggregate for their GP units. For example,  
17 Western's current offering involves land in Stead, Nevada, which Defendants purchased for  
18 \$1.85 million in 2010. Western sold GP units to investors at prices valuing the land at  
19 approximately \$9.3 million – about a 500% markup. To conceal the true value of the land,  
20 Defendants do not disclose the price that Western paid for the land.

21       4. Moreover, Defendants' offering materials use purported real estate "comps,"  
22 which Defendants claim show market prices for comparable pieces of land but, in fact, identify  
23 land that is worth more than the land the GPs are buying. This misleads investors to believe that  
24 they are making a good investment by getting an interest in land through their GP at a low price.  
25 In reality, the "comps" are not at all comparable to the property being offered by Defendants.  
26 Defendants also fail to disclose that many of the properties that the GPs hold are encumbered by  
27 mortgages that Defendants used to finance the initial purchase of the properties.

28           5. In addition, Western's business model involved selling units in GPs that would

1 hold undeveloped land until the land could be sold for a profit. But the GPs held no interest in  
2 the land until the end of each GP offering, which was months, and sometimes years, after the  
3 first investment. Defendants did not disclose that during this interim period and before the  
4 properties were transferred to the GPs, Western used investor funds to pay its general operating  
5 expenses, including mortgages on properties held by older GPs, Schooler's salary, and large tax  
6 penalties. Also, during the interim, Western had no mechanism in place to ensure the safety of  
7 investor funds in the event they needed to be returned. Thus, before the end of each GP offering,  
8 investors received nothing of value in exchange for putting their funds at risk, because the  
9 interest in land they had been promised had not yet been deeded to the GP. Defendants did not  
10 disclose this risk to the investors.

11       6. Moreover, when some investors uncovered Western's fraudulent scheme,  
12 Schooler offered to refund their investment in exchange for the investors' promise not to speak  
13 with other investors or file complaints with the authorities. Schooler has been using "hush  
14 money" since at least the spring of 2011, allowing Western to stay in business and attract and  
15 retain investors, even though it is rarely able to return any investor funds.

16       7. By engaging in the conduct described in this Complaint, Defendants have  
17 violated, and unless enjoined will continue to violate the antifraud and registration provisions of  
18 the federal securities laws. By this Complaint, the Commission seeks emergency relief against  
19 the Defendants, including a temporary restraining order, as well as preliminary and permanent  
20 injunctions, disgorgement with prejudgment interest, and civil penalties.

#### **JURISDICTION AND VENUE**

21       8. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1)  
22 and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d)(1) &  
23 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the Securities Exchange Act of 1934  
24 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa. Schooler and Western  
25 have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of  
26 the mails, or of the facilities of a national securities exchange, in connection with the  
27 transactions, acts, practices, and courses of business alleged in this Complaint.  
28

9. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa, because certain of the transactions, acts, practices, and courses of conduct constituting violations of the federal securities laws occurred within this district, Western is located in this district, and Schooler resides in this district.

## **THE DEFENDANTS**

10. **Louis V. Schooler** ("Schooler"), age 61, resides in Solana Beach, California. He is the president and sole owner of Western, and he controls all of its operations.

**11. First Financial Planning Corporation d/b/a Western Financial Planning Corporation** (“Western”) is a Nevada corporation doing business in California under the name Western Financial Planning Corporation. Western was incorporated by Schooler in 1978, and is headquartered in San Diego, California.

**AFFILIATED ENTITY**

12. **WFP Securities Corporation** (“WFP Securities”) is a California corporation with its principal place of business in San Diego, California. The company registered with the Commission as a broker-dealer in 1993, and as an investment adviser in 2005, using the dba Western Financial Advisers to conduct its investment advisory business. Schooler’s brother, John, was the president of WFP Securities, but Schooler indirectly owned 50% of the company and used its registered representatives to sell Western’s GP offerings. WFP Securities deregistered as a broker-dealer in May 2011, and appears to no longer conduct business.

## **STATEMENT OF FACTS**

#### A. Western's Fraudulent Business Model

13. Western was founded by Schooler in 1978 and has been owned and controlled by him ever since. The description that follows in paragraphs 14 to 22 below represents, according to Schooler and his two long-time employees, how Defendants have purchased land and sold the land to investors through the GPs and offerings organized and conducted by Defendants. Since 2007, these offerings have raised about \$50 million, involving approximately nine properties, and as many as 1000 investors or possibly more.

14. Schooler first identifies a piece of property that he believes Defendants can

1 purchase for a significant discount to fair market value due to a vulnerability of the seller. In  
2 determining his perceived “fair market value,” Schooler conducts his own due diligence, which  
3 consists of hiring an engineering firm to assess the land’s physical features, doing internet  
4 research, and using his own expertise to estimate the value of the land given other land sales in  
5 the area, as well as his determination regarding what the land might be worth in the future.  
6 Schooler does not use formal appraisals. After determining what he believes the fair market  
7 value to be, Schooler claims he buys the property only if he can get it for a 75% to 80% discount  
8 to fair market value based on some seller vulnerability, such as an estate sale.

9       15. After Schooler identifies the property, Defendants, or an affiliate controlled by  
10 Defendants, purchase the property. When a piece of property is purchased, it is rarely bought  
11 outright. Instead, Defendants usually use seller financing to help pay for the property.  
12 Defendants typically agree to pay principal and interest over the course of ten years.

13       16. Then, Defendants organize GPs to purchase the land from Defendants (or their  
14 affiliate). Defendants offer investors the opportunity to purchase units in the GPs. Before making  
15 any offerings, Schooler decides how many GPs should be set up to own a particular piece of land.  
16 Usually, between two and four GPs will each own an undivided interest in the same land.

17       17. At the time that Schooler decides the number of GPs to organize, he also determines  
18 the amount of each GP offering. After Defendants (or their affiliate) purchase the land, Schooler  
19 ultimately sells it to GPs comprised of numerous investors for an aggregate price that he determines.  
20 This aggregate price equates to a significant mark-up to the true market value of the land and to the  
21 price Defendants paid when they actually purchased the land – often as much as or more than 500%.

22       18. Each land deal thus involves multiple GP offerings, but the offerings are not done at  
23 the same time or at the same prices. Instead, each successive GP offering is priced differently, so  
24 those investors buying GP units in the subsequent offerings for the same property pay slightly more  
25 for the same interest in the land. This way, investors have an incentive to invest early.

26       19. Once Schooler determines the aggregate amount of an offering, the number of  
27 GPs involved, and the offering amount for each GP, Western opens a bank account in the name  
28 of the first GP and begins offering investors the opportunity to purchase GP units. Investors may

1 pay cash for their investment, or they may finance a portion of their investment through Western.

2       20. After an investor purchases units in the GP, and immediately following the initial  
3 deposit of the investor's funds into the GP's account, Western transfers about 93% of those funds  
4 through one or more accounts that Western controls, into Western's general corporate account.  
5 The funds in Western's general corporate account are used to pay general operating expenses,  
6 including mortgage payments on the properties Western has purchased in the last ten years, and  
7 Schooler's salary. The GP holds only about 7% of the amount that the investors initially  
8 invested in the GP account. This amount is known as the GP's "contingency fund" and is used  
9 to pay property taxes and administrative fees for the next several years. When the initial  
10 contingency fund is depleted, investors are required to make additional contributions to capital in  
11 order for the GP to continue operating.

12       21. It can take one to two years from the time of the first investor's investment before  
13 Defendants raise the pre-determined offering amount for a GP. After the pre-determined  
14 offering amount is raised and deposited, Western transfers an interest in the property to the GP  
15 (or an affiliate of the GP formed specifically to hold that interest). After the property interest is  
16 transferred to the GP, investors who borrowed money from Western in order to invest in the GP  
17 units begin making monthly payments to the company that generally continue for 10 years.

18       22. According to Defendants, the ultimate goal is for the GPs to sell the land so that  
19 the investors in the GP can make a profit on their respective investments. That has not happened  
20 for some time. The GP agreements give Western the right to sell the land on the GP's behalf and  
21 take a commission in the process. Although in the last several years Western has not been able to  
22 sell any properties held by the GPs, in the past Western typically handled the sale negotiations for  
23 the GPs, and sent ballots to all of the partners allowing them to vote on proposals from interested  
24 third-party buyers. When Western sent the ballots, Schooler included letters with additional  
25 information, including his suggestions regarding the proposed terms of the deal. Investors almost  
26 always voted in accordance with Schooler's suggestions. But Schooler sometimes provided  
27 investors with inaccurate information, such as the value of the land the GP held.

28       ///

1      **B. The General Partnerships**

2      23. Defendants have formed more than 100 GPs, and about 86 still exist. Investors in  
3      the GPs are general partners of the GPs. They come from all walks of life, are located in  
4      multiple states, and are often unsophisticated investors. In recent years, the GPs have frequently  
5      included more than 100 individual partners, and sometimes involve over 200 partners. Because  
6      certain land parcels are held by more than one GP, this means that the land may be owned by  
7      hundreds of investors across the country.

8      24. The GP agreements, which were reviewed and approved by Schooler, purport to  
9      give general partners control over the partnership by, for example, disallowing Schooler and  
10     certain Western affiliates from voting. However, in practice, Schooler retained control over each  
11     entity through the use of so-called “Signatory Partners” and “Secretaries.”

12     25. The “Signatory Partner” for a particular GP is authorized to sign documents, write  
13     checks, hire employees, and take other necessary actions on behalf of the partnership. The  
14     Signatory Partners are investors who typically have invested in multiple offerings. Western sales  
15     representatives ask investors to become Signatory Partners after they have invested in a particular  
16     GP, but before the land is transferred to the GP. Once a Signatory Partner is chosen, he or she  
17     signs the GP formation documents, as well as all the paperwork required to transfer the land from  
18     Western to the GP. The Signatory Partners receive no significant compensation and are told that  
19     they will be required to do nothing more than sign documents as necessary.

20     26. The Signatory Partners are often unsophisticated investors and include, for  
21     example, a water filter salesman, a retired school teacher, and a pharmacist. They typically do  
22     not understand the powers that the GP agreements grant them. For example, the Signatory  
23     Partners for the GPs related to two separate land deals offered between 2008 and 2010, were not  
24     even aware that they had signed the GP formation paperwork, the GP bank signature cards, the  
25     purchase agreement between Western and their GP, or the all-inclusive deeds subjecting the  
26     GPs’ interests in land to the outstanding mortgages.

27     27. Two long-time Western employees acted as the “Secretaries” for all of the GPs.  
28     The Secretaries were not hired by the Signatory Partners, and instead acted at Schooler’s

1 direction. They controlled the GP bank accounts, and when executed documents were required  
2 from a particular GP, they prepared the paperwork and instructed the Signatory Partner to sign it.  
3 Therefore, the use of the two Secretaries, and the lack of involvement and understanding of the  
4 Signatory Partners, placed Defendants in effective control over all the GPs' assets.

5       28. Accordingly, the investors' purchase of GP units was an investment of money in a  
6 common enterprise, and the investors holding those units were led to expect profits solely from  
7 Defendants' efforts in managing, overseeing, and eventually selling the underlying property.  
8 Moreover, the GP agreements left so little power in the hands of the investors that the GPs  
9 actually distributed power and functioned as if they were limited partnerships. Many of the  
10 investors were not capable of intelligently exercising their partnership powers because they were  
11 so inexperienced and unknowledgeable about business affairs and the particulars of the land  
12 deals. Furthermore, the investors were so dependent on Defendants' unique entrepreneurial and  
13 managerial skills, that the investors could not replace the Defendants as the true managers of the  
14 GP enterprises or otherwise exercise any meaningful partnership powers over the GPs.

15       C. **Defendants' Fraudulent Scheme**

16       29. As part of the Defendants' fraudulent scheme, investors were misled about the  
17 fair market value of the land: (1) by offering materials created and disseminated by or at  
18 Defendants' direction, and (2) by statements made to them by Western salesmen, who were also  
19 financial advisers associated with WFP Securities. These financial advisers, who received large  
20 commissions on the sale of GP units, suggested to their clients that they diversify their portfolios  
21 by holding both traditional securities and interests in the GPs.

22       30. In describing the general concept of the GP investments to Western investors, the  
23 offering materials and Western salesmen represented: (1) that Western had decades of  
24 experience putting together real estate syndications involving undeveloped land in California,  
25 Nevada, and Arizona; (2) that the GPs allowed small individual investors to pool their funds and  
26 purchase a piece of land to be sold for a profit at a later date; and (3) that the firm had an  
27 impressive track record.

28       31. With respect to specific GP offerings, Western's practice was to use a different

1 glossy color brochure for each land deal. Schooler drafted and approved these brochures, and  
2 thus had ultimate authority over their contents. The brochures included general information,  
3 such as the population growth and temperate weather of Nevada, as well as more specific  
4 information, such as the location of the land being offered to the GPs, and information regarding  
5 the area around the property, such as housing developments or commercial sites.

6       32. Western salesmen also told investors that other comparable properties in the area,  
7 or “comps,” were selling for significantly more than what Western investors were paying.  
8 Schooler provided his sales force with real estate listings related to other vacant land in the area  
9 that was selling for far more than what Western investors were being asked to pay for their GP  
10 interests. Western sales personnel would either use specific real estate listings as “comps” to  
11 illustrate that investors were getting a good deal through Western, or they might simply tell  
12 potential investors that “comps” in the area were much more than the price the GPs were paying  
13 for the land. These statements led investors to believe that they were receiving their GP interests  
14 for a good value.

15       33. While investors generally spoke directly with Western sales personnel as opposed  
16 to Schooler himself, Schooler made all the significant decisions regarding sales to investors. He  
17 also conducted internal “roll-out” presentations, during which he provided his sales force with  
18 offering materials, including the brochures, talking points, and in some cases scripts regarding  
19 each specific land deal, which might involve up to four GP offerings. The brochures focused  
20 investor attention on Nevada’s business-friendly climate, temperate weather, and potential for  
21 growth, as well as other high-priced land sales in the area, but they failed to disclose that Western  
22 was selling the land to the GPs for more than 500% of its fair market value. Schooler had ultimate  
23 authority over the contents of these materials and instructions, which the salesmen used when  
24 pitching the GP investments to their clients.

25       34. In seeking the investors’ investments in the GP offerings, Defendants, through  
26 either the offering materials or pitches made by Western salesmen, made a number of  
27 misrepresentations or misleading omissions to investors. First, Defendants failed to disclose that  
28 the investors were purchasing units in the GPs at prices that far exceeded the true market value

1 of the property that the GPs would ultimately hold. Defendants also did not disclose to investors  
2 the price that Defendants paid for the land. Nor did they disclose that they were selling the land  
3 to the GPs for significant mark-ups, both to the true market value of the land and to what  
4 Defendants actually paid for the land – mark-ups as much as, and often more than, 500%.

5 35. Second, Defendants did not disclose that the “comps” used in the Western sales  
6 pitch were in no way comparable to the land the GPs would hold. Instead, they led the investors  
7 to believe that the “comps” that were disclosed were directly comparable and suggested – falsely  
8 – that the offering price for the GPs was a good deal. Indeed, Defendants did not disclose the  
9 most relevant “comp” that existed at the time – the price that they paid for the property.

10 36. Third, Defendants failed to disclose that the land held by the GPs was often  
11 encumbered by mortgages it used to finance the land purchase. Western used seller financing to  
12 purchase most of the properties offered to investors, and many of the mortgages continue to  
13 exist. If Western were to fail to continue making monthly payments on these mortgages, many  
14 of the properties held by the GPs could be foreclosed upon. This was not disclosed to the  
15 investors.

16 37. Fourth, Western’s business model involved selling units in GPs that would hold  
17 undeveloped land until the land could be sold for a profit. But the GPs held no interest in the  
18 land until the end of each GP offering, which was months and sometimes years, after the first  
19 investment. Defendants did not disclose that during this time and before the land was transferred  
20 to the GPs, Western used investor funds to pay its general operating expenses, including  
21 mortgages on properties held by older GPs, Schooler’s salary, and large tax penalties. Western  
22 had no mechanism in place to ensure the safety of investor funds in the event they needed to be  
23 returned. Thus, before the end of each GP offering, investors received nothing of value in  
24 exchange for putting their funds at risk because the interest in land they had been promised, had  
25 not yet been deeded to the GP. Defendants did not disclose this risk to the investors. Had  
26 Western gone out of business in the time between their investment and the end of the GP  
27 offering, the investors would have been left completely unprotected and would likely have lost  
28 their investment.

1       38. These misrepresentations and omissions regarding the true value of underlying  
2 land, the “comps” that were not comparable, the mortgages encumbering the property, and the  
3 timing of the land transfer that subjected the investors to significant risk, were all material to the  
4 investors and their investments in the GPs. Moreover, Defendants knew, or were reckless in not  
5 knowing, that these misrepresentations and omissions were false when made.

6       39. Through this fraudulent conduct, Defendants have received, and continue to  
7 receive, ill-gotten gains by illegally taking offering proceeds from the defrauded investors.

8       40. Finally, Schooler used “hush money” to silence investors who uncovered his  
9 fraud. At least as early as spring 2011, some investors began discovering Western’s undisclosed  
10 mark-ups based on a review of property records. Schooler apparently entered into settlement  
11 agreements with these individuals, agreeing to refund their investments in exchange for their  
12 silence. In at least one instance, the settlement agreement specifically prohibits the investors  
13 from filing complaints with regulatory or government agencies. Schooler’s use of hush money  
14 has allowed Western to continue to appear as though it is a legitimate business, enabling it to  
15 raise more than \$1.6 million since January 2012.

16 **D. The Borda, Pyramid Highway, and Stead Offerings**

17       41. Three recent sets of offerings for three different sets of land – the Borda, Pyramid  
18 Highway, and Stead deals – illustrate Schooler’s and Western’s fraudulent scheme. These three  
19 deals involve ten GPs and nine individual GP offerings that raised approximately \$33.7 million  
20 from as many as 1,000 investors or possibly more.

21       42. In structuring and conducting the GP offerings for these three deals, Defendants  
22 followed the same procedures and practices alleged and described in paragraphs 13 through 28  
23 above. For each deal, Defendants offered GP units to investors at offering prices that were  
24 significantly higher than the fair market value or the prices that Defendants paid to purchase the  
25 land that was ultimately sold and transferred to the GPs. For the Borda, Pyramid Highway, and  
26 Stead land deals, the purchase price for the land paid by Defendants, the aggregate purchase  
27 price paid by the GPs, and the mark-up from Defendants’ purchase price, are summarized in the  
28 chart below:

Land Deal [Offering Period]	Western's Purchase Price	Aggregate GP Purchase Price	Markup
Borda [3/07-11/10] 4 GPs	\$2,800,000	\$21,700,000	775%
Pyramid Highway [6/09-3/10] 2 GPs	\$533,310	\$2,700,000	506%
Stead [8/10-ongoing] 4 GPs	\$1,850,000	\$9,300,000	502%

43. For each of these three deals, Defendants made material misstatements and omissions in the offering materials delivered to, or sales pitches made to, investors, as further alleged below. Defendants knew, or were reckless in not knowing, that these misstatements and omissions were false and misleading when made.

14        1. The “Borda” Offering

15        44. From March 2007 through November 2010, Defendants offered investments in four GPs that would ultimately hold land located near Dayton, Nevada. Defendants purchased the land from the Borda family in late 2006 for \$2.8 million. Despite Schooler’s claim that he only buys property at 75% to 80% below its fair market value, a May 2006 appraisal set Western’s purchase price for the Borda property at the high end of the land’s fair market value.

20        45. After purchasing the property, Schooler priced the Borda land at about \$21.7 million for purposes of the offerings to investors. He decided to use four GPs that would raise between \$5 million and \$6 million each. The four GPs were named Eagle View Partners, Falcon Height Partners, Night Hawk Partners and Osprey Partners.

24        46. In March 2007, Western began offering investors units in the first GP based on Schooler’s grossly-inflated land price of \$21.7 million. Western salesmen pitched the deal to investors, and a glossy brochure advertising the Borda land was used in the offering. Schooler drafted or otherwise oversaw the drafting of the brochure, held a “roll-out” presentation to instruct the Western sales force about how to pitch the deal to investors, and thus had ultimate

1 authority over what was said in offering the units to the GPs that would hold the Borda property.  
 2 The brochures highlighted the advantages of buying land in Nevada, and included a map  
 3 depicting the multiple housing developments and commercial properties in the area surrounding  
 4 the Borda property.

5       47. In offering the units in the four GPs that would hold the Borda land, Defendants  
 6 did not disclose the true market value of the land in the offering materials or in pitches made by  
 7 the Western sales force. Nor did they disclose that they had bought the land for only \$2.8  
 8 million. Defendants also failed to disclose to investors that the investors were paying more than  
 9 700% of the land's value when they purchased their GP units.

10      48. Schooler provided his sales force with a packet of "comps" to be presented to  
 11 investors in the Borda deal. This packet included about 15 real estate listings which Defendants  
 12 knew, or were reckless in not knowing, were not truly comparable to the Borda property. For  
 13 example, while the Borda property was completely undeveloped and had no water rights, the  
 14 "comps" often included properties on which the development process had started, and included  
 15 water rights and better zoning. Schooler knew his sales force would discuss the comps with  
 16 potential investors, and he knew the comps would only be comparable to the Borda property if  
 17 the cost of development were subtracted out. But Schooler did not subtract the cost of  
 18 development to provide investors with a more accurate value of other land in the area.

19      49. Western's salesmen used Schooler's comps when discussing the Borda  
 20 investment with investors, including in e-mails to potential investors. The e-mails claim that the  
 21 "comps" are truly comparable to the Borda property, and led investors to believe their GPs  
 22 would be getting a good deal on the land. This was false. Western salesmen made the following  
 23 representations to investors in e-mails regarding the Borda property:

- 24           • "Enclosed also is the most recent information from our current  
 25 land partnership in Dayton. This is a \$33mm dollar partnership, 2  
 26 phases have sold out. We have two phase [sic] left valued at  
                  approximately \$6mm each. The comps in the area are 3x what we  
                  are paying."
- 27           • "I like the NV property better as I think it will be a shorter hold  
 28 time and the growth around it is already right at the doorstep. Not  
                  only that but we have a comp that is triple the price that the

1                   partners are buying at.”

2       50. Defendants also did not disclose to investors that the Borda land to be held by the  
 3 GPs was encumbered by significant mortgages that Defendants had used to purchase the land.  
 4 As of the end of the last offering in 2010, Western owed more than \$1.7 million on the Borda  
 5 property, and continued to owe at least \$600,000 as of March 31, 2012.

6       51. In addition, Defendants did not disclose to the Borda investors that Western and  
 7 Schooler put investor money at risk by using it for their own purposes before transferring an  
 8 interest in land to the GPs. The chart below illustrates the timing of each of the four Borda GP  
 9 offerings, along with the price each GP paid for the same undivided 1/4 interest in the Borda  
 10 land. The interests in the Borda land were not transferred to the four GPs until the end of each  
 11 GP offering, which was sometimes as long as 18 months after the first investor invested his or  
 12 her funds, as shown in the “Offering Period” column in the chart below. However, during each  
 13 offering period, Western transferred money out of the GP’s account and into its own, with no  
 14 safety mechanism in place to ensure the return of investor funds in the event the land transfer  
 15 never took place. As a result, Defendants put the investors’ funds at risk without disclosing that  
 16 risk to the investors.

GP Offering	Offering Period	GP Purchase Price
Eagle View Partners	3/2007 – 9/2008	\$5,192,535
Falcon Heights Partners	10/2007 – 11/2008	\$5,348,299
Night Hawk Partners	5/2008 – 8/2009	\$5,508,744
Osprey Partners	4/2009 – 11/2010	\$5,674,055

24                  2. **The “Pyramid Highway” Offering**

25       52. From June 2009 through May 2010, Defendants offered investments in two GPs  
 26 that would ultimately hold land located on Pyramid Highway near Reno, Nevada. Defendants  
 27 purchased the land for \$533,310 in May 2009. The land had been on the market for more than  
 28 18 months and was not sold at a higher price.

1       53.    Schooler priced the Pyramid Highway land at approximately \$2.7 million for  
2 purposes of the offerings to investors. He decided to use two GPs for this deal, named Pyramid  
3 Highway 177 Partners and Frontage 177 Partners. Just one month after Defendants purchased  
4 the land for a fraction of the price, and with no improvements to the land, they began offering  
5 units in the GPs based on Schooler's aggregate land price of about \$2.7 million.

6       54.    Again, Defendants provided investors with color brochures telling them of the  
7 benefits of buying land in Nevada, and discussing the highlights of the area where the land was  
8 located. Western salesmen also pitched the deal to investors. Schooler, again, was ultimately  
9 responsible for the content of the brochure and the sales pitch.

10      55.    In the offering materials and sales pitches for the Pyramid Highway deal,  
11 Defendants failed to disclose that they had bought the land for just a little over \$500,000 or that  
12 the investors were paying more than 500% more than that purchase price by investing in the GPs  
13 that would hold the land.

14      56.    Moreover, under the heading, "Attributes of the Property," the brochure included  
15 the following bullet points, which compared the property to more valuable land that was not truly  
16 comparable to the Pyramid Highway land:

- 17           •     "Our property is offered for under \$16,000 per acre."
- 18           •     "The property is two miles north of a commercial property that is  
19            listed for sale at \$696,000 per acre."
- 20           •     "Our property is two miles from the Spanish Springs Business  
21            Center where property is for sale on Pyramid Highway for  
22            \$175,000 per acre. ..."

23      However, the brochure failed to provide information about the true value of the land, or  
24      more accurate "comps," such as Western's recent purchase price.

25      57.    Schooler and a Western salesman also made a presentation to investors regarding the  
26      Pyramid Highway land deal. During the presentation, they discussed where the property was located  
27      and the nearby businesses. They also made statements that led investors to believe that the price  
28      their GP would pay for the land was the actual value of the land. What they failed to state was that  
29      the price the GPs were paying for the land was more than five times the land's fair market value.

1       58. Defendants did not provide investors with any disclosure about the fact that their  
2 property, which was likely worth only \$533,310, was also encumbered by a \$266,655 mortgage  
3 that Western used to buy the property. Western continued to owe more than \$170,000 on the  
4 Pyramid Highway mortgage as of March 31, 2012.

5       59. Finally, Defendants immediately transferred investor funds deposited into the  
6 bank accounts for Pyramid Highway 177 Partners and Frontage 177 Partners, into their own  
7 accounts. But before the end of these GP offerings, which was about one year each, the GPs had  
8 no interest in land or any other assets securing the investors' investments. Accordingly,  
9 Defendants put investor funds at risk during this time but failed to disclose this risk to investors.

10           3. **The "Stead" Offering**

11       60. In August 2010, Schooler and Western began an offering related to land in Stead,  
12 Nevada. This offering is ongoing. Defendants purchased the Stead land for \$1.85 million in  
13 2010. But the true fair market value of the land was about \$355,000 as of August 2010, and that  
14 value has dropped to about \$244,500 as of July 2012.

15       61. Schooler decided to use four GPs for this ongoing offering: P-39 Aircobra  
16 Partners, P-40 Warhawk Partners, F-86 Partners, and F-100 Partners. He priced the Stead land at  
17 approximately \$9.3 million, or about 500% more than the price Defendants paid for the land, and  
18 2,600% more than the actual market value of the land when the offering first began.

19       62. As in Western's other offerings, Defendants gave investors a color brochure about  
20 the Stead offering, which included highlights about land in Nevada and the Stead area of Reno.  
21 Western sales force also pitched the deal to investors. Schooler himself drafted or oversaw the  
22 drafting of the Stead brochure, and again supervised what was said to investors in the Western  
23 sales pitches.

24       63. As in the other offerings, the Stead offering materials and Western's salesmen do  
25 not disclose the purchase price that Defendants paid for the Stead properties. Nor do they  
26 disclose the true market value of the land to the investors.

27       64. Furthermore, Defendants continue to use incomparable "comps" to solicit  
28 investors. In an e-mail to a potential investor in the Stead deal, a Western salesman attached the

1 property records related to the purchase of unrelated property in Stead by Wal-Mart, and  
2 included the following text.

3 "Hi [Investor],  
4 This is the information on Wall Marts [sic] purchase next to our property.  
5 We paid \$2.50 a Sq Ft.  
6 Wall Mart [sic] paid \$6,468,660 for 16.911 acres for their new site in Stead, NV.  
7 This is \$382,511.97 an acre or \$8.78 per sq. ft."

8 This representation and use of the Wal-Mart "comp" is materially false and misleading. The  
9 Wal-Mart property was not comparable to the Stead property because, for example, the Stead  
property lacked the entitlements, zoning, grading, and groundwater rights that the Wal-Mart  
property already had.

10 65. The same investor was also told by her Western sales representative that Western  
11 had been able to purchase the Stead property for a very low price, and that Western was offering  
12 investors the opportunity to take advantage of this same low price. Furthermore, a former  
13 Western salesman who worked briefly for the company around the time the Stead offering  
14 began, was told by Western's sales managers during trainings, that Schooler used his extensive  
15 experience in the industry to buy land at a very steep discount, and that Western was able to pass  
16 this discount on to investors. Accordingly, Western investors were misled into believing that  
17 they were receiving a good price on the land to be held by their GP.

18 66. Finally, Defendants again put investor funds at risk by using them for their own  
19 purposes before providing the GPs with anything of value in exchange. This risk was not  
20 disclosed to the Stead investors.

21 **FIRST CLAIM FOR RELIEF**

22 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

23 **Violations of Section 17(a) Of the Securities Act**

24 **(Against All Defendants)**

25 67. The Commission realleges and incorporates by reference paragraphs 1 through 66  
26 above.

27 68. Schooler and Western made material misrepresentations and omissions to  
28 investors regarding the value of the land being purchased by the GPs, the existence of mortgages

encumbering the properties, the formation of the GPs themselves, and the use of GP funds prior to the transfer of any interest in assets.

3        69. Defendants Schooler and Western, and each of them, by engaging in the conduct  
4 described above, directly or indirectly, in the offer or sale of securities by the use of means or  
5 instruments of transportation or communication in interstate commerce or by use of the mails:

- a. with scienter, employed devices, schemes, or artifices to defraud;
  - b. obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
  - c. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

13       70. By engaging in the conduct described above, Defendants and each of them,  
14 violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the  
15 Securities Act, 15 U.S.C. § 77q(a).

**SECOND CLAIM FOR RELIEF**

## **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES**

## **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

**(Against All Defendants)**

20           71. The Commission realleges and incorporates by reference paragraphs 1 through 66  
21 above.

22        72.      Schooler and Western made material misrepresentations and omissions to  
23 investors regarding the value of the land being purchased by the GPs, the existence of mortgages  
24 encumbering the properties, the formation of the GPs themselves, and the use of GP funds prior  
25 to the transfer of any interest in assets.

26       73. Defendants Schooler and Western and each of them, by engaging in the conduct  
27 described above, directly or indirectly, in connection with the purchase or sale of a security, by  
28 the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a

1 national securities exchange, with scienter:

- 2 a. employed devices, schemes, or artifices to defraud;
- 3 b. made untrue statements of a material fact or omitted to state a material fact  
necessary in order to make the statements made, in light of the  
circumstances under which they were made, not misleading; or
- 4 c. engaged in acts, practices, or courses of business which operated or would  
operate as a fraud or deceit upon other persons.

5  
6  
7  
8 74. By engaging in the conduct described above, and each of them, violated, and  
9 unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15  
10 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

11 **THIRD CLAIM FOR RELIEF**

12 **Schooler, as Control Person of Western Under Exchange Act Section 20(a), is**  
13 **Jointly and Severally Liable for Western's Violations of Exchange Act Section 10(b) and**  
14 **Rule 10b-5**

15 75. The Commission realleges and incorporates by reference paragraphs 1 through 66  
16 above.

17 76. Western violated Exchange Act Section 10(b) and Exchange Act Rule 10b-5(b),  
18 15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5(b).

19 77. By his conduct described above, Schooler is a control person of Western under  
20 Exchange Act Section 20(a). 15 U.S.C. § 78t(a). Schooler was the founder, president, and sole  
21 owner of Western, and controlled the company.

22 78. By reason of the foregoing, Schooler is jointly and severally liable as a control  
23 person for Western's violations of Exchange Act Section 10(b) and Rule 10b-5(b) thereunder.

24 **FOURTH CLAIM FOR RELIEF**

25 **UNREGISTERED OFFER AND SALE OF SECURITIES**

26 **Violations of Sections 5(a) and 5(c) of the Securities Act**  
27 **(Against All Defendants)**

28 79. The Commission realleges and incorporates by reference paragraphs 1 through 66

above.

80. Schooler and Western, by engaging in the conduct described above, directly or indirectly, made use of means or instruments of transportation or communication in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or cause such securities to be carried through the mails or in interstate commerce for the purpose of sale or for delivery after sale.

81. No registration statement has been filed with the Commission or has been in effect with respect to any of the offerings alleged herein.

82. By engaging in the conduct described above, Schooler and Western violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

## **PRAYER FOR RELIEF**

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that the Defendants committed the alleged violations.

II.

17 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of Civil  
18 Procedure, temporarily, preliminarily and permanently enjoining the Schooler and Western and  
19 their officers, agents, servants, employees, and attorneys, and those persons in active concert or  
20 participation with any of them, who receive actual notice of the judgment by personal service or  
21 otherwise, and each of them, from violating Sections 5(a), 5(c), and 17(a) of the Securities Act,  
22 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. §  
23 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

III.

Issue, in a form consistent with Rule 65 of the Federal Rules of Civil Procedure, a temporary restraining order and a preliminary injunction against the Schooler and Western, as well as an order freezing the assets of each of the Defendants and each of the GPs that the Defendants controlled, and any entity affiliated with any of them; appointing a temporary and permanent

1 receiver over Western and each of the GPs that Defendants controlled, and any entity affiliated with  
2 any of them; prohibiting each of the Defendants from destroying documents; granting expedited  
3 discovery from each of the Defendants; and requiring an accounting from each Defendant.

4 **IV.**

5 Order each of the Defendants to disgorge all ill-gotten gains from their illegal conduct,  
6 together with prejudgment interest thereon.

7 **V.**

8 Order Defendant Schooler to pay civil penalties under Section 20(d) of the Securities Act,  
9 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

10 **VII.**

11 Retain jurisdiction of this action in accordance with the principles of equity and the  
12 Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and  
13 decrees that may be entered, or to entertain any suitable application or motion for additional  
14 relief within the jurisdiction of this Court.

15 **VIII.**

16 Grant such other and further relief as this Court may determine to be just and necessary.

17  
18 DATED: September 4, 2012

*Sara D. Kalin/mm*  
19 MOLLY M. WHITE  
20 SARA D. KALIN  
21 Attorneys for Plaintiff  
22 Securities and Exchange Commission  
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