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

14 SECURITIES AND EXCHANGE
COMMISSION,

15 Plaintiff,

16 v.

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

20 Defendants.

Case No. 3:12-cv-02164-GPC-JMA

**RECEIVER'S COURT-ORDERED
PROPOSAL REGARDING
GENERAL PARTNERSHIPS**

Date: May 6, 2016
Time: 1:30 p.m.
Ctrm.: 2D
Judge: Hon. Gonzalo P. Curiel

1 Thomas C. Hebrank ("Receiver"), Court-appointed receiver for First Financial
2 Planning Corporation d/b/a Western Financial Planning Corporation ("Western"),
3 and its subsidiaries and the General Partnerships listed on Schedule 1 to the
4 Preliminary Injunction Order entered on March 13, 2013 (collectively,
5 "Receivership Entities"), submits this Court-Ordered Proposal Regarding General
6 Partnerships ("Proposal").

7 I. INTRODUCTION

8 On April 5, 2016, the Court entered an order directing "the Receiver to craft a
9 proposal that would enable general partnerships ("GPs") that wish to do so to exit
10 the receivership while maintaining control of their properties instead of having their
11 properties sold." Dkt. No. 1224. The order provides that the "proposal should
12 include: (1) a procedure by which each GP could elect whether or not to sell;
13 (2) conditions that must be met by each GP that wishes not to sell showing that the
14 GP could maintain fiscal viability going forward; (3) conditions that must be met by
15 each GP to insure fairness to those investors within GPs which wish not to sell but
16 who individually wish to exit their investment; (4) conditions that must be met by
17 each GP to demonstrate their ability for self-governance; (5) alternatives for the
18 disposal of Western's interest in such GPs; and (6) an assessment by the Receiver of
19 the advantages and disadvantages of the proposal." *Id.* The Court instructed the
20 Receiver to file the Proposal by the close of business on April 22, 2016. *Id.*

21 *This Proposal and the Exhibits hereto contain various estimates and*
22 *projections concerning GP expenses, GP cash balances, and other financial*
23 *matters. It is very important to understand that, due to the fluid nature of GP*
24 *finances, the estimates and projections contained herein and the Exhibits are just*
25 *that – estimates and projections only. The finances of each GP change from*
26 *month-to-month and sometimes even week-to-week as amounts are collected,*
27 *expenses are incurred, and payments become due. Moreover, many of the GPs*
28 *are, and have been for some time, in default or on the verge of being in default on*

1 *their obligations. Defaults, of course, have financial consequences and the*
2 *consequences add further unknown variables to predicting ultimate outcomes.*
3 *Accordingly, the estimates and projections discussed herein may well vary*
4 *significantly from the ultimate actual numbers.*

5 II. GENERAL PARTNERSHIPS LACKING FUNDS

6 Before discussing the above categories of information, it is important to
7 remember that the majority of the GPs are in a severely distressed state. Some GPs
8 were out of cash or very close to being out of cash at the time the Receiver was
9 appointed three and a half years ago. Other GPs have exhausted their cash balances
10 over time, become reliant on investor contributions, and are unable to raise
11 necessary funds from investors.

12 Approximately 18 months ago, the Court instructed the Receiver to provide a
13 detailed analysis of the financial condition of each GP to determine which, if any,
14 could exit the receivership. Dkt. No. 808. The Receiver provided such information
15 and analysis, including putting the GPs into three categories – A, B, and C – based
16 on their financial health. Dkt. No. 852. At that time, seven GP properties (owned
17 by 24 GPs) were put into Category A, meaning they had sufficient cash on hand to
18 repay amounts owed to Western and assume responsibility for mortgages on the
19 properties without raising significant capital from their investors. *Id.* at Exhibit B.
20 The remaining GPs were unable to repay amounts owed to Western, pay past due
21 property taxes, and assume responsibility for mortgages on their properties without
22 raising significant capital from the investors. *Id.*

23 On March 4, 2015, the Court determined the GPs would remain in the
24 receivership and instructed the Receiver to provide a report and recommendation
25 regarding the appropriate course of action for each GP. Dkt. No. 1003. The
26 Receiver provided such report and recommendation on April 17, 2015, including
27 laying out a process of capital calls for GPs with insufficient cash to pay their basic
28 operating expenses through 2016 ("2016 Expenses"), as well as an orderly sale

1 process for GP properties that were unsuccessful in raising the necessary funds from
2 investors. Dkt. No. 1056. The Court approved the report and recommendation, with
3 modifications, on May 12, 2015. Dkt. No. 1069.

4 Over the course of the last 11 months, all GPs without sufficient funds to pay
5 their 2016 Expenses issued capital calls to their investors. Each and every capital
6 call failed to raise the necessary funds. The amounts needed to be raised and the
7 amounts actually raised are reflected on Exhibit A. Overall, the GPs raised only
8 15% of funds needed.

9 Accordingly, 59 of the 86 GPs have either reached the point where they are
10 unable to pay their bills or are in co-tenancies with GPs that are unable to pay their
11 bills. The carrying costs of GP properties are shared equally among co-tenants, so
12 when one co-tenant cannot pay its bills, the entire co-tenancy suffers as property
13 taxes, mortgages, and other bills can only be partially paid and go into default.
14 These 59 GPs collectively own 15 GP properties. Accordingly, in light of the failed
15 capital calls and the inability of the applicable GPs to pay their 2016 Expenses, all
16 15 properties have been moved to the orderly sale process pursuant to the May 12,
17 2015 Order. The status of where these properties are in the orderly sale process is
18 reflected on Exhibit A.

19 The financial condition of these 15 properties and the co-tenancies that own
20 them is such that exiting the receivership is not an option. They cannot pay their
21 basic operating expenses, let alone repay amounts owed to Western, buy out
22 investors who want to exit their investments, or have any hope of surviving outside
23 of receivership. Removing these properties from the receivership would be
24 disastrous as it would leave the GPs that own them unable to pay their bills, unable
25 to protect themselves from foreclosures by lenders and taxing authorities, unable to
26 administer their day to day operations, and would result in the loss of the properties
27 and disputes between investors (with no forum in which to resolve them).

28

1 The current administrator, Lincoln Property Company ("Lincoln"), which
2 took over the administration of the GPs in March 2015 (*see* Dkt. No. 1003) already
3 has past due invoices for many of the GPs which are unable to pay even modest
4 monthly administrator fees. The Receiver initially persuaded Lincoln to continue in
5 its role as administrator based on the Court's May 12, 2015 Order stating that
6 properties would be moved to the orderly sale process in situations where GPs
7 cannot pay their basic expenses and the understanding that the past due invoices
8 would be paid from the net sale proceeds. When Lincoln later indicated it would
9 resign, the Receiver persuaded Lincoln to stay on until a decision was made
10 regarding the One Pot Approach, which would pool receivership estate funds and
11 therefore allow unpaid invoices to be paid. If GPs were to exit the receivership,
12 Lincoln would resign and demand payment of past due invoices (which may also
13 occur if the proposed One Pot Approach is not approved). This would leave the GPs
14 not only unable to pay their bills, but also unable to maintain their day to day
15 operations.

16 Likewise, the Receiver has also had to persuade the tax accounting firm that
17 prepares GP tax returns, Duffy Kruspodin & Company, LLP ("Duffy"), to stay on
18 despite the substantial past due bills owed to it by the GPs. Again, Duffy has agreed
19 to do so based on the understanding that cash to pay past due bills will be generated
20 in the near term through sales of GP properties and/or the One Pot Approach. If
21 GPs were to be released from the receivership, Duffy would refuse to provide
22 further services and demand payment of past due bills. This would leave the GPs
23 unable to file tax returns. Moreover, the Court has already recognized the serious
24 concerns with investors being personally liable for unpaid debts of their GPs. Dkt.
25 No. 1003, p. 18. Therefore, the only viable option for the GPs that own these
26 15 properties is an orderly sale of the properties and distribution of the net sale
27 proceeds. Accordingly, this Proposal addresses the remaining GP properties, of
28 which there are nine.

- 1 • Buying out Western's interest in the GP based on the estimated value of
2 the property and Western's proportionate share of cash on hand; and
3 • Releasing all claims against Western.

4 It would be fundamentally unfair to investors not exiting the receivership to
5 allow GPs to exit the receivership without fulfilling their financial obligations to
6 Western. Whether the assets of the receivership estate are distributed pursuant to
7 the proposed One Pot Approach or the alternate Two Tier Approach, by virtue of the
8 final judgment entered by the Court, all investors have an interest in Western's
9 assets, including loans and equity interests in the GPs, and those assets should be
10 preserved and protected for distribution to investors.

11 It would also be administratively unworkable to have exiting investors
12 continue to hold claims against Western (*i.e.*, the receivership estate). The amount
13 of investor claims in federal equity receiverships is determined by the amount of
14 investor losses. One of the fundamental objectives is to determine the actual amount
15 of each investor's loss and distribute receivership assets in a fair and equitable
16 manner based on such loss amounts. Until GP properties are sold, the amount of
17 investor losses is unknown. The only options would be to give exiting investors an
18 arbitrary claim amount or delay distributions for years until properties of exiting
19 GPs are sold. Both options would be unfair to all other investors.

20 In terms of voting, investor votes have been taken in response to various
21 purchase offers and letters of intent, as directed by the Court. These votes have
22 been taken pursuant to the terms of the General Partnership Agreements ("GPA"),
23 including provisions in the GPA that limit votes to investors who are eligible
24 because they are current on their financial obligations to the GP (note payments and
25 operational bills). To conserve resources, these votes have been conducted
26 electronically for investors for whom the Receiver has an email address and by mail
27 for other investors.

28

1 Although the GPA limits votes to investors who are eligible based on being
2 current on their notes and operational bills, if a vote is to be conducted on whether
3 to sell or exit the receivership, the Receiver recommends all investors be allowed to
4 vote and have their votes counted. All investors, even those who are behind on their
5 notes or operational bills, have a financial stake in whether their GPs sell their
6 property interests or exit the receivership.

7 Due to the risks inherent in exiting the receivership and structural changes
8 that would need to be made to make self-governance feasible (as discussed below),
9 all GPs in a co-tenancy should have to have a majority of their investors vote
10 affirmatively to exit the receivership, *i.e.*, unanimity among co-tenant GPs. If
11 sufficient investor votes to exit are not received, GP properties should be moved to
12 the orderly sale process as discussed in the Motion.

13 **B. Fiscal Viability**

14 Although "fiscal viability" is difficult to define and may have different
15 meanings in different contexts, the Receiver has put together a financial analysis of
16 the nine GP properties (those discussed above that have sufficient cash on hand to
17 pay their 2016 Expenses and therefore did not have a capital call). The analysis
18 includes their (a) cash on hand as of December 31, 2015, (b) projected expenses for
19 2016, net of projected income, (c) projected cash on hand as of December 31, 2016,
20 (d) total owed to Western on GP notes, (e) outstanding balances on mortgages,
21 (f) the amount necessary to buy out Western's interest (based on the 2015
22 appraisal/estimate of value for the property and share of projected cash on hand as
23 of December 31, 2016), and (g) the projected cash on hand upon exiting the
24 receivership. The analysis is attached hereto as Exhibit B.

25 The data shows the GPs in five GP properties – Dayton I, Dayton III, Silver
26 Springs South, the ABL/Mex-Tec property (part of the Tecate grouping), and
27 Washoe 4 – have the ability to pay the amount necessary to exit the receivership and
28 have cash remaining after paying their 2016 Expenses. Those reflected in red

1 shading on Exhibit B have at least one co-tenant GP that cannot pay the amount
2 necessary to exit the receivership and cover its 2016 Expenses.

3 It should be noted that the five GPs that have the ability to pay the amount
4 necessary to exit the receivership and have cash remaining after paying their 2016
5 Expenses are not those whose properties appreciated the most in value. The
6 properties that appreciated most in value between 2013 and 2015, such as the
7 LV Kade property, have GPs with failed capital calls. There is no correlation
8 between cash on hand and appreciation of property values. In fact, the GPs with the
9 most cash on hand – those that own the Dayton III property – own a property with
10 an 2015 appraised value of only \$60,000 and which has not appreciated significantly
11 (appraised at \$50,000 in 2013).

12 The analysis reflected on Exhibit B does not account for investors who
13 individually want to exit their investments. As discussed below, those investors
14 would need to be cashed out, which would change the cash on hand and the period
15 of time before GPs run out of cash. How great the impact would be is unknown
16 until it is determined how many investors vote to exit each GP. This analysis also
17 does not take into account the serious concerns regarding self-governance, which are
18 discussed below in Section III.D.

19 **C. Investors Who Individually Wish to Exit Their GPs**

20 In order to insure fairness to investors who wish to exit their investments,
21 investors in GPs/co-tenancies that vote to exit the receivership should have the
22 opportunity to elect whether to retain their investment or cash out. If not, investors
23 who want to cash out will be forced to retain investments they no longer want and
24 potentially be subject to personal liability for debts of their GPs.

25 Investors who elect to cash out should be paid by their GPs from cash on hand
26 before their GPs are permitted to exit the receivership. The logical way to value an
27 investor interest is the investor's proportional share in the 2015 appraised value of
28 the property, plus the investor's proportional share of cash on hand.

1 As discussed above, the GPs in only five GP properties have sufficient cash
2 on hand to exit the receivership. Once investor elections regarding retaining vs.
3 cashing out are tallied, the amount needed to cash out exiting investors will be
4 calculated and it can then be determined whether the GP has sufficient funds to cash
5 out investors who elect to exit. If a GP does not have sufficient funds to cash out
6 investors who elect to exit, as discussed above, GP properties should be moved to
7 the orderly sale process.

8 The Receiver has considered various alternatives for giving investors who
9 wish to retain their investments the opportunity to buy out investors who wish to
10 cash out their investments. A similar proposal was previously made by the
11 Receiver. Dkt. No. 852, pp. 20-22. The Court acknowledged this was a
12 compromise, but stated it was "skeptical about its feasibility" and it "may also create
13 an inequitable result between investors or groups of investors who have significant
14 funds and can afford to buy out dissatisfied investors and those who lack funds and
15 thus cannot buy out dissatisfied investors." Dkt. No. 1003, p. 17. Upon further
16 reflection, and with the benefit of additional experience with investor votes and
17 capital calls, the Receiver agrees.

18 Any process whereby investors are asked to buy out other investors would be
19 complicated, time consuming, require a lot of oversight, and, based on the low
20 response rates to investor votes and capital calls, would be unlikely to work. It
21 could also raise problems regarding the sale of unregistered securities from one
22 investor to another, setting prices, disclosures, tax consequences of the transfer, and
23 other potential issues for investors involved. Therefore, the Receiver does not
24 consider an investor-to-investor buyout system as feasible or worthwhile in terms of
25 the administrative costs it would oppose on other investors.

26 **D. Self-Governance**

27 The ability of any GP to govern itself is a major concern. The GPs have
28 never governed themselves; there has always been centralized management of the

1 GPs by Western or the Receiver. Under the GPA, decisions must be made by vote
2 of all investors in all co-tenant GPs, which is very cumbersome and time-
3 consuming. Many investors simply do not respond to e-mails and letters, making it
4 extremely difficult to achieve a quorum for purposes of voting in any single GP, let
5 alone all co-tenant GPs. Many decisions need to be made promptly to avoid
6 defaults and other financial consequences. Outside of the receivership, nothing
7 protects GPs or their properties from adverse legal actions by public and private
8 creditors.

9 The only way to make self-governance feasible would be to vest authority and
10 responsibility in a manager or small management group who could make
11 management decisions on behalf of each GP.¹ This would be a major change in the
12 structure of the entity in that investors have never had a management role. This
13 would also raise all kinds of questions regarding the scope of the manager's duties
14 and responsibilities, reporting to investors, payment of manager fees and expenses,
15 liability for errors made, insurance, and other issues. The Receiver does not see this
16 as a viable option without having each and every investor consent to the changes,
17 which consents would be prohibitively expensive and extremely time-consuming to
18 obtain.

19 Accordingly, investors in any group of co-tenant GPs that is permitted to exit
20 the receivership face serious risks of their GPs becoming unable to manage their
21 affairs and make decisions, having disputes arise between GPs and/or individual
22 investors with no mechanism or forum to resolve such disputes, and suffering
23 further losses as a result.

24
25
26
27 ¹ The administrator, Lincoln, does not have any interest in the GPs or authority to
28 make management decisions. Lincoln simply handles day-to-day administrative
tasks with supervision and oversight from the Receiver. Accordingly, Lincoln
would not be in a position to make management decisions on behalf of any GPs
exiting the receivership.

1 **E. Alternatives for the Disposal of Western's Interests**

2 The Receiver does not see any viable alternative to reducing Western's
3 interests in exiting GPs to cash, as discussed above. Anything else would cause
4 irreparable harm to the investors that do not exit the receivership, including
5 imposing significant costs and risks on non-exiting investors and delaying the
6 distribution of receivership estate assets. Non-exiting investors would potentially
7 have to wait years to recover anything from Western's interests in exiting GPs,
8 would have no say in how those interests are treated, and may well recover nothing
9 at all from such interests if GPs are unable to manage themselves, unable to pay
10 their bills, or lose their properties to foreclosure. There is no basis to subject non-
11 exiting investors to such harms and risks simply to favor investors in GPs that
12 happen to have more cash.

13 There is also the matter of the fees and costs of the receivership, which should
14 not be borne solely by non-exiting investors. Court-approved fees and costs of the
15 receivership have always been paid from Western's assets, although they have
16 generally been paid in small increments and after substantial delays due to Western's
17 constant cash shortage. The combined unpaid fees and costs of the Receiver, Allen
18 Matkins, and Duffy were approximately \$950,000 as of December 31, 2015.
19 Western's assets, if they are preserved and protected, will be more than sufficient to
20 pay all fees and costs of the receivership and generate a distribution to investors. It
21 would be fundamentally unfair to have these fees and costs borne solely by non-
22 exiting investors by allowing GPs to exit without repaying amounts owed to
23 Western.

24 **IV. ADVANTAGES AND DISADVANTAGES OF THE PROPOSAL**

25 The disadvantages of this Proposal outweigh the advantages by a large
26 margin. The only real advantage is to accommodate the small minority of investors²
27

28 ² As discussed above, 85% of investors, on average, have declined to make further
financial contributions to their GPs to support their basic operations.

1 who believe holding the five GP properties discussed above will provide a greater
2 net recovery than selling the GP properties through the orderly sale process. These
3 investors believe some GP properties are worth more than the appraisals and broker
4 opinions of value indicate. There is a simpler and more efficient way to
5 accommodate these investors, however.

6 Investors who want to retain GP properties can join together, form a new
7 entity (or entities), and purchase GP properties from the receivership estate. They
8 can choose the form of entity best suited to them, decide on the appropriate
9 management and decision-making structure (rather than having the Court decide on
10 changes to the GPs), and make offers when GP properties are listed for sale. The
11 new investor entity would be at a significant advantage over other potential buyers
12 due to its members' familiarity with the receivership, advance notice of property
13 listings, and knowledge of the properties. If GP properties are truly worth more than
14 the ultimate list prices, the new investor entity will be able to buy them at great
15 values.

16 This would be far superior to trying to make changes to GPs in the
17 receivership and trying to find ways to cash out investors who want to exit their
18 investments. In this scenario, investors who want to exit can do so simply by not
19 participating in the new investor entity. This would also eliminate the substantial
20 administrative expenses associated with implementing this Proposal, which would
21 be borne by all investors. Having investors form a new entity puts the expense of
22 forming and organizing the new entity on the appropriate persons – investors
23 participating in the new entity – rather than on investors who wish to exit their
24 investments. It would also avoid the considerable delay of implementing the
25 Proposal, which means a great deal to investors who have been waiting years to
26 receive their distributions. Finally, it would avoid the need to have investors forfeit
27 their claims. All investors – those participating in the new entity and those not
28

1 participating – would receive distributions from the receivership estate as
2 determined by the Court.

3 It is not at all unusual for a subset of investors in a distressed investment,
4 whether in bankruptcy, receivership, or out of court, to form a new entity and
5 purchase assets from the distressed entity. These types of transactions are approved
6 by courts all the time. Here, the Court can review the proposed sale terms (in a
7 noticed motion pursuant to the orderly sale process) to insure they are reasonable
8 and fair to the receivership estate. Of course, there is no guarantee the new investor
9 entity would make the highest and best offer for GP properties and therefore be the
10 Court-approved purchaser for each of them, but the entity would have the
11 opportunity to do so, including through an overbid/auction process if there are
12 multiple qualified bids (as provided for in the orderly sale process).

13 Investors who want to retain GP properties may argue they do not have
14 sufficient cash to purchase GP properties. This can be addressed as well. The Court
15 could allow the new investor entity to include as a component of its bid for a GP
16 property the projected amount its investors will receive in distributions. For
17 example, under the One Pot Approach, the Receiver estimates all investors will
18 receive a distribution of 13.4% of their total investments. Investors in the new
19 investor entity could be allowed to surrender all or part of their projected
20 distribution from the receivership estate as part of their bid for a GP property.³ This
21 would reduce the cash amount the new investor entity would have to pay to
22 purchase a GP property. Beyond that, if investors do not have access to sufficient
23 cash, that is a strong indication that GPs exiting the receivership will simply exhaust
24

25 _____
26 ³ For example, the new investor entity could offer to purchase a GP property for
27 \$200,000, with \$100,000 being paid in cash and \$100,000 being paid in the form
28 of surrendered projected distributions to the new entity's investors. The
distributions to the applicable investors from the receivership estate would then
be reduced (or eliminated altogether as the case may be) by the amount
surrendered. Of course, an investor could not bid (or surrender) more than his or
her projected distribution.

1 their cash balances, be unable to pay their bills, and be forced to sell or lose their
 2 properties (without the benefit of an injunction prohibiting legal actions by
 3 creditors).

4 Establishing a system whereby investors who want to retain GP properties can
 5 purchase them from the receivership estate would be a more fair and efficient way to
 6 accommodate them, while simultaneously allowing investors who want to exit their
 7 investments to receive their long-awaited distributions from the receivership estate
 8 and move on with their lives.

9 The disadvantages of the Proposal, many of which have been discussed
 10 above, are numerous. The risks and potential harms to investors in GPs allowed to
 11 exit the receivership include loss of the properties, inability of GPs and co-tenancies
 12 to manage themselves, potential misuse or waste of cash in GP accounts, intractable
 13 disputes between and among GPs and investors, and personal liability for investors.
 14 Exposing investors to these serious risks simply to accommodate the interests of a
 15 small minority of investors is not reasonable or fair.

16 V. CONCLUSION

17 As the Receiver noted in the Motion, no matter how receivership estate assets
 18 are distributed, there will always be some investors who object because they would
 19 (or they believe they would) do better if the assets were handled differently or the
 20 distribution plan was more favorable to their specific interests. The Court's focus
 21 should be on establishing a system of distributing assets that treats investors as a
 22 whole as fairly and equitably as possible. The Receiver respectfully submits that the
 23 Distribution Plan and related relief sought in the Motion do so and should be
 24 approved by the Court.

25 Dated: April 22, 2016

ALLEN MATKINS LECK GAMBLE
 MALLORY & NATSIS LLP

By: /s/ Edward Fates

EDWARD G. FATES
 Attorneys for Receiver
 THOMAS C. HEBRANK

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	PAGE NO.
Exhibit A	GPs Lacking Sufficient Funds	17
Exhibit B	GP Financial Viability Analysis	22

EXHIBIT A

EXHIBIT A

GPs Lacking Sufficient Funds

Property	GPs	Capital Call Amount Required	Capital Call Amount Received as of 3/31/16	Notes	Cash on Hand as of 12/31/15	Property Status in Orderly Sale Process
Bratton Valley (three separate properties)	Valley Vista	\$13,629	\$16 (0%)	Capital call letters sent in August and September 2015.	\$790	On 1/14/16, Court authorized engagement of broker to list properties.
	Bratton View	\$20,426	\$8,365 (41%)		\$7,673	
	Honey Springs	\$47,927	\$5,866 (12%)		\$8,259	
Dayton II	Storey County	N/A	N/A	Capital call letters sent to Nevada View investors in December 2015. Follow up capital call letters sent to co-tenant GPs in February 2016. No funds raised from follow up capital call.	\$24,936	Receiver currently talking to potential brokers to list property, will recommend broker engagement pursuant to orderly sale procedures.
	Comstock	N/A	N/A		\$15,001	
	Silver City	N/A	N/A		\$10,739	
	Nevada View	\$10,516	\$2,288 (22%)		\$0	
Jamul Valley	Jamul Meadows	\$34,806	\$4,050 (12%)	Capital call letters sent in October 2015.	\$4,789	On 6/17/15, Court authorized sale. On 2/26/16, Receiver requested order confirming sale, which request is pending.
	Lyons Valley	\$32,870	\$7,703 (23%)		\$14,051	
	Hidden Hills	\$52,524	\$8,229 (16%)		\$7	
Las Vegas I (three separate properties)	Park Vegas	\$15,086	\$1,816 (12%)	Capital call letters sent in December 2015.	\$35	On 3/7/16, Receiver requested authorization to engage broker to list properties, which request is pending.
	Production	\$45,564	\$8,707 (19%)		\$403	
	Silver State	\$28,061	\$2,993 (11%)		\$814	
Las Vegas II	Rainbow	\$26,443	\$636 (2%)	Capital call letters sent in June and December 2015.	\$10,530	On 3/7/16, Receiver requested authorization to engage broker to list property, which request is pending.
	Horizon	\$33,432	\$6,910 (21%)		\$2,569	

Property	GPs	Capital Call Amount Required	Capital Call Amount Received as of 3/31/16	Notes	Cash on Hand as of 12/31/15	Property Status in Orderly Sale Process
LV Kade	Hollywood	\$27,121	\$5,556 (20%)	Capital call letters sent in August and September 2015	\$16,548	On 1/14/16, Court authorized engagement of broker to list property.
	BLA	\$20,136	\$10,966 (54%)		\$20,563	
	Checkered Flag	\$20,203	\$5,950 (29%)		\$14,430	
	Victory Lap	\$30,817	\$7,555 (25%)		\$4,268	
Minden	Carson Valley	\$5,361	\$946 (18%)	Capital call letters sent in January 2016.	\$1,607	Receiver currently talking to potential brokers to list property, will recommend broker engagement pursuant to orderly sale procedures.
	Heavenly View	\$7,840	\$2,262 (29%)		\$2,371	
	Sierra View	N/A	N/A		\$8,954	
	Pine View	\$4,916	\$892 (18%)		\$1,411	
Santa Fe	Santa Fe View	\$35,892	\$11,862 (33%)	Capital call letters sent to Santa Fe View investors in July 2015. Follow up capital call letters sent to co-tenant GPs in October 2015. No funds raised from follow up capital call.	\$14,468	On 1/14/16, Court authorized engagement of broker to list property.
	Pueblo	N/A	N/A		\$5,269	
	Pecos	N/A	N/A		\$35,019	
Silver Springs North	North Springs	N/A	N/A	Capital call letters sent to Highway 50 investors in December 2015. Follow up capital call letters sent to co-tenant GPs in February 2016. No funds raised from follow up capital call.	\$32,472	Receiver currently talking to potential brokers to list property, will recommend broker engagement pursuant to orderly sale procedures.
	Rawhide	N/A	N/A		\$26,244	
	Highway 50	\$44,479	\$2,953 (7%)		\$785	
	Orange Vista	N/A	N/A		\$2,705	

Property	GPs	Capital Call Amount Required	Capital Call Amount Received as of 3/31/16	Notes	Cash on Hand as of 12/31/15	Property Status in Orderly Sale Process
Tecate (six separate properties; seven including ABL/Mex-Tec, which did not have a capital call)	Borderland	\$18,049	\$2,729 (15%)	Capital call letters sent in December 2015.	\$237	On 3/7/16, Receiver requested authorization to engage broker to list properties, which request is pending.
	Prosperity	\$18,964	\$3,790 (20%)		\$42	
	Vista Tecate	\$21,889	\$390 (2%)		\$7	
	International	\$31,789	\$1,007 (3%)		\$10	
	Tecate South	\$16,692	\$241 (1%)		\$99	
	Twin Plant	\$90,747	\$12,382 (14%)		\$5,820	
	Freetrade	\$16,497	\$1,346 (8%)		\$17	
Suntec	\$36,704	\$4,398 (12%)	\$39			
Via 188	\$15,508	\$3,008 (19%)	\$565			
Washoe 1 (three separate properties)	Reno View	\$4,399	\$1,033 (23%)	Capital call letters sent in October 2015.	\$1,074	On 1/14/16, Court authorized engagement of broker to list properties. Offer above list price received for Reno View and Reno Vista. Receiver is ready to move forward with next steps of orderly sale process.
	Reno Vista	\$20,033	\$3,718 (19%)		\$1	
	Reno Partners	\$30,113	\$5,105 (17%)		\$2,384	
Washoe 3 (two separate properties)	Spanish Springs	\$27,602	\$3,606 (13%)	Capital call letters sent in September 2015.	\$799	On 1/14/16, Court authorized engagement of broker to list properties.
	Antelope Spring	\$10,679	\$3,056 (29%)		\$2,169	
	Wild Horse	\$19,878	\$5,469 (28%)		\$994	
Big Ranch	\$41,541	\$3,140 (8%)	\$2,335			

Property	GPs	Capital Call Amount Required	Capital Call Amount Received as of 3/31/16	Notes	Cash on Hand as of 12/31/15	Property Status in Orderly Sale Process
Yuma I	Gila View Painted Desert Snow Bird	\$20,442 \$7,100 \$33,898	\$6,079 (30%) \$6,189 (87%) \$3,368 (10%)	Capital call letters sent in January 2016.	\$1,848 \$4,425 \$1,008	Receiver currently talking to potential brokers to list property, will recommend broker engagement pursuant to orderly sale procedures.
Yuma II	Desert View Sonora View Mesa View Road Runner	\$40,572 N/A N/A N/A	\$2,854 (7%) N/A N/A N/A	Capital call letters sent to Desert View investors in June 2015. Follow up capital call letters sent to co-tenant GPs in January 2016. No funds raised from follow up capital call.	\$1,629	Receiver currently talking to potential brokers to list property, will recommend broker engagement pursuant to orderly sale procedures.
Yuma III	Mountain View Ocotillo Cactus Ridge Mohawk Mnt	\$23,785 N/A \$27,793 \$37,938	\$0 (0%) N/A \$0 (0%) \$0 (0%)	Capital call letters sent in January 2016.	\$1,703 \$23,161 \$945 \$2,592	Receiver currently talking to potential brokers to list property, will recommend broker engagement pursuant to orderly sale procedures.

NOTES:

- 1) Pursuant to the Court's May 12, 2015 order, all capital call contribution amounts will be returned to the investors from whom they came due to failure to raise the full amount required.
- 2) Cash on hand as of 12/31/15 includes capital call contributions received as of that date, all of which will be returned to investors.

EXHIBIT B

EXHIBIT B

GP Financial Viability Analysis

		Cash on Hand as of 12/31/15	Estimated 2016 Net Expenses	Projected Cash on Hand as of 12/31/16	Outstanding Balance on Western Notes	Outstanding Balance on Mortgages	Cash Amount of Western Interest	Cash Available Upon Exit of Receivership	Estimated Net Sales Proceeds from Property
Dayton I	Dayton View	\$ 34,526	\$ (5,225)	\$ 29,301	\$ -	\$ -	\$ (4,125)	\$ 25,176	\$ 83,700
	Fairway	\$ 41,804	\$ (5,100)	\$ 36,704	\$ -	\$ -	\$ (6,562)	\$ 30,142	\$ 83,700
	Green View	\$ 45,468	\$ (5,000)	\$ 40,468	\$ -	\$ -	\$ (5,687)	\$ 34,781	\$ 83,700
	Par Four	\$ 44,012	\$ (5,000)	\$ 39,012	\$ -	\$ -	\$ (6,982)	\$ 32,030	\$ 83,700
		\$ 165,810	\$ (20,325)	\$ 145,485	\$ -	\$ -	\$ (23,356)	\$ 122,129	\$ 334,800
Dayton III	Gold Ridge	\$ 170,690	\$ (4,349)	\$ 166,341	\$ -	\$ -	\$ (7,915)	\$ 158,426	\$ 13,950
	Sky View	\$ 219,308	\$ (4,374)	\$ 214,934	\$ -	\$ -	\$ (11,604)	\$ 203,330	\$ 13,950
	Grand View	\$ 205,980	\$ (4,374)	\$ 201,606	\$ -	\$ -	\$ (24,983)	\$ 176,623	\$ 13,950
	Rolling Hills	\$ 208,205	\$ (4,399)	\$ 203,806	\$ -	\$ -	\$ (23,648)	\$ 180,158	\$ 13,950
		\$ 804,183	\$ (17,496)	\$ 786,687	\$ -	\$ -	\$ (68,150)	\$ 718,537	\$ 55,800
Dayton IV	Eagle View	\$ 164,391	\$ (49,647)	\$ 114,744	\$ (113,615)	\$ -	\$ (10,733)	\$ (9,604)	\$ 51,150
	Falcon Heights	\$ 161,503	\$ (56,582)	\$ 104,921	\$ (92,031)	\$ -	\$ (7,398)	\$ 5,492	\$ 51,150
	Night Hawk	\$ 210,485	\$ (49,482)	\$ 161,003	\$ (118,081)	\$ -	\$ (7,913)	\$ 35,009	\$ 51,150
	Osprey	\$ 246,822	\$ (40,721)	\$ 206,101	\$ (122,966)	\$ -	\$ (72,159)	\$ 10,976	\$ 51,150
		\$ 783,201	\$ (196,432)	\$ 586,769	\$ (446,693)	\$ -	\$ (98,203)	\$ 41,873	\$ 204,600
Fernley I	Crystal Clearwater	\$ 61,947	\$ (12,248)	\$ 49,699	\$ (43,345)	\$ -	\$ (7,382)	\$ (1,028)	\$ 97,650
	High Desert	\$ 55,357	\$ (14,351)	\$ 41,006	\$ (82,374)	\$ -	\$ (8,028)	\$ (49,396)	\$ 97,650
			\$ 117,304	\$ (26,599)	\$ 90,705	\$ (125,719)	\$ -	\$ (15,410)	\$ (50,424)
Silver Springs South	Rail Road	\$ 84,497	\$ 1,761	\$ 86,258	\$ -	\$ -	\$ (7,693)	\$ 78,565	\$ 102,300
	Spruce Heights	\$ 102,001	\$ (841)	\$ 101,160	\$ -	\$ -	\$ (20,387)	\$ 80,773	\$ 102,300
	Vista del Sur	\$ 37,138	\$ (6,997)	\$ 30,141	\$ -	\$ -	\$ (2,265)	\$ 27,876	\$ 102,300
	Lahontan	\$ 62,719	\$ 640	\$ 63,359	\$ -	\$ -	\$ (2,220)	\$ 61,139	\$ 102,300
		\$ 286,355	\$ (5,437)	\$ 280,918	\$ -	\$ -	\$ (32,564)	\$ 248,354	\$ 409,200

		Cash on Hand as of 12/31/15	Estimated 2016 Net Expenses	Projected Cash on Hand as of 12/31/16	Outstanding Balance on Western Notes	Outstanding Balance on Mortgages	Cash Amount of Western Interest	Cash Available Upon Exit of Receivership	Estimated Net Sales Proceeds from Property
Stead	P-39 Aircobra	\$ 110,884	\$ (17,807)	\$ 93,077	\$ (100,647)	\$ -	\$ (2,746)	\$ (10,316)	\$ 97,650
	P-40 Warhawk	\$ 140,058	\$ (11,210)	\$ 128,848	\$ (111,855)	\$ -	\$ (6,115)	\$ 10,878	\$ 97,650
	F-86	\$ 65,666	\$ -	\$ 65,666	\$ -	\$ -	\$ (3,070)	\$ 62,596	\$ -
	P-51 LLC (Western)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,300
		\$ 316,608	\$ (29,017)	\$ 287,591	\$ (212,502)	\$ -	\$ (11,932)	\$ 63,157	\$ 390,600
Tecate	ABL	\$ 15,566	\$ (5,717)	\$ 9,849	\$ -	\$ -	\$ (2,095)	\$ 7,754	\$ 83,700
	Mex-Tec	\$ 31,153	\$ (5,718)	\$ 25,435	\$ -	\$ -	\$ (786)	\$ 24,649	\$ 83,700
		\$ 46,719	\$ (11,435)	\$ 35,284	\$ -	\$ -	\$ (2,881)	\$ 32,403	\$ 167,400
Washoe 4	Rose Vista	\$ 34,562	\$ 190	\$ 34,752	\$ -	\$ -	\$ (4,947)	\$ 29,805	\$ 81,375
	Steam Boat	\$ 56,767	\$ 625	\$ 57,392	\$ -	\$ -	\$ (3,081)	\$ 54,311	\$ 81,375
	Galena Ranch	\$ 102,912	\$ 3,736	\$ 106,648	\$ -	\$ -	\$ (4,231)	\$ 102,417	\$ 81,375
	Redfield Heights	\$ 80,989	\$ 2,263	\$ 83,252	\$ -	\$ -	\$ (15,952)	\$ 67,300	\$ 81,375
		\$ 275,230	\$ 6,814	\$ 282,044	\$ -	\$ -	\$ (28,211)	\$ 253,833	\$ 325,500
Washoe 5	Pyramid Hwy 177	\$ 14,114	\$ (15,618)	\$ (1,504)	\$ (25,004)	\$ (32,867)	\$ (10,052)	\$ (69,427)	\$ 111,600
	Frontage 177	\$ 24,033	\$ (16,382)	\$ 7,651	\$ (58,994)	\$ (32,867)	\$ (10,637)	\$ (94,847)	\$ 111,600
		\$ 38,147	\$ (32,000)	\$ 6,147	\$ (83,998)	\$ (65,734)	\$ (20,689)	\$ (164,274)	\$ 223,200
		\$ 2,833,557	\$ (331,927)	\$ 2,501,630	\$ (868,912)	\$ (65,734)	\$ (301,397)	\$ 1,265,587	\$ 2,306,400

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PROOF OF SERVICE

I am employed in the County of San Diego, State of California. I am over the age of eighteen (18) and am not a party to this action. My business address is 501 West Broadway, 15th Floor, San Diego, California 92101-3541.

On April 22, 2016, I served the within document(s) described as:

- **RECEIVER'S COURT-ORDERED PROPOSAL REGARDING GENERAL PARTNERSHIPS**

on interested parties in this action by:

BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF"): the foregoing document(s) will be served by the court via NEF and hyperlink to the document. On April 22, 2016, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email addressed indicated below:

- Gary J. Aguirre - gary@aguirrelawapc.com; maria@aguirrelawapc.com
- John Willis Berry - berryj@sec.gov; LAROFiling@sec.gov
- Lynn M. Dean - deanl@sec.gov; larofiling@sec.gov; berryj@sec.gov; irwinma@sec.gov; cavallones@sec.gov
- Timothy P. Dillon - tdillon@dghmalaw.com; cbeal@dghmalaw.com; smiller@dghmalaw.com; rabrera@dghmalaw.com
- Philip H. Dyson - phildysonlaw@gmail.com; jldossegger2@yahoo.com; phdtravel@yahoo.com
- Edward G. Fates - tfates@allenmatkins.com; bcrfilings@allenmatkins.com; jholman@allenmatkins.com
- Susan Graham - gary@aguirrelawapc.com
- Eric Hougen - eric@hougenlaw.com
- Sara D. Kalin - kalins@sec.gov; chattoop@sec.gov; irwinma@sec.gov
- David R. Zaro - dzaro@allenmatkins.com; mdiaz@allenmatkins.com

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

Executed on April 22, 2016, at San Diego, California.

Edward G. Fates

(Type or print name)

/s/ Edward Fates

(Signature of Declarant)