



August 28, 2015 [Updated]

Stead Property Information Packet

- P-39 Aircobra Partners (2012) – 25%
- P-40 Warkhawk Partners (2012) – 25%
- F-86 (2012) – 0%*
- F-100 – 0%*
- Western Financial Planning – 50%*

* Western was in the process of selling interests in F-86 at the time of the receivership. F-100 had been formed, but no investor interests had been sold. No property interests were ever transferred to F-86 or F-100, so Western still retains a 50% interest in the property.

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. The Court specifically decided there was a misrepresentation in Western's brochure regarding the fair market value of the Stead property in June 2015.

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 Stead land in April 2010 for a purchase price of \$1,847,846. In 2012, Western formed 4 underlying partnerships, with each intended to have a 25% undivided interest in the property. Western sold all investor interests in P-39 Aircobra and P-40 Warhawk in 2012, and transferred a 25% property interest to each of these two GPs. Western was in the process of selling interests in F-86 at the time of the receivership, but the interests were not fully sold and therefore a 25% property interest had not been transferred to F-86. A fourth GP, F-100 was never fully formed and no investor interests in this GP were sold. Accordingly, Western still retains a 50% undivided interest in the property (the shares that would have gone to F-86 and F-100 had their investor interests been fully sold).

Western had raised a total of \$5,959,214 from investors in P-39 Aircobra, P-40 Warhawk, and F-86 at the time of the receivership, or \$4,573,330 (330%) more than it paid for the land. Western transferred \$5,156,599 of the funds raised to itself. As previously mentioned, Western's soliciting of investors for Stead was halted by the receivership, thus preventing additional investor funds from being raised. An outside appraisal obtained in August 2015 valued the property at \$420,000. A previous appraisal obtained in 2013 valued the property at \$395,000. This is outlined in the chart below.

	Western Land Purchase Price	Amount Raised From Investors	Excess Proceeds Raised by Western	Excess Proceeds %	2015 Appraised Value
P-39 Aircobra Partners	\$461,962	\$2,504,300	\$2,042,339	442%	\$105,000
P-40 Warhawk Partners	\$461,962	\$2,579,400	\$2,117,438	458%	\$105,000
F-86 Partners	\$461,961	\$875,514	\$413,553	90%	\$105,000
	\$1,385,885	\$5,959,214	\$4,573,330	330%	\$315,000

Note: The above chart assumes F-86 has a 25% interest in the Stead property, which would be subject to Court approval since the transfer of an interest in the property never occurred. It also excludes the F-100 GP that was formed, but no investor interests were ever sold. Their intended 25% property interest has been deducted from the Western purchase price and appraised value amounts listed on this chart.

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 Stead 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 \$4,573,330 in excess proceeds received by Western is estimated to have been spent as follows:

	Average % Paid	Estimated Amount Paid
Payments to Schooler	21%	\$978,297
Sales Commissions	15%	\$707,353
Payroll - Other	17%	\$798,419
Operating Expenses	21%	\$962,135
Western Investments in GPs	9%	\$415,132
Income Taxes	6%	\$257,053
Payments to Related Parties	6%	\$263,443
Payments to Escrow Companies	4%	\$191,497
	100%	\$4,573,330

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 STEAD PROPERTY GPS

Listed below are the current and projected cash balances for the Stead 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
P-39 Aircobra Partners	\$132,287	\$35,270	(\$74,036)	\$93,521	N/A
P-40 Warhawk Partners	\$155,474	\$46,688	(\$72,877)	\$129,285	N/A
F-86 Partners	\$66,116	\$0	(\$0)	\$66,116	N/A
	\$353,877	\$81,958	(\$146,913)	\$288,922	N/A

The receipts consist of investor note payments made by investors who financed a portion of their investments. Expenses consist primarily of administrative fees, tax preparation, property taxes, insurance, and most significantly, 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. All of the GPs are projected to have sufficient cash through 2016 to pay their operating expenses.

It is important to understand that, because of the co-tenancy structure for the Stead Property, in which each GP owns a percentage of the same land (and the further complicating factor that Western still owns the 25% property interests of the F-86 and F-100 GPs), the financial status of each GP can potentially affect the other GPs. If, for example, one GP in the group becomes unable to pay its operating expenses such as property taxes, the other GPs 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 or more of the Stead Partners GPs do not raise sufficient funds in a future capital call, investors in the remaining GPs will be given the opportunity to cover the shortfall in capital needed to pay expenses. Investors can also voluntarily contribute additional capital to the Stead Property GPs if needed, 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 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. The chart below excludes the F-100 GP that was formed, but no investor interest were ever sold.

The results below indicate that a sale of the property would result in a loss to the two fully formed GPs, P-39 Aircobra and P-40 Warhawk. The Court has not yet determined what portion of the sale proceeds from the property would be allocated to F-86. The chart below reflects a 25% property interest as an assumed value for purposes of estimating value.

	Estimated Net Sale Proceeds	GP Notes Payable to Western	Outstanding Balance on Mortgages	Estimated Cash Proceeds to GPs from Sale
P-39 Aircobra Partners	\$97,650	(\$137,649)	\$0	(\$39,999)
P-40 Warhawk Partners	\$97,650	(\$145,613)	\$0	(\$47,963)
F-86 Partners	\$97,650	(\$41,400)	\$0	\$56,250
	\$292,950	(\$324,662)	\$0	(\$31,712)

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.

Thomas C. Hebrank, CPA, CIRA
Receiver

EXHIBIT “A”

P-39 & P-39 LLC

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	150,293	132,287	111,328
Receipts			
2013 Cleared Deposits	-	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	17,635	17,635	17,635
Total Receipts	17,635	17,635	17,635
Disbursements			
Administrator Payroll	4,800	2,200 ¹	1,200
K-1 Preparation	1,175	4,951 ²	2,800
Property Taxes/Bond Payments	1,527	1,459	1,459
Insurance	1,158	1,167	1,167
Office Supplies	214	250	250
Appraisal	-	-	-
State and Local Entity Filings	325	1,125	1,125
Income Taxes	800	800	800
Miscellaneous	-	1,000 ³	1,000
Note Repayment to Western	25,642	25,642 ⁴	25,642
Total Disbursements	35,641	38,594	35,442
Ending Cash Balance	132,287	111,328	93,521
Amount to be Billed			-

¹ In April 2015, the GPs will pay a small upfront fee to Lincolnproperty, but will see a considerable cost reduction 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.

P-40 & P-40 LLC

2014/2015/2016 Operational Summary and Estimated Operational Expenses

	Actual 2014	Actual / Projected 2015	Projected 2016
Beginning Cash Balance	167,296	155,474	140,495
Receipts			
2013 Cleared Deposits	-	-	-
Miscellaneous Receipts	-	-	-
Partner Note Payments	23,344	23,344	23,344
Total Receipts	23,344	23,344	23,344
Disbursements			
Administrator Payroll	5,200	2,200 ¹	1,200
K-1 Preparation	1,175	5,569 ²	2,800
Property Taxes/Bond Payments	1,527	1,459	1,459
Insurance	1,158	1,167	1,167
Office Supplies	227	250	250
Appraisal	-	-	-
State and Local Entity Filings	325	1,125	1,125
Income Taxes	800	800	800
Miscellaneous	-	1,000 ³	1,000
Note Repayment to Western	24,753	24,753 ⁴	24,753
Total Disbursements	35,166	38,323	34,554
Ending Cash Balance	155,474	140,495	129,284
Amount to be Billed			-

¹ In April 2015, the GPs will pay a small upfront fee to Lincoln Property, but will see a considerable reduction in 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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