



August 12, 2015

**Bratton Valley Property Information Packet**

- Valley Vista Partners (1987)
- Bratton View Partners (1987)
- Honey Springs Partners (1988)

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](http://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 (1987 or before). In 1987 - 1988, Western formed 3 underlying partnerships, each with a separate interest in three underlying parcels of property. Western raised \$2,336,400 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 \$567,000 for the property, or \$1,769,400 less than the partnerships paid for the land.

The Bratton Valley 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 two local brokers and obtained broker opinion of values from them in July 2015. One broker provided a total estimated value of the property of \$650,096 and another broker estimated the total property value at \$863,000. The average of these two estimates is included in the chart below.

	<b>Western Land Purchase Price</b>	<b>Amount Raised From Investors</b>	<b>Excess Proceeds Raised by Western</b>	<b>Excess Proceeds %</b>	<b>2015 Average Valuation</b>
Valley Vista Partners	N/A	\$740,000	N/A	N/A	\$243,218
Bratton View Partners	N/A	\$755,400	N/A	N/A	\$270,236
Honey Springs Partners	N/A	\$841,000	N/A	N/A	\$243,094
	N/A	\$2,336,400	N/A	N/A	\$756,548

**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 Bratton Valley 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 \$1,769,400 in estimated excess proceeds (as described above) received by Western is estimated to have been spent as follows:

	<b>Average % Paid</b>	<b>Estimated Amount Paid</b>
Payments to Schooler	21%	\$378,499
Sales Commissions	15%	\$273,671
Payroll - Other	17%	\$308,905
Operating Expenses	21%	\$372,246
Western Investments in GPs	9%	\$160,613
Income Taxes	6%	\$99,453
Payments to Related Parties	6%	\$101,925
Payments to Escrow Companies	4%	\$74,089
	100%	\$1,769,400

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](http://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 BRATTON VALLEY PROPERTY GPS

Listed below are the current and projected cash balances for the Bratton Valley Property GPS.

	<b>Cash as of 1/1/2015</b>	<b>Est 2015 &amp; 2016 Receipts</b>	<b>Est 2015 &amp; 2016 Expenses</b>	<b>Estimated Cash as of 12/31/2016</b>	<b>Percentage of Operational Bills Paid Since 2013</b>
Valley Vista Partners	\$4,368	\$0	(\$17,996)	(\$13,628)	23%
Bratton View Partners	\$6,334	\$0	(\$54,261)	(\$47,927)	37%
Honey Springs Partners	\$4,315	\$0	(\$24,740)	(\$20,425)	26%
	\$15,017	\$0	(\$96,997)	(\$81,980)	27%

No receipts are received on these properties. Expenses consist primarily of administrators, tax preparation, property tax and bond payments, insurance, and operational loan payments due to Western for advances made to two of the GPS to pay prior operating expenses. Attached as Exhibit "A" are actual and estimated receipts and disbursements for 2014, 2015 and 2016 for each GP. The 3 GPS that comprise Bratton Valley are all projected to not have sufficient cash to pay their operating expenses through 2015 - 2016. Operational billings to date have only raised 27% of the amounts billed to 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 administrative costs, property tax and bond payments, operational loan payments and other operating expenses. Accordingly, a capital call will be sent out shortly to all of the investors in the Bratton Valley Property GPS to fund these projected deficiencies.

The GPS have historically only raised 27% from investors since 2013 to pay expenditures for the Bratton Valley Properties. If this historic percentage of operational billing payments holds true for the capital call, and sufficient capital is not raised, the Bratton Valley Properties will be sold, subject to Court approval of the sale terms.

Due to the unique structure of the Bratton Valley GPS (each GP owns a distinct property, and no co-tenancy exists), it is possible that the GPS 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 average valuation. The estimated net sale proceeds are based on the existing 2015 average valuations (less cost of sale).

As previously mentioned, the Bratton Valley GPs have little remaining cash, and previous operation billings or cash calls have not raised significant funds. Accordingly, these GPs are not expected to be able to remain operational through 2015. 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 Bratton Valley 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.

	<b>Estimated Net Sale Proceeds</b>	<b>GP Notes Payable to Western</b>	<b>Outstanding Balance on Mortgages</b>	<b>Estimated Cash Proceeds to GPs from Sale</b>
Valley Vista Partners	\$226,193	\$0	\$0	\$226,193
Bratton View Partners	\$251,319	\$0	\$0	\$251,319
Honey Springs Partners	\$226,077	\$0	\$0	\$226,077
	\$703,590	\$0	\$0	\$703,590

Sincerely,



Thomas C. Hebrank, CPA, CIRA  
Receiver

# **EXHIBIT “A”**

## Valley Vista

### 2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	8,632	4,368	(4,477)
<b>Receipts</b>			
Investor Operational Contributions	4,451	-	-
2013 Cleared Deposits	1,242		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
<b>Total Receipts</b>	<u>5,694</u>	<u>-</u>	<u>-</u>
<b>Disbursements</b>			
Administrator Fees	2,250	1,450 <sup>1</sup>	1,200
K-1 Preparation	575	2,242 <sup>2</sup>	2,800
Property Taxes/Bond Payments	6,203	3,277	3,277
Insurance	600	650	650
Office Supplies	212	225	225
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	117	1,000 <sup>3</sup>	1,000
Operational Loan Repayment	-	-	-
Note Repayment to Western	-	-	-
<b>Total Disbursements</b>	<u>9,957</u>	<u>8,844</u>	<u>9,152</u>
Ending Cash Balance	<u>4,368</u>	<u>(4,477)</u>	<u>(13,629)</u>
<b>Amount to be Billed</b>			<b>13,629</b>

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

<sup>2</sup> 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.

<sup>3</sup> This amount is included for budgetary reasons but is not expensed if not used.

## Bratton View

### 2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	7,770	4,315	(8,386)
<b>Receipts</b>			
Partner Operational Contributions	6,915	-	-
2013 Cleared Deposits	1,365		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
<b>Total Receipts</b>	<b>8,280</b>	<b>-</b>	<b>-</b>
<b>Disbursements</b>			
Administrator Payroll	2,400	1,450	<sup>1</sup> 1,200
K-1 Preparation	600	3,040	<sup>2</sup> 2,800
Property Taxes/Bond Payments	4,984	3,403	3,232
Insurance	615	650	650
Office Supplies	64	75	75
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	73	1,000	<sup>3</sup> 1,000
Operational Loan Repayment	3,000	3,083	<sup>4</sup> 3,083
Note Repayment to Western	-	-	-
<b>Total Disbursements</b>	<b>11,736</b>	<b>12,701</b>	<b>12,039</b>
Ending Cash Balance	4,315	(8,386)	(20,426)
<b>Amount to be Billed</b>			<b>20,426</b>

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

<sup>2</sup> 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.

<sup>3</sup> This amount is included for budgetary reasons but is not expensed if not used.

<sup>4</sup> The Partnership owes \$9,249 in past due operational loans, but the Receiver is only attempting to pay down \$3,083 this year. At this rate the loan will be paid off in three years.



## Honey Springs

### 2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	14,035	6,334	(20,869)
<b>Receipts</b>			
Investor Operational Contributions	15,956	-	-
Misc. Receipts	-	-	-
Investor Note Payments	-	-	-
<b>Total Receipts</b>	<u>15,956</u>	<u>-</u>	<u>-</u>
<b>Disbursements</b>			
Administrator Fees	2,400	1,450 <sup>1</sup>	1,200
K-1 Preparation	590	1,942 <sup>2</sup>	2,800
Property Taxes/Bond Payments	19,811	13,597	12,844
Insurance	600	600	600
Office Supplies	165	175	175
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	91	1,000 <sup>3</sup>	1,000
Operational Loan Repayment	-	8,439 <sup>4</sup>	8,439
Note Repayment to Western	-	-	-
<b>Total Disbursements</b>	<u>23,657</u>	<u>27,203</u>	<u>27,058</u>
Ending Cash Balance	<u>6,334</u>	<u>(20,869)</u>	<u>(47,927)</u>
<b>Amount to be Billed</b>			<b>47,927</b>

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

<sup>2</sup> 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.

<sup>3</sup> This amount is included for budgetary reasons but is not expensed if not used.

<sup>4</sup> The Partnership owes \$42,149 in past due operational loans, but the Receiver is only attempting to pay down \$8,439 this year. At this rate the loan will be paid off in five years.