



July 9, 2015

Las Vegas II Information Packet

- Rainbow Partners (1994) – 50%
- Horizon Partners (1994) – 50%

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 (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 Las Vegas II land for a purchase price of \$633,518. In 1994, Western formed 2 underlying partnerships, each with a 50% undivided interest in the property. Western raised \$1,471,750 when it sold the land to investors, or \$838,232 (132%) more than it paid for the land. An outside appraisal obtained in 2013 valued the property at \$945,000. The Receiver was directed by the Court to obtain updated appraisals this year for GPs that had sufficient funds to pay for the appraisal. The Las Vegas II GPs did not have sufficient funds to cover the cost of an appraisal. Alternatively, the Receiver was to obtain listing agreements from local brokers to provide an estimate of value. The Receiver obtained two listings from local commercial brokers. One of the brokers estimated the value of the property at \$1,000,000; and the other provided a proposed listing agreement at \$1,750,000 (an average of \$1,375,000).

The Receiver received an unsolicited letter of intent regarding a purchase of the property. A ballot with information about the letter of intent has been sent to the Las Vegas II investors. The Court has directed the Receiver to make a recommendation to the Court as to the letter of intent once the votes have been tallied. **The Court has directed that this information be kept confidential, so the amount of the offer has not been included in this analysis.**

	Western Land Purchase Price	Amount Raised From Investors	Excess Proceeds Raised by Western	Excess Proceeds %	2015 Average Valuation
Rainbow Partners	\$316,759	\$715,250	\$398,491	126%	\$687,500
Horizon Partners	\$316,759	\$756,500	\$439,741	139%	\$687,500
	\$633,518	\$1,471,750	\$838,232	132%	\$1,375,000

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 Las Vegas II 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 \$838,232 in excess proceeds received by Western is estimated to have been spent as follows:

	Average % Paid	Estimated Amount Paid
Payments to Schooler	21%	\$179,309
Sales Commissions	15%	\$129,649
Payroll - Other	17%	\$146,340
Operating Expenses	21%	\$176,347
Western Investments in GPs	9%	\$76,088
Income Taxes	6%	\$47,114
Payments to Related Parties	6%	\$48,286
Payments to Escrow Companies	4%	\$35,099
	100%	\$838,232

Additional information on the Receiver's findings concerning the financial affairs of Western and the GPs can be found on the Receiver's website, www.ethreeadvisors.com (use the SEC Case Docs tab), including Part One and Part Two of the Receiver's Forensic Accounting Report.

III. CURRENT FINANCIAL STATUS OF LAS VEGAS II GPs

Listed below are the current and projected cash balances for the Las Vegas II GPs.

	Cash as of 1/1/2015	Est 2015 & 2016 Receipts	Est 2015 & 2016 Expenses	Estimated Cash as of 12/31/2016	Percentage of Operational Bills Paid Since 2013
Rainbow Partners	\$17,552	\$0	(\$43,994)	(\$26,442)	34%
Horizon Partners	\$3,766	\$0	(\$72,350)	(\$68,584)	22%
	\$21,318	\$0	(\$116,344)	(\$95,026)	28%

Expenses consist primarily of administrators, tax preparation, property taxes and bond payments, insurance, and most significantly, loan payments due to Western for financed investments (Horizon only), and the repayment of operational loans made by Western to cover past operating expenses of the GPs. Attached as Exhibit "A" are actual and estimated receipts and disbursements for 2014, 2015 and 2016 for each GP.

Both GPs require a capital call in order to fund ongoing operations. You will note that it is projected to have a cash deficit of (\$95,026) at the end of 2016. Accordingly, a capital call will be sent out shortly to the investors in the Las Vegas II property to fund this projected deficiency (unless a decision is made to move forward the current letter of intent). Investors in the Las Vegas II GPs have historically only raised 28% from investors since 2013 to pay operating expenses for this property. If this historic percentage of operational billing payments holds true for the capital call, and sufficient capital is not raised (again, assuming the pending letter of intent is not accepted), the Las Vegas II property will be marketed and sold, subject to Court approval of the sale terms.

It is important to understand that, because of the co-tenancy structure for Las Vegas II, in which both of the 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 becomes unable to pay its operating expenses such as property taxes, the other GP may be adversely effected by the late charges and/or penalties incurred for the land as a whole. Our current projection for Las Vegas II is that this will occur before the end of 2015. Per the Court's order, if the investors in one of the GPs does not raise sufficient funds in this capital call, investors in the other GP will be given the opportunity to cover the shortfall in capital needed to pay expenses. Investors can also voluntarily contribute additional capital to fund a deficiency, with a corresponding increase in their ownership interest. Should sufficient capital not be raised through these means, the Las Vegas II property will be marketed and sold, subject to Court approval of the sale terms.

IV. ESTIMATED CURRENT VALUE OF INVESTMENT

Listed below is the estimated cash proceeds that would be received from a sale of the property, based on the current average valuation less estimated cost of sale. GP notes payable are amounts due to Western for investors who financed a portion of their investment, as well as for operational loans made by Western on behalf of the Las Vegas II property for the payment of operating expenses. A sale based on these assumptions would yield net proceeds of \$1,099,690 for the two GPs that comprise the Las Vegas II property.

	Estimated Net Sale Proceeds	GP Notes Payable to Western	Outstanding Balance on Mortgages	Estimated Cash Proceeds to GPs from Sale
Rainbow Partners	\$639,375	(\$76,990)	\$0	\$562,385
Horizon Partners	\$639,375	(\$102,070)	\$0	\$537,305
	\$1,278,750	(\$179,060)	\$0	\$1,099,690

Las Vegas II Investors
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Sincerely,

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

Thomas C. Hebrank, CPA, CIRA
Receiver

EXHIBIT “A”

Rainbow

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	2,757	17,552	(4,628)
Receipts			
Investor Operational Contributions	29,520	-	-
2013 Cleared Deposits	9,097		
Misc. Receipts	-	-	-
Investor Note Payments	-	-	-
Total Receipts	38,617	-	-
Disbursements			
Administrator Payroll	1,600	1,300 ¹	1,200
K-1 Preparation	1,408	1,664 ²	1,400
Property Taxes/Bond Payments	15,676	3,664	3,664
Insurance	381	381	381
Office Supplies	145	175	175
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	2,913	1,000 ³	1,000
Operational Loan Repayment	1,700	13,995 ⁴	13,995
GP Note Owed to Western	-	-	-
Total Disbursements	23,822	22,179	21,815
Ending Cash Balance	17,552	(4,628)	(26,443)
Amount to be Billed			26,443

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

² 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.

³ This amount is included for budgetary reasons but is not expensed if not used.

⁴ The Partnership owes \$69,977 in past due operational loans, but the Receiver is only attempting to pay down \$13,995 this year. At this rate the loan will be paid off in five years.

Horizon

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	5,821	3,766	(32,796)
Receipts			
Investor Operational Contributions	17,498	-	-
2013 Cleared Deposits			
Misc. Reciepts	-	-	-
Investor Note Payments	-	-	-
Total Receipts	17,498	-	-
Disbursements			
Administrator Payroll	1,300	1,300	¹ 1,200
K-1 Preparation	700	2,074	² 1,400
Property Taxes/Bond Payments	8,457	8,454	8,454
Insurance	381	381	381
Office Supplies	264	300	300
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	2,913	1,000	³ 1,000
Operational Loan Repayment	3,200	16,038	⁴ 16,038
GP Note Owed to Western	2,338	7,015	⁵ 7,015
Total Disbursements	19,553	36,562	35,788
Ending Cash Balance	3,766	(32,796)	(68,583)
Amount to be Billed			68,583

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

² 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.

³ This amount is included for budgetary reasons but is not expensed if not used.

⁴ The Partnership owes \$80,191 in past due operational loans, but the Receiver is only attempting to pay down \$16,038 this year. At this rate the loan will be paid off in five years.

⁵ This payment reflects the amount due from the partnership to Western for those Investors that financed their investment.