



July 29, 2015

Washoe 5 Information Packet

- Pyramid Highway 177 Partners (2010) – 50%
- Frontage 177 Partners (2010) – 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 (through a related entity Real Asset Locators) bought the Washoe 5 land in May 2009 for a purchase price of \$533,310. In 2010, Western formed 2 underlying partnerships, each with a 50% undivided interest in the property. Western raised \$2,887,000 when it sold the land to investors, or \$2,353,690 (441%) more than it paid for the land. An outside appraisal obtained in July 2015 valued the property at \$240,000 (an appraisal obtained in 2013 from a different appraiser had valued the property at \$180,000). This is all outlined in the chart below.

Western transferred \$2,431,866 of the excess proceeds to itself at the initial funding.

	Western Land Purchase Price	Amount Raised From Investors	Excess Proceeds Raised by Western	Excess Proceeds %	2015 Appraised Value
Pyramid Highway 177	\$266,655	\$1,422,200	\$1,155,545	433%	\$120,000
Frontage 177	\$266,655	\$1,464,800	\$1,198,145	449%	\$120,000
	\$533,310	\$2,887,000	\$2,353,690	441%	\$240,000

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 5 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 \$2,353,690 in excess proceeds received by Western is estimated to have been spent as follows:

	Average % Paid	Estimated Amount Paid
Payments to Schooler	21%	\$503,486
Sales Commissions	15%	\$364,043
Payroll - Other	17%	\$410,911
Operating Expenses	21%	\$495,168
Western Investments in GPs	9%	\$213,650
Income Taxes	6%	\$132,294
Payments to Related Parties	6%	\$135,583
Payments to Escrow Companies	4%	\$98,555
	100%	\$2,353,690

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 5 GPS

Listed below are the current and projected cash balances for the Washoe 5 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
Pyramid Highway 177	\$32,317	\$5,298	(\$36,006)	\$1,609	N/A
Frontage 177	\$42,977	\$23,478	(\$56,604)	\$9,851	N/A
	\$75,294	\$28,776	(\$92,610)	\$11,460	N/A

The receipts consist of investor note payments made by investors who financed a portion of their investments. Expenses consist primarily of administrators, tax preparation, property taxes, insurance, and 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. Both GPs are projected to have sufficient cash through 2016 to pay their operating expenses, but are expected to run out of cash in early 2017.

It is important to understand that, because of the co-tenancy structure for Washoe 5, 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 Washoe 5 is that this will not occur before the end of 2016. 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 a future need arise and sufficient capital not be raised through these means, the Washoe 5 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 its July 2015 appraised value. The estimated net sale proceeds are based on the existing 2015 appraised value (less cost of sale). There are significant underlying GP notes payable to Western on this property, as well as an underlying mortgage on the property. Based on the current appraised value of the property, this property would be considered "underwater" as relates to Frontage 177 Partnership – the net sales proceeds are less than the underlying liabilities on the property. In addition, the net proceeds for Pyramid Highway 177 are also minimal. While the 2 GPs have sufficient capital to continue to operate through at least 2016, the long term prospects of recovery, especially as relates to the estimated negative net cash proceeds from a sale of (\$29,631) pale in comparison to the \$2,887,000 initially contributed by the investors. These 2 GPs are projected to run out of cash in early 2017, so a capital call or operational billing would need to occur in order to sustain operations. Based on the current economics, the Receiver would recommend a sale of the property versus continued contributions by investors.

	Estimated Net Sale Proceeds	GP Notes Payable to Western	Outstanding Balance on Mortgages	Estimated Cash Proceeds to GPs from Sale
Pyramid Highway 177	\$111,600	(\$40,669)	(\$60,843)	\$10,088
Frontage 177	\$111,600	(\$90,476)	(\$60,843)	(\$39,719)
	\$223,200	(\$131,145)	(\$121,686)	(\$29,631)

Sincerely,



Thomas C. Hebrank, CPA, CIRA
Receiver

EXHIBIT “A”

Pyramid Highway 177 & Pyramid Highway 177 LLC

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	43,297	32,317	18,227
Receipts			
2013 Cleared Deposits	-	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	3,811	2,649	2,649
Total Receipts	3,811	2,649	2,649
Disbursements			
Administrator Payroll	1,200	1,300 ¹	1,200
K-1 Preparation	1,225	1,172 ²	2,800
Property Taxes/Bond Payments	673	673	673
Insurance	300	378	378
Office Supplies	152	175	175
Appraisal	-	-	-
State and Local Entity Filings	450	1,250	1,250
Income Taxes	800	800	800
Miscellaneous	-	1,000 ³	1,000
Note Repayment to Western	9,991	9,991 ⁴	9,991
Total Disbursements	14,791	16,739	18,267
Ending Cash Balance	32,317	18,227	2,610
Amount to be Billed			-

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.

Frontage 177 & Frontage 177 LLC

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	55,798	42,977	26,232
Receipts			
2013 Cleared Deposits	(843)	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	12,687	11,739	11,739
Total Receipts	11,844	11,739	11,739
Disbursements			
Administrator Payroll	1,200	1,300 ¹	1,200
K-1 Preparation	1,150	3,063 ²	2,800
Property Taxes/Bond Payments	673	673	673
Insurance	300	300	300
Office Supplies	120	125	125
Appraisal	-	-	-
State and Local Entity Filings	450	1,250	1,250
Income Taxes	800	800	800
Miscellaneous	-	1,000 ³	1,000
Note Repayment to Western	19,973	19,973 ⁴	19,973
Total Disbursements	24,666	28,483	28,121
Ending Cash Balance	42,977	26,232	9,850
Amount to be Billed			-

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