



August 18, 2015

Washoe 1 Property Information Packet

- Reno View Partners (1981)
- Reno Vista Partners (1981)
- Reno Partners (1982)

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

The purchase price paid by Western for this property is no longer available through a review of public documents and tax records due to the age of the property purchase (1981 or before). In 1981 - 1982, Western formed 3 underlying partnerships, each with a separate interest in three underlying parcels of property. Western raised \$1,968,750 when it sold the land to investors. The Western mark-up amount is not known for this property. However, for the 13 properties Western purchased after 2003, the average mark-up over Western's initial purchase price was 412%. Using this average, it is estimated that Western paid approximately \$477,852 for the property, or \$1,490,898 less than the partnerships paid for the land.

The Washoe 1 GPs did not have sufficient funds to cover the cost of an appraisal. In these situations, the Court directed the Receiver to obtain broker opinions of value or listing agreements to provide an estimate of value. The Receiver contacted five local brokers and one broker was willing to provide a broker opinion of value in August 2015. It should be noted that three of the five brokers declined the assignment and one never responded¹. The responding broker provided a high and low total estimated value for each property, which totaled \$75,400 - \$101,000 for the various parcels.

¹ Feedback from the brokers indicated that they thought this property would be difficult to develop due to its topography, and as such they were not interested in the assignment.

The average of these two estimates is included in the chart below, which also breaks down the property amounts by each specific GP that owns them. In 2013, an appraisal obtained by the Receiver valued the properties at \$150,000.

	Western Land Purchase Price	Amount Raised From Investors	Excess Proceeds Raised by Western	Excess Proceeds %	2015 Average Valuation
Reno View Partners	N/A	\$756,000	N/A	N/A	\$33,700
Reno Vista Partners	N/A	\$441,000	N/A	N/A	\$22,250
Reno Partners	N/A	\$771,750	N/A	N/A	\$32,250
	N/A	\$1,968,750	N/A	N/A	\$88,200

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 Washoe 1 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 \$1,490,898 in estimated excess proceeds (as described above) received by Western is estimated to have been spent as follows:

	Average % Paid	Estimated Amount Paid
Payments to Schooler	21%	\$318,923
Sales Commissions	15%	\$230,596
Payroll - Other	17%	\$260,283
Operating Expenses	21%	\$313,654
Western Investments in GPs	9%	\$135,332
Income Taxes	6%	\$83,799
Payments to Related Parties	6%	\$85,882
Payments to Escrow Companies	4%	\$62,428
	100%	\$1,490,898

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 WASHOE 1 PROPERTY GPS

Listed below are the current and projected cash balances for the Washoe 1 Property 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
Reno View Partners	\$4,032	\$1,961	(\$10,392)	(\$4,399)	35%
Reno Vista Partners	\$999	\$0	(\$21,032)	(\$20,033)	28%
Reno Partners	\$8,294	\$523	(\$38,930)	(\$30,113)	19%
	\$13,325	\$2,484	(\$70,354)	(\$54,545)	23%

The receipts consist of investor operational contributions. Expenses consist primarily of administrators, tax preparation, property tax and bond payments, insurance, and most significantly, loan payments due to Western for financed investments for the Reno Vista and Reno GPs. Attached as Exhibit "A" are actual and estimated receipts and disbursements for 2014, 2015 and 2016 for each GP. The 3 GPs that comprise Washoe 1 are all projected to not have sufficient cash to pay their operating expenses through 2015 – 2016, with the Reno Vista and Reno GPs projected to run out of cash in 2015. Operational billings to date have only raised 23% of the amounts billed to investors.

All of the GPs in these properties are projected to run out of money by next year, and not be able to pay items such as administrative costs, property tax and bond payments, Western investor loan payments and other operating expenses. Accordingly, a capital call will be sent out shortly to all of the investors in the Washoe 1 Property GPs to fund these projected deficiencies.

The GPs have historically only raised 23% from investors since 2013 to pay expenditures for the Washoe 1 Properties. If this historic percentage of operational billing payments holds true for the capital call, and sufficient capital is not raised, the Washoe 1 Properties will be sold, subject to Court approval of the sale terms. Due to the unique structure of the Washoe 1 GPs (each GP owns a distinct property, and no co-tenancy exists), it is possible that the GP properties could be treated separately based on investor funds raised or other factors.

IV. ESTIMATED CURRENT VALUE OF INVESTMENT

Listed below is the estimated cash proceeds that would be received from a sale of the property, based on its August 2015 average valuation. The estimated net sale proceeds are based on the existing 2015 average valuations (less cost of sale).

As previously mentioned, the Washoe 1 GPs have little remaining cash, and previous operation billings or capital calls have not raised significant funds. Accordingly, these GPs are not expected to be able to remain operational into 2016. The Court, however, is providing investors in these properties the opportunity to raise funds through a capital call if they are ready and willing to do so in order to sustain this investment. Accordingly, a capital call will be sent out to the Washoe 1 GPs in order to raise sufficient capital to sustain operations through 2016. Should sufficient funds not be raised in the capital call to fund operations, the property will be moved to an orderly sales process, as the Court has previously directed.

As previously discussed, each Washoe 1 GP owns a unique property, so each GP within Washoe I could select a different course of action, without it effecting other GPs in the group. Based on the chart below, investors should strongly consider the property valuations and estimated net proceeds when deciding whether to further invest in these properties. Two of the three GP properties could be considered “underwater”, although the notes payable is due to Western, and not a third party lender. Based on the current economics and information available, the Receiver would recommend a sale of the property versus continued contributions for investors, especially for the Reno Vista and Reno GPs.

	Estimated Net Sale Proceeds	GP Notes Payable to Western	Outstanding Balance on Mortgages	Estimated Cash Proceeds to GPs from Sale
Reno View Partners	\$31,341	\$0	\$0	\$31,341
Reno Vista Partners	\$20,693	(\$37,521)	\$0	(\$16,829)
Reno Partners	\$29,993	(\$142,388)	\$0	(\$112,396)
	\$82,026	(\$179,909)	\$0	(\$97,883)

Sincerely,



Thomas C. Hebrank, CPA, CIRA
Receiver

EXHIBIT “A”

Reno View

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	5,090	4,032	640
Receipts			
Partner Operational Contributions	1,961	1,961	-
2013 Cleared Deposits	270		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
Total Receipts	<u>2,231</u>	<u>1,961</u>	<u>-</u>
Disbursements			
Administrator Payroll	1,300	1,300	¹ 1,200
K-1 Preparation	800	1,614	² 1,400
Property Taxes/Bond Payments	914	914	914
Insurance	-	350	350
Office Supplies	175	175	175
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	³ 1,000
Operational Loan Repayment	100	-	-
GP Note Owed to Western	-	-	-
Total Disbursements	<u>3,289</u>	<u>5,353</u>	<u>5,039</u>
Ending Cash Balance	<u>4,032</u>	<u>640</u>	<u>(4,399)</u>
Amount to be Billed			4,399

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.

Reno Vista

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	6,380	999	(9,538)
Receipts			
Partner Operational Contributions	2,419	-	-
2013 Cleared Deposits	1,818		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
Total Receipts	4,238	-	-
Disbursements			
Administrator Payroll	1,200	1,300 ¹	1,200
K-1 Preparation	906	1,342 ²	1,400
Property Taxes/Bond Payments	841	841	841
Insurance	-	350	350
Office Supplies	111	125	125
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000 ³	1,000
Operational Loan Repayment	-	-	-
GP Note Owed to Western	6,560	5,579 ⁴	5,579
Total Disbursements	9,618	10,537	10,495
Ending Cash Balance	999	(9,538)	(20,033)
Amount to be Billed			20,033

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

Reno

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	15,346	8,294	(10,653)
Receipts			
Partner Operational Contributions	7,514	523	-
2013 Cleared Deposits	3,070		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
Total Receipts	10,584	523	-
Disbursements			
Administrator Payroll	1,300	1,300	¹ 1,200
K-1 Preparation	1,077	1,551	² 1,600
Property Taxes/Bond Payments	670	670	670
Insurance	-	350	350
Office Supplies	189	200	200
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	³ 1,000
Operational Loan Repayment	-	-	⁴ -
GP Note Owed to Western	14,400	14,400	⁵ 14,440
Total Disbursements	17,636	19,470	19,460
Ending Cash Balance	8,294	(10,653)	(30,113)
Amount to be Billed			30,113

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 In previous years, Western would cover portions of the operational bills for the partnerships when they did not have sufficient funds to pay these expenses. The Court has ordered us to recover these funds from the respective partnership.

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