



August 24, 2015

Jamul Valley Property Information Packet

- Jamul Meadows Partners (1988)
- Lyons Valley Partners (1988)
- Hidden Hills 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 (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 (1988 or before). In 1988, Western formed 3 underlying partnerships, each with a 33.3% undivided interest in the property. Western raised \$2,315,200 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 \$561,942 for the property, or \$1,753,258 less than the partnerships paid for the land.

The Jamul 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 who provided broker opinions of value in August 2015. One broker provided a total estimated value of the property of \$490,760 and another broker estimated the total property value at \$550,000.

The average of these two estimates of \$520,380 is included in the chart below. In 2013, an appraisal obtained by the Receiver valued the properties at \$395,000.

The Receiver previously received an unsolicited letter of intent regarding the purchase of the property. This is further discussed later in this report.

	Western Land Purchase Price	Amount Raised From Investors	Excess Proceeds Raised by Western	Excess Proceeds %	2015 Average Valuation
Jamul Meadows Partners	N/A	\$734,400	N/A	N/A	\$173,460
Lyons Valley Partners	N/A	\$771,100	N/A	N/A	\$173,460
Hidden Hills Partners	N/A	\$809,700	N/A	N/A	\$173,460
	N/A	\$2,315,200	N/A	N/A	\$520,380

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 Jamul 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 \$1,753,258 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%	\$375,046
Sales Commissions	15%	\$271,175
Payroll - Other	17%	\$306,086
Operating Expenses	21%	\$368,850
Western Investments in GPs	9%	\$159,147
Income Taxes	6%	\$98,545
Payments to Related Parties	6%	\$100,995
Payments to Escrow Companies	4%	\$73,413
	100%	\$1,753,258

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 JAMUL VALLEY PROPERTY GPS

Listed below are the current and projected cash balances for the Jamul Valley 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
Jamul Meadows Partners	\$8,712	\$16	(\$43,535)	(\$34,807)	22%
Lyons Valley Partners	\$17,389	\$4,215	(\$54,473)	(\$32,869)	46%
Hidden Hills Partners	\$2,993	\$604	(\$56,121)	(\$52,524)	18%
	\$29,094	\$4,835	(\$154,129)	(\$120,200)	28%

The receipts consist of investor operational contributions. Expenses consist primarily of administrative expenses, tax preparation, insurance, loan payments due to Western for financed investments and most significantly, property tax and bond payments. Attached as Exhibit "A" are actual and estimated receipts and disbursements for 2014, 2015 and 2016 for each GP. The 3 GPS that comprise Jamul Valley are all projected to not have sufficient cash to pay their operating expenses through 2015 – 2016, and with all three GPS projected to run out of cash in 2015. Operational billings to date have only raised 28% 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. In fact, the Jamul Valley GPS are already approximately \$14,000 delinquent in the payment of property taxes. Accordingly, a capital call will be sent out shortly to all of the investors in the Jamul Valley Property GPS to fund these projected deficiencies, dependent upon the results of the purchase offer received, as discussed in greater detail below.

The GPS have historically only raised 28% from investors since 2013 to pay expenditures for the Jamul Valley Properties. If this historic percentage of operational billing payments holds true for the capital call, and sufficient capital is not raised, the Jamul Valley 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 Jamul Valley, in which each 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. 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 GPS 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.

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 Jamul Valley 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 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 Jamul 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. Investors are strongly advised to consider the current valuations of the properties when considering whether or not to invest additional cash into these GPs.

	Estimated Net Sale Proceeds	GP Notes Payable to Western	Outstanding Balance on Mortgages	Estimated Cash Proceeds to GPs from Sale
Jamul Meadows Partners	\$161,318	\$0	\$0	\$161,318
Lyons Valley Partners	\$161,318	(\$67,229)	\$0	\$94,089
Hidden Hills Partners	\$161,318	(\$85,055)	\$0	\$76,263
	\$483,953	(\$152,284)	\$0	\$331,669

V. LETTER OF INTENT TO PURCHASE

As previously mentioned, the Receiver received an unsolicited letter of intent (“LOI”) to purchase the Jamul Valley property in February 2015. As previously directed by the Court, the LOI was reported to the Court along with the Receiver’s recommendation regarding the LOI. The Court directed that the Receiver inform the investors in the Jamul Valley GPs of the LOI, and conduct a vote of the investors as to whether to pursue the offer. A vote was conducted, and a majority of the eligible voting interests in Lyons Valley voted to retain the property. Neither Jamul Meadows nor Hidden Hills had a majority to either sell or retain the property. However, Hidden Hills had more voting interests in favor of selling, and Jamul Meadows had more voting interests in favor of retaining.

The Court has directed that the details regarding this information be kept confidential, so the Receiver's recommendations, amounts of the offer and the Court's order have not been included in this analysis. At this time, the Receiver continues to pursue various options regarding a potential sale of the Jamul Valley property, and will further report to the Court and investors the results of this activity.

Sincerely,

A handwritten signature in blue ink that reads "Thomas C Hebrank". The signature is fluid and cursive, with the first letter of "Thomas" being a large capital 'T'.

Thomas C. Hebrank, CPA, CIRA
Receiver

EXHIBIT “A”

Jamul Meadows

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	2,567	8,712	(23,908)
Receipts			
Partner Operational Contributions	11,480	16	-
2013 Cleared Deposits	(111)		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
Total Receipts	11,369	16	-
Disbursements			
Administrator Payroll	1,950	1,450	¹ 1,200
K-1 Preparation	680	3,193	² 2,800
Property Taxes/Bond Payments	1,934	26,393	³ 5,273
Insurance	337	350	375
Office Supplies	238	250	250
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	84	1,000	⁴ 1,000
Operational Loan Repayment	-	-	-
GP Note Owed to Western	-	-	-
Total Disbursements	5,223	32,637	10,898
Ending Cash Balance	8,712	(23,908)	(34,806)
Amount to be Billed			34,806

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 The amount in 2015 includes defaulted property taxes for 2013.

⁴ This amount is included for budgetary reasons but is not expensed if not used.

Lyons Valley

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	7,520	17,389	(16,188)
Receipts			
Partner Operational Contributions	16,025	4,215	-
2013 Cleared Deposits	11,480		
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
Total Receipts	<u>27,505</u>	<u>4,215</u>	<u>-</u>
Disbursements			
Administrator Payroll	2,400	1,450	¹ 1,200
K-1 Preparation	650	1,400	² 2,800
Property Taxes/Bond Payments	7,306	26,393	³ 5,273
Insurance	337	350	375
Office Supplies	212	225	225
Appraisal	-	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	92	1,000	⁴ 1,000
Operational Loan Repayment	5,300	1,165	⁵ -
GP Note Owed to Western	1,339	5,808	⁶ 5,808
Total Disbursements	<u>17,637</u>	<u>37,792</u>	<u>16,681</u>
Ending Cash Balance	<u>17,389</u>	<u>(16,188)</u>	<u>(32,870)</u>
Amount to be Billed			32,870

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 The amount in 2015 includes defaulted property taxes for 2013.

⁴ This amount is included for budgetary reasons but is not expensed if not used.

⁵ 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.

⁶ The Partnership owes \$29,042 in past due notes, but the Receiver is only attempting to pay down \$5,808 this year. At this rate the full balance should be paid in five years.

Hidden Hills

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	15,624	2,993	(36,346)
Receipts			
Partner Operational Contributions	6,920	604	-
2013 Cleared Deposits	5,387	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	-	-	-
Total Receipts	12,307	604	-
Disbursements			
Administrator Payroll	2,400	1,450	¹ 1,200
K-1 Preparation	560	3,795	² 1,400
Property Taxes/Bond Payments	7,306	26,393	³ 5,273
Insurance	337	294	294
Office Supplies	305	325	325
Appraisal	111	-	-
State and Local Entity Filings	-	-	-
Income Taxes	-	-	-
Miscellaneous	103	1,000	⁴ 1,000
Operational Loan Repayment	11,607	-	⁵ -
GP Note Owed to Western	2,207	6,686	⁶ 6,686
Total Disbursements	24,938	39,943	16,178
Ending Cash Balance	2,993	(36,346)	(52,524)
Amount to be Billed			52,524

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 The amount in 2015 includes defaulted property taxes for 2013.

⁴ This amount is included for budgetary reasons but is not expensed if not used.

⁵ 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.

⁶ The Partnership owes \$33,432 in past due notes, but the Receiver is only attempting to pay down \$6,686 this year. At this rate the full balance should be paid in five years.