



August 6, 2015

Washoe 3 Information Packet

- Spanish Springs Partners (2003) – 50%
- Antelope Springs Partners (2004) – 50%
- Wild Horse Partners (2004) – 50%
- Big Ranch Partners (2004) – 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 Washoe 3 land for a purchase price of \$1,357,000. In 2003 - 2004, Western formed 4 underlying partnerships, for 2 distinct land parcel groupings. The Spanish Springs and Antelope Springs Partnerships each own a 50% undivided interest in 20 contiguous parcels totaling 872.6 acres, and the Wild Horse and Big Ranch Partnerships each own a 50% undivided interest in 20 non-contiguous parcels totaling 800.6 acres. Western raised \$7,995,404 when it sold the land to investors, or \$6,638,404 (489%) more than it paid for the land. An outside appraisal obtained in July 2015 valued the properties at \$940,000. This valuation shows appreciation over an appraisal obtained in 2013 valuing the property at \$600,000. This is all outlined in the chart below.

	Western Land Purchase Price	Amount Raised From Investors	Excess Proceeds Raised by Western	Excess Proceeds %	2015 Appraised Value
Spanish Springs Partners	\$447,500	\$1,911,000	\$1,463,500	327%	\$240,000
Antelope Springs Partners	\$447,500	\$1,968,450	\$1,520,950	340%	\$240,000
Wild Horse Partners	\$231,000	\$2,027,504	\$1,796,504	778%	\$230,000
Big Ranch Partners	\$231,000	\$2,088,450	\$1,857,450	804%	\$230,000
	\$1,357,000	\$7,995,404	\$6,638,404	489%	\$940,000

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 Washoe 3 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 \$6,638,404 in excess proceeds received by Western is estimated to have been spent as follows:

	Average % Paid	Estimated Amount Paid
Payments to Schooler	21%	\$1,420,045
Sales Commissions	15%	\$1,026,756
Payroll - Other	17%	\$1,158,943
Operating Expenses	21%	\$1,396,585
Western Investments in GPs	9%	\$602,584
Income Taxes	6%	\$373,125
Payments to Related Parties	6%	\$382,401
Payments to Escrow Companies	4%	\$277,967
	100%	\$6,638,404

Additional information on the Receiver's findings concerning the financial affairs of Western and the GPs can be found on the Receiver's website, www.ethreadvisors.com (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 3 GPS

Listed below are the current and projected cash balances for the Washoe 3 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
Spanish Springs Partners	\$10,336	\$5,035	(\$42,973)	(\$27,602)	44%
Antelope Springs Partners	\$24,432	\$7,591	(\$42,702)	(\$10,679)	56%
Wild Horse Partners	\$32,835	\$3,478	(\$56,191)	(\$19,878)	70%
Big Ranch Partners	\$12,242	\$3,984	(\$57,767)	(\$41,541)	41%
	\$79,845	\$20,088	(\$199,633)	(\$99,700)	54%

The receipts primarily consist of investor note payments made by investors who financed a portion of their investments as well as cash received from investor operational billings.

Expenses consist primarily of administrators, tax preparation, property taxes and bond payments, insurance, as well as loan payments due to Western for financed investments. Attached as Exhibit "A" are actual and estimated receipts and disbursements for 2014, 2015 and 2016 for each GP. The 4 GPs that comprise Washoe 3 are all projected to not have sufficient cash to pay their operating expenses through 2015 - 2016. Operational billings to date have only raised 54% of the amounts billed from investors.

All of the GPs in these properties are projected to run out of money this year, and not be able to pay items such as property taxes, loan payments and other operating expenses. Accordingly, a capital call will be sent out shortly to all of the investors in the Washoe 3 Property GPs to fund these projected deficiencies.

The GPs have historically only raised 54% from investors since 2013 to pay expenditures for the Washoe 3 Properties. If this historic percentage of operational billing payments holds true for the capital call, and sufficient capital is not raised, the Washoe 3 Properties will be sold, subject to Court approval of the sale terms.

It is important to understand that, because of the co-tenancy structure for Washoe 3, in which each of the four GPs own a percentage of the two groupings of land parcels, the financial status of one GP can potentially affect the other GPs. If, for example, one GP in a group 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 Washoe 3 is that this will not occur before the end of 2015. In the future, should sufficient capital not be available and sufficient capital is not raised through capital calls or operational billings, the Washoe 3 properties will be sold, subject to Court approval of the sale terms. Due to the unique structure of the Washoe 3 GPs (there are two distinct groupings of property and GPs within Washoe 3), it is possible that the two groups 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 July 2015 appraised value. The estimated net sale proceeds are based on the existing 2015 appraised value (less cost of sale). GP notes payable are amounts due to Western for investors who financed a portion of their investment. There are no underlying mortgages on the properties. A sale based on these assumptions would yield net proceeds of \$818,274 for the 4 GPs that comprise the Washoe 3 property.

	Estimated Net Sale Proceeds	GP Notes Payable to Western	Outstanding Balance on Mortgages	Estimated Cash Proceeds to GPs from Sale
Spanish Springs Partners	\$223,200	\$0	\$0	\$223,200
Antelope Springs Partners	\$223,200	(\$3,144)	\$0	\$220,056
Wild Horse Partners	\$213,900	(\$23,539)	\$0	\$190,361
Big Ranch Partners	\$213,900	(\$29,243)	\$0	\$184,657
	\$874,200	(\$55,926)	\$0	\$818,274

Sincerely,

A handwritten signature in blue ink that reads "Thomas C Hebrank". The signature is fluid and cursive, with the first name "Thomas" being the most prominent part.

Thomas C. Hebrank, CPA, CIRA
Receiver

EXHIBIT “A”

Spanish Springs

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	21,938	10,336	(6,452)
Receipts			
Investor Operational Contributions	16,290	4,149	-
2013 Cleared Deposits	-	886	-
Misc. Reciepts	-	-	-
Investor Note Payments	-	-	-
Total Receipts	<u>16,290</u>	<u>5,035</u>	<u>-</u>
Disbursements			
Administrator Fees	1,300	1,300 ¹	1,200
K-1 Preparation	740	2,329 ²	1,400
Property Taxes/Bond Payments	24,714	15,669	16,000
Insurance	508	975	1,000
Office Supplies	538	550	550
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Miscellaneous	92	1,000 ³	1,000
Operational Loan Repayment	-	-	-
Note Repayment to Western	-	-	-
Total Disbursements	<u>27,892</u>	<u>21,823</u>	<u>21,150</u>
Ending Cash Balance	<u>10,336</u>	<u>(6,452)</u>	<u>(27,602)</u>
Amount to be Billed			27,602

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.

Antelope Springs

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	7,119	24,432	7,979
Receipts			
Investor Operational Contributions	38,298	3,085	-
2013 Cleared Deposits	1,114	-	-
Misc. Receipts	-	150	-
Investor Note Payments	9,975	2,265	2,091
Total Receipts	49,387	5,500	2,091
Disbursements			
Administrator Fees	1,200	1,300 ¹	1,200
K-1 Preparation	670	2,653 ²	1,400
Property Taxes/Bond Payments	14,263	14,901	15,000
Insurance	508	1,399	1,399
Office Supplies	522	550	550
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	1,556	1,150 ³	1,200
Operational Loan Repayment	-	-	-
Note Repayment to Western	13,355	- ⁴	-
Total Disbursements	32,074	21,953	20,749
Ending Cash Balance	24,432	7,979	(10,679)
Amount to be Billed		-	10,679

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.

Wild Horse

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	27,788	32,835	(303)
Receipts			
Investor Operational Contributions	52,874	2,970	-
2013 Cleared Deposits	(100)	-	-
Misc. Receipts	-	508	-
Investor Note Payments	4,541	-	-
Total Receipts	57,315	3,478	-
Disbursements			
Administrator Fees	1,200	1,300 ¹	1,200
K-1 Preparation	700	3,088 ²	1,400
Property Taxes/Bond Payments	26,409	14,721	15,000
Insurance	408	459	475
Office Supplies	535	200	500
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	5,519	1,000 ³	1,000
Operational Loan Repayment	-	-	-
Note Repayment to Western	17,497	15,848 ⁴	-
Total Disbursements	52,268	36,616	19,575
Ending Cash Balance	32,835	(303)	(19,878)
Amount to be Billed			19,878

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

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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.

Big Ranch

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	6,941	12,242	(19,743)
Receipts			
Investor Operational Contributions	32,525	3,984	-
2013 Cleared Deposits	(540)	-	-
Misc. Receipts	-	-	-
Investor Note Payments	-	-	-
Total Receipts	31,985	3,984	-
Disbursements			
Administrator Fees	1,300	1,300	¹ 1,200
K-1 Preparation	700	3,113	² 1,400
Property Taxes/Bond Payments	15,015	17,302	11,373
Insurance	408	553	525
Office Supplies	517	525	525
Appraisal	-	517	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	-	1,000	³ 1,000
Operational Loan Repayment	-	-	-
Note Repayment to Western	8,744	11,659	⁴ 5,775
Total Disbursements	26,684	35,969	21,798
Ending Cash Balance	12,242	(19,743)	(41,541)
Amount to be Billed			41,541

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.

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