

## **Walton Land Fund 4, LP: Same Scam as Walton Land Fund 3, LP**

By Craig McCann and Regina Meng

### **Introduction**

We have posted three notes highlighting Reg D abuse:

- *Walton Land Fund 3, LP: Laundering Fees and Fleecing Investors*, Craig McCann and Regina Meng, available at <https://www.slcg.com/resources/blog/699>.
- *HJ Sims Reg D Offerings: Heads, HJ Sims Wins - Tails, Their Investors Lose*, Craig McCann, Susan Song, Chuan Qin and Mike Yan available at [www.slcg.com/resources/blog/691](http://www.slcg.com/resources/blog/691)
- *“First National Realty Partners Reg D Offerings: Muppets Do Commercial Real Estate”* Craig McCann, Susan Song, Chuan Qin and Mike Yan available at [www.slcg.com/resources/blog/693](http://www.slcg.com/resources/blog/693).

We also published an extensive study of the unregistered Reg D securities markets:

- *“Regulation D Offerings: Issuers, Investors and Intermediaries”*, Craig McCann, Chuan Qin and Mike Yan, 2023 working paper, available at [www.slcg.com/files/research-papers/Reg\\_D\\_Offering.pdf](http://www.slcg.com/files/research-papers/Reg_D_Offering.pdf).

In this note, we provide a further example of Walton Group USA (“Walton”) Reg D abuse using private placement memoranda and audited financial statements for Walton Land Fund 4, LP (“WLF4”).

Our review of actual investor experience with Walton offerings is dramatically at odds with Walton’s representations of success.<sup>1</sup> Based on our review of WLF4 financial statements and previous review of Walton Land Fund 3, LP financial statements, the primary purpose of Walton’s offerings is to immediately make off with more than half the capital raised from uninformed investors with the assistance of unscrupulous brokers.

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<sup>1</sup> A 2019 Bloomberg article reported on Walton’s activities: “Investors Pumped Billions Into Suburbs That Never Got Built”, *Bloomberg* Michael Sasso, June 13, 2019, [www.bloomberg.com/news/articles/2019-06-13/-3-8-billion-bet-on-north-american-urban-sprawl-runs-aground](http://www.bloomberg.com/news/articles/2019-06-13/-3-8-billion-bet-on-north-american-urban-sprawl-runs-aground)

A stylized sketch of WLF4, LP is as follows.

- 48% of investors' capital raised is used to buy undeveloped land.
- 11% of investors' capital is paid to third-tier securities brokerage firms.
- 41% vanishes in payments to Walton:
  - 20.2% of investors' capital is taken by Walton upfront as an unaccounted finder's fee - 3% is taken by Walton "for making the opportunity available" and 17.2% is taken by for previously incurred operating expenses unrelated to LF\$.
  - An additional 21% of investors' contributed capital is set aside for Walton to withdraw as unaccounted management fees and expenses for virtually nonexistent services.
- Over time, Walton takes even more of investors' capital through additional expenses such as carried interest and a 3% disposition fee on land sales which are the only source of repayment to investors.

## Walton Land Fund 4, LP Private Placement Memorandum

The WLF4 PPM describes the offering and selectively summarizes results of past Walton Group offerings. The initial PPM’s Use of Proceeds table is reproduced below as Table 1. The initial WLF4 PPM reported that only 56.6% of investors’ capital invested would be invested in undeveloped land, 11% of investors’ capital was going to be paid to brokers as selling commissions and expense reimbursements and 33% of investors’ capital was to be taken by Walton.

**Table 1** Use of Proceeds, WLF4 PPM, Page 24.

ESTIMATED USE OF PROCEEDS						
The following table estimates the use of the Gross Proceeds to the Issuer from the Offering in the event 300,000 Units, 5,000,000 Units or 10,000,000 Units are sold in the Offering:						
	Assuming 300,000 Units		Assuming 5,000,000 Units		Assuming 10,000,000 Units	
	Amount	%	Amount	%	Amount	%
<b>Gross proceeds</b> .....	\$3,000,000	100.0%	\$50,000,000	100.0%	\$100,000,000	100.0%
<i>Organizational and Issue Costs:</i>						
Selling commissions <sup>(1)(3)</sup> .....	\$210,000	7.0%	\$3,500,000	7.0%	\$7,000,000	7.0%
Selling Group members’ fee <sup>(2)(3)</sup> .....	\$90,000	3.0%	\$1,500,000	3.0%	\$3,000,000	3.0%
Offering Expenses <sup>(4)</sup> .....	\$27,086	0.9%	\$451,435	0.9%	\$902,870	0.9%
<b>Net proceeds<sup>(5)</sup></b> .....	\$2,672,914	89.1%	\$44,548,565	89.1%	\$89,097,130	89.1%
<b>Use of Net proceeds:</b>						
<i>Land and Reserves</i>						
Land and third-party Reserves .....	\$1,698,916	56.6%	\$28,350,206	56.6%	\$56,700,413	56.6%
Management Fee <sup>(6)</sup> .....	\$368,678	12.3%	\$6,144,630	12.3%	\$12,289,259	12.3%
Operating Expenses of Walton USA .....	\$515,321	17.2%	\$8,588,677	17.2%	\$17,177,353	17.2%
Sponsor Fee of Walton USA .....	\$90,000	3.0%	\$1,500,000	3.0%	\$3,000,000	3.0%
<b>Net proceeds</b> .....	2,672,914	89.1%	\$44,548,565	89.1%	\$89,097,130	89.1%

In addition, if properties are sold at a profit, Walton would take 40% of any proceeds beyond what was necessary to provide investors with a return of capital and a 10.5% noncumulative return (preferred amount) on a *per property* basis. Thus, even if WLF4 investors never received any distributions and lost most of their money, if one property sold at a substantial profit, Walton could take additional fees as *carried interest*. Walton also planned to take 3% of any land sales proceeds.

The 17.2% “Operating Expenses of Walton USA” and the 3% “Sponsor Fee” totaling a contemplated \$20 million are simply lump sums Walton takes out of the LF4 net proceeds through markups it adds to the arms-length cost of properties bought by a Walton affiliate. The 35.6% markup of land prices in riskless transactions by Walton USA comes

directly at the expense of WLF4 investors. [Walton USA eventually marked up the land it purchased into WLF4 by 46.4%, not 35.6%.]

## WLF4 Raises Capital and Buys its First Properties

### *Southern Trails*

When Walton published the First Supplement Dated August 9, 2013, one investment property, Southern Trails, had been identified. Walton increased the amount of investors' capital it was intending to take for itself and reduced the amount it was intending to use to buy undeveloped land. It still listed a 3% Sponsor Fee in the Use of Proceeds table reproduced as Table 2 but effectively increased its management fee from 12.3% to 15.2%. Only 53.7% of investors' capital invested would be invested in land and Walton was going to take at least 35.4% of investors' capital for itself.

**Table 2 First Supplement, August 9, 2013; More kept by Walton, Less for Investors**  
(red annotations were added)

Projected Use of Proceeds (assuming sufficient Units are sold)		
	Southern Trails Property	
	Amount	%
<b>Gross proceeds</b>	\$17,930,000	100.0%
<i>Organizational and Issue Costs:</i>		
Selling Commissions	\$ 1,255,100	7.0%
Selling Group members' fee	\$ 537,900	3.0%
Offering Expenses	\$ 161,885	0.9%
<b>Net proceeds</b>	\$15,975,115	<b>89.1%</b>
<b>Land and Reserves:</b>		<b>68.9%</b>
<i>Acquisition of Property:</i>		
Acquisition of interest in Property *	\$ 9,620,113	53.7%
<i>Reserve items:</i>		
Concept Planning expenses	\$ 760,187	4.2%
Issuer expenses	\$ 265,373	1.5%
Management Fee **	\$ 1,711,620	9.5%
<b>Operating Expenses of Walton USA</b>	\$ 3,079,922	<b>17.2%</b>
<b>Sponsor Fee to Walton USA</b>	\$ 537,900	<b>3.0%</b>
<b>Net proceeds:</b>	\$15,975,115	<b>89.1%</b>

***Harvest Grove South***

Walton updated the LF4 Use of Proceeds, reproduced as Table 3, on October 22, 2013 and identified a second land purchase, Harvest Grove South. Walton further increased the amount of investors' capital it was intending to take for itself, reduced the amount it was intending to spend on land to 50.8%, increased its management fee from 15.2% to 18.0% (on top of the 20.2% of investors' capital Walton was taking as property markups).

**Table 3 Second Supplement, October 22, 2013; Much Worse for Investors**  
(red annotations were added)

Projected Use of Proceeds (assuming sufficient Units are sold)				
	Harvest Grove South Property		Cumulative (2 Properties)**	
	Amount	%	Amount	%
<b>Gross proceeds</b>	\$ 11,050,000	100.0%	\$ 28,980,000	100.0%
<i>Organizational and Issue Costs:</i>				
Selling Commissions	\$ 773,500	7.0%	\$ 2,028,600	7.0%
Selling Group members' fee	\$ 331,500	3.0%	\$ 869,400	3.0%
Offering Expenses	\$ 99,767	0.9%	\$ 261,652	0.9%
<b>Net proceeds</b>	\$ 9,845,233	<b>89.1%</b>	\$ 25,820,348	<b>89.1%</b>
<b>Land and Reserves:</b>		<b>68.9%</b>		<b>68.9%</b>
<i>Acquisition of Property:</i>				
Acquisition of interest in Property *	\$ 5,104,756	46.2%	\$ 14,724,869	50.8%
<i>Reserve items:</i>				
Concept Planning expenses	\$ 813,913	7.4%	\$ 1,574,100	5.4%
Issuer expenses	\$ 965,679	8.7%	\$ 1,231,052	4.2%
Management Fee **	\$ 729,277	6.6%	\$ 2,440,897	8.4%
<b>Operating Expenses of Walton USA</b>	\$ 1,900,108	<b>17.2%</b>	\$ 4,980,030	<b>17.2%</b>
<b>Sponsor Fee to Walton USA</b>	\$ 331,500	<b>3.0%</b>	\$ 869,400	<b>3.0%</b>
<b>Net proceeds:</b>	\$ 9,845,233	<b>89.1%</b>	\$ 25,820,348	<b>89.1%</b>

The Harvest Grove South purchase was dramatically worse than the already shameful Southern Trails purchase. With Southern Trails, 53.7% of investors' capital went to purchase land and 35.4% was kept by Walton for itself. With Harvest Grove, only 46.2% went to purchase land and Walton increased its take from 35.4% to 42.9%.

**West Creek**

Walton updated the LF4 Use of Proceeds, reproduced as Table 4, nine days later on October 31, 2013 and identified a third land purchase, West Creek. Walton further increased the amount of investors' capital it was intending to take for itself, reduced the amount it was intending to spend on land to 50.0% and increased its management fee from 18.0% to 19.0% (on top of the 20.2% of investors' capital Walton was taking as property markups).

Only 50.0% of investors' capital invested would be invested in land and Walton was going to take at least 39.1% of investors' capital for itself.

**Table 4 Third Supplement, October 31, 2013**

(red annotations were added)

Projected Use of Proceeds (assuming sufficient Units are sold)				
	West Creek Property		Cumulative (3 Properties)***	
	Amount	%	Amount	%
<b>Gross proceeds</b>	\$12,520,000	100.0%	\$41,535,000	100.0%
<i>Organizational and Issue Costs:</i>				
Selling Commissions	\$ 876,400	7.0%	\$ 2,907,450	7.0%
Selling Group members' fee	\$ 375,600	3.0%	\$ 1,246,050	3.0%
Offering Expenses	\$ 113,039	0.9%	\$ 375,007	0.9%
<b>Net proceeds</b>	\$11,154,961	<b>89.1%</b>	\$37,006,493	<b>89.1%</b>
<b>Land and Reserves:</b>		<b>68.9%</b>		<b>68.9%</b>
<i>Acquisition of Property:</i>				
Acquisition of interest in Property *	\$ 6,026,269	48.1%	\$20,773,675	50.0%
<i>Reserve items:</i>				
Concept Planning expenses	\$ 403,228	3.2%	\$ 1,977,328	4.8%
Issuer expenses	\$ 1,000,098	8.0%	\$ 2,231,392	5.4%
Management Fee **	\$ 1,195,174	9.5%	\$ 3,638,380	8.8%
<b>Operating Expenses of Walton USA</b>	\$ 2,154,592	<b>17.2%</b>	\$ 7,139,668	<b>17.2%</b>
<b>Sponsor Fee to Walton USA</b>	\$ 375,600	<b>3.0%</b>	\$ 1,246,050	<b>3.0%</b>
<b>Net proceeds:</b>	\$11,154,961	<b>89.1%</b>	\$37,006,493	<b>89.1%</b>

19.0%

**York Farm**

Walton updated the LF4 Use of Proceeds on March 10, 2014, reproduced as Table 5, and identified a fourth land purchase, York Farm. Even considering Walton’s demonstrated lack of ethics, the York Farm transaction is appalling. After 10.9% is paid to the brokerage industry, only 42.4% of investor capital was going to purchase York Farm and 46.7% was going to be kept by Walton.

**Table 5 Fifth Supplement, March 10, 2014** (red annotations were added)

Projected Use of Proceeds (assuming sufficient Units are sold)				
	York Farm Property		Cumulative (4 Properties)***	
	Amount	%	Amount	%
<b>Gross proceeds</b>	\$19,665,000	100.0%	\$61,200,000	100.0%
<i>Organizational and Issue Costs:</i>				
Selling Commissions	\$ 1,376,550	7.0%	\$ 4,284,000	7.0%
Selling Group members' fee	\$ 589,950	3.0%	\$ 1,836,000	3.0%
Offering Expenses	\$ 177,549	0.9%	\$ 552,556	0.9%
<b>Net proceeds</b>	\$17,520,951	<b>89.1%</b>	\$54,527,444	<b>89.1%</b>
<b>Land and Reserves:</b>		<b>68.9%</b>	<b>68.9%</b>	
<i>Acquisition of Property:</i>				
Acquisition of interest in Property *	\$ 8,334,188	42.4%	\$29,107,863	47.6%
<i>Reserve items:</i>				
Concept Planning expenses	\$ 1,653,583	8.4%	\$ 3,630,911	5.9%
Issuer expenses	\$ 1,411,208	7.2%	\$ 3,642,600	6.0%
Management Fee **	\$ 2,151,696	10.9%	\$ 5,790,076	9.5%
<b>Operating Expenses of Walton USA</b>	\$ 3,380,326	<b>17.2%</b>	\$10,519,994	<b>17.2%</b>
<b>Sponsor Fee to Walton USA</b>	\$ 589,950	<b>3.0%</b>	\$ 1,836,000	<b>3.0%</b>
<b>Net proceeds:</b>	\$17,520,951	<b>89.1%</b>	\$54,527,444	<b>89.1%</b>

21.4%

**Rock Creek**

Walton updated the LF4 Use of Proceeds on April 30, 2014, reproduced as Table 6, and identified a fifth land purchase, Rock Creek. With this update, Walton further reduced the amount it was spending on land to 48.0% and increased the amount of investors' capital it was taking for itself to 41.1%, increasing its management fee from 19.0% to 20.9%.

**Table 6 Sixth Supplement, April 30, 2014.** (red annotations were added)

Projected Use of Proceeds (assuming sufficient Units are sold)				
	Rock Creek Property		Cumulative (5 Properties)***	
			Amount	%
<b>Gross proceeds</b>	\$23,960,000	100.0%	\$85,160,000	100.0%
<i>Organizational and Issue Costs:</i>				
Selling Commissions	\$ 1,677,200	7.0%	\$ 5,961,200	7.0%
Selling Group members' fee	\$ 718,800	3.0%	\$ 2,554,800	3.0%
Offering Expenses	\$ 216,328	0.9%	\$ 768,884	0.9%
<b>Net proceeds</b>	\$21,347,672	<b>89.1%</b>	\$75,875,116	<b>89.1%</b>
<b>Land and Reserves:</b>		<b>68.9%</b>		<b>68.9%</b>
<i>Acquisition of Property:</i>				
Acquisition of interest in Property *	\$11,736,500	49.0%	\$40,844,363	48.0%
<i>Reserve items:</i>				
Concept Planning expenses	\$ 1,263,498	5.3%	\$ 4,894,409	5.7%
Issuer expenses	\$ 570,279	2.4%	\$ 4,212,879	4.9%
Management Fee **	\$ 2,944,506	12.3%	\$ 8,734,582	10.3%
<b>Operating Expenses of Walton USA</b>	\$ 4,114,089	<b>17.2%</b>	\$14,634,083	<b>17.2%</b>
<b>Sponsor Fee to Walton USA</b>	\$ 718,800	<b>3.0%</b>	\$ 2,554,800	<b>3.0%</b>
<b>Net proceeds:</b>	\$21,347,672	<b>89.1%</b>	\$75,875,116	<b>89.1%</b>

20.9%

By April 2014, WLF4 had raised \$85 million from investors to purchase \$41 million in five undeveloped properties, paying roughly \$9 million to third-tier brokerage firms and keeping \$35 million for itself.

**Bellehaven**

We do not have a seventh supplement to the WLF4 PPM but see from subsequent WLF4 documents that WLF4 raised an additional \$8,859,210, paid \$885,921 to the brokerage industry, purchased a sixth property – Bellehaven – for \$6,134,264 from a Walton affiliate who had recently paid \$4,409,125 for the property and put the remaining \$1,839,025 aside for Walton to take for itself.



## Property Records Document Walton’s Inflating Property Values

A reader of the Walton Land Fund 4, LP PPM and supplements could not fully appreciate the price gouging Walton intended to engage in or that these transfers from investors to Walton for worthless services would be laundered through property deeds to inflate the properties’ fair value subsequently reported on audited financial statements.

According to land deed records and WLF4 financial statements, WLF4 bought 95% of six properties from Walton entities for \$64,073,467 – 39.1% more than the \$46,054,931 which Walton had nearly simultaneously paid for 100% of the properties in arms-length transactions. This amounts to a 46.4% markup per acre.

**Table 7 WLF4 Property Holdings, December 31, 2014**

Investment Description	Property Location	Acreage	From Walton Affiliates to Land Fund 4			From 3rd Party to Walton Affiliates			Mark-up
			Date Acquired	Cost of 95% Undivided Interest	Cost per Acre	Date Acquired	100% Interest Purchased by Walton	Cost per Acre	
Harvest Grove South	Hillsborough County, FL	280.49	10/24/2013	\$7,364,997	\$27,640	10/4/2013	\$5,064,527	\$18,056	53%
West Creek	San Bernardino County, CA	178.40	12/31/2013	\$8,556,460	\$50,487	10/30/2013	\$6,250,000	\$35,500	42%
Southern Trails	Pinal County, AZ	416.93	2/7/2014	\$13,237,936	\$33,422	12/12/2013	\$9,797,879	\$23,500	42%
York Farms	York County, SC	677.31	4/24/2014	\$12,210,421	\$18,977	3/24/2014	\$8,533,400	\$12,500	52%
Rock Creek Ranch	Tarrant County, TX	922.76	6/19/2014	\$16,569,389	\$18,901	3/24/2014	\$12,000,000	\$13,000	45%
Bellehaven	Williamson County, TN	251.16	7/31/2014	\$6,134,264	\$25,709	7/28/2014	\$4,409,125	\$17,555	46%
				<b>\$64,073,467</b>		<b>\$46,054,931</b>			<b>46.4%</b>

The Southern Trails transactions illustrate how Walton laundered expenses through property records into inflated financial statement values. Walton Arizona, LLC acquired 416.93 acres of vacant land located in Pinal County, AZ from I-10 & Korsten L.L.P. in March 2013 for \$9,797,879 (\$23,500/ac). See Figure 1a). Walton Arizona, LLC sold 95% interest in the same 416.93 acres of vacant land to Walton U.S. Land Fund 4 for \$13,237,936 (\$33,422/ac) in two transactions. See Figure 1b).

Figure 1 Pinal County Records Reflecting Southern Trails Transactions

a) Arms-Length Transaction for \$23,500 per acre

**AFFIDAVIT OF PROPERTY VALUE**

1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(S)  
Primary Parcel: 505-11-0050-2  
Does this sale include any parcels that are being split/divided? Check one: Yes  No

2. SELLER'S NAME AND ADDRESS:  
110 S. Camelback Rd., Ste. 400  
Phoenix, AZ 85015

3. BUYER'S NAME AND ADDRESS:  
Walton Arizona, LLC  
4900 N. Scottsdale Rd., Ste. 4000  
Scottsdale, AZ 85251

4. ADDRESS OF PROPERTY:  
Vacant Land

5. MAIL TAX BILL TO:  
Walton Arizona, LLC  
4900 N. Scottsdale Rd. Suite 4000  
Scottsdale, AZ 85251

6. PROPERTY TYPE (or Primary Parcel):  
a. Vacant Land  b. Commercial or Industrial Use   
c. Single Family Residence  d. Agriculture   
e. Condo or Townhouse  f. Mobile or Manufactured Home   
g. 2-4 Plex  h. Other Use, Specify:

7. RESIDENTIAL BUYER'S USE: If you checked b, c, d, or h in item 6 above, please check one of the following:  
a. To be used as a primary residence.  b. Owner occupied, not a primary residence.   
c. To be rented to someone other than a family member.

8. If you checked e or f in item 6 above, indicate the number of units:  
For Apartments, Hotels, Mobile Home / RV Parks, etc.

9. TYPE OF DEED OR INSTRUMENT (Check Only One Box):  
a. Warranty Deed  b. Contract or Agreement   
c. Special Warranty Deed  d. Quit Claim Deed   
e. Joint Tenancy Deed  f. Other:

10. SALE PRICE: \$ 23,500.00

11. DATE OF SALE (Numeric Digits): 03/11/2014

12. DOWN PAYMENT: \$ 0.00

13. METHOD OF FINANCING:  
a. Cash (100% of Sale Price)  b. New loan(s) from financial institution:   
c. Barter or trade  d. Conventional   
e. Assumption of existing loan(s)  f. FHA   
g. Seller Loan (Carryback)  h. Other financing, Specify:

14. PERSONAL PROPERTY (see reverse side for definition):  
a. Did the Sale Price in item 10 include Personal Property that impacted the Sale Price by 5 percent or more? Yes  No   
b. If Yes, provide the dollar amount of the Personal Property: \$ 0.00 AND

15. PARTIAL INTEREST: If only a partial ownership interest is being sold, briefly describe the partial interest:

16. SOLAR / ENERGY EFFICIENT COMPONENTS:  
a. Did the Sale Price in item 10 include solar energy devices, energy efficient building components, renewable energy equipment or combined heat and power systems that impacted the Sale Price by 5 percent or more? Yes  No   
b. If Yes, briefly describe the solar / energy efficient components:

17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone Number):  
Marie D. Soja  
110 S. Camelback Road, Ste. 400  
Phoenix, AZ 85015  
Phone: (602) 967-8100

18. LEGAL DESCRIPTION (attach copy if necessary):  
See Exhibit "A" attached hereto and by this reference made a part hereof

Signature of Seller: Marie D. Soja  
Notary Public: Marie D. Soja  
Notary Exp. Date: 01/31/2015

b) Related-party transaction for \$33,422 per acre.

**AFFIDAVIT OF PROPERTY VALUE**

1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(S)  
Primary Parcel: 505-11-0050-2  
Does this sale include any parcels that are being split/divided? Check one: Yes  No

2. SELLER'S NAME AND ADDRESS:  
Walton Arizona, LLC  
4900 N. Scottsdale Rd., Ste. 4000  
Scottsdale, AZ 85251

3. BUYER'S NAME AND ADDRESS:  
WUSF 4 Southern Trails, LLC  
4800 N. Scottsdale Rd., Ste. 4000  
Scottsdale, AZ 85251

4. ADDRESS OF PROPERTY:  
Vacant Land

5. MAIL TAX BILL TO:  
Same as No. 3 above

6. PROPERTY TYPE (or Primary Parcel):  
a. Vacant Land  b. Commercial or Industrial Use   
c. Single Family Residence  d. Agriculture   
e. Condo or Townhouse  f. Mobile or Manufactured Home   
g. 2-4 Plex  h. Other Use, Specify:

7. RESIDENTIAL BUYER'S USE: If you checked b, c, d, or h in item 6 above, please check one of the following:  
a. To be used as a primary residence.  b. Owner occupied, not a primary residence.   
c. To be rented to someone other than a family member.

8. If you checked e or f in item 6 above, indicate the number of units:  
For Apartments, Hotels, Mobile Home / RV Parks, etc.

9. TYPE OF DEED OR INSTRUMENT (Check Only One Box):  
a. Warranty Deed  b. Contract or Agreement   
c. Special Warranty Deed  d. Quit Claim Deed   
e. Joint Tenancy Deed  f. Other:

10. SALE PRICE: \$ 5,781,460.00

11. DATE OF SALE (Numeric Digits): 02/11/2014

12. DOWN PAYMENT: \$ 0.00

13. METHOD OF FINANCING:  
a. Cash (100% of Sale Price)  b. New loan(s) from financial institution:   
c. Barter or trade  d. Conventional   
e. Assumption of existing loan(s)  f. FHA   
g. Seller Loan (Carryback)  h. Other financing, Specify:

14. PERSONAL PROPERTY (see reverse side for definition):  
a. Did the Sale Price in item 10 include Personal Property that impacted the Sale Price by 5 percent or more? Yes  No   
b. If Yes, provide the dollar amount of the Personal Property: \$ 0.00 AND

15. PARTIAL INTEREST: If only a partial ownership interest is being sold, briefly describe the partial interest:

16. SOLAR / ENERGY EFFICIENT COMPONENTS:  
a. Did the Sale Price in item 10 include solar energy devices, energy efficient building components, renewable energy equipment or combined heat and power systems that impacted the Sale Price by 5 percent or more? Yes  No   
b. If Yes, briefly describe the solar / energy efficient components:

17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone Number):  
Marie D. Soja  
110 S. Camelback Road, Ste. 4000  
Phoenix, AZ 85015  
Phone: (602) 264-1298

18. LEGAL DESCRIPTION (attach copy if necessary):  
See Exhibit "A" attached hereto and by this reference made a part hereof

Signature of Seller: Marie D. Soja  
Notary Public: Marie D. Soja  
Notary Exp. Date: 01/31/2015

**AFFIDAVIT OF PROPERTY VALUE**

1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(S)  
Primary Parcel: 505-11-0050-2  
Does this sale include any parcels that are being split/divided? Check one: Yes  No

2. SELLER'S NAME AND ADDRESS:  
Walton Arizona, LLC  
4900 N. Scottsdale Rd., Ste. 4000  
Scottsdale, AZ 85251

3. BUYER'S NAME AND ADDRESS:  
WUSF 4 Southern Trails, LLC  
4800 N. Scottsdale Rd., Ste. 4000  
Scottsdale, AZ 85251

4. ADDRESS OF PROPERTY:  
Vacant Land

5. MAIL TAX BILL TO:  
Same as No. 3 above

6. PROPERTY TYPE (or Primary Parcel):  
a. Vacant Land  b. Commercial or Industrial Use   
c. Single Family Residence  d. Agriculture   
e. Condo or Townhouse  f. Mobile or Manufactured Home   
g. 2-4 Plex  h. Other Use, Specify:

7. RESIDENTIAL BUYER'S USE: If you checked b, c, d, or h in item 6 above, please check one of the following:  
a. To be used as a primary residence.  b. Owner occupied, not a primary residence.   
c. To be rented to someone other than a family member.

8. If you checked e or f in item 6 above, indicate the number of units:  
For Apartments, Hotels, Mobile Home / RV Parks, etc.

9. TYPE OF DEED OR INSTRUMENT (Check Only One Box):  
a. Warranty Deed  b. Contract or Agreement   
c. Special Warranty Deed  d. Quit Claim Deed   
e. Joint Tenancy Deed  f. Other:

10. SALE PRICE: \$ 7,486,460.00

11. DATE OF SALE (Numeric Digits): 02/11

12. DOWN PAYMENT: \$ 0.00

13. METHOD OF FINANCING:  
a. Cash (100% of Sale Price)  b. New loan(s) from financial institution:   
c. Barter or trade  d. Conventional   
e. Assumption of existing loan(s)  f. FHA   
g. Seller Loan (Carryback)  h. Other financing, Specify:

14. PERSONAL PROPERTY (see reverse side for definition):  
a. Did the Sale Price in item 10 include Personal Property that impacted the Sale Price by 5 percent or more? Yes  No   
b. If Yes, provide the dollar amount of the Personal Property: \$ 0.00 AND

15. PARTIAL INTEREST: If only a partial ownership interest is being sold, briefly describe the partial interest:

16. SOLAR / ENERGY EFFICIENT COMPONENTS:  
a. Did the Sale Price in item 10 include solar energy devices, energy efficient building components, renewable energy equipment or combined heat and power systems that impacted the Sale Price by 5 percent or more? Yes  No   
b. If Yes, briefly describe the solar / energy efficient components:

17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone Number):  
Marie D. Soja  
110 S. Camelback Road, Ste. 4000  
Phoenix, AZ 85015  
Phone: (602) 264-1298

18. LEGAL DESCRIPTION (attach copy if necessary):  
See Exhibit "A" attached hereto and by this reference made a part hereof

Signature of Seller: Marie D. Soja  
Notary Public: Marie D. Soja  
Notary Exp. Date: 01/31/2015

## Walton LF4 Financial Statements

Financial statements covering inception in 2013 to December 31, 2023 illustrate the devastating WLF4 economics for investors. Investors contributed over \$94,469,210 by the end of 2014. WLF4's 2014 financial statements show \$70,835,786 in assets - an immediate \$23,633,424 investor loss reflecting \$12.1 million write down and \$11.5 million in payments to brokers and to Walton.

**Table 8 Consolidated Balance Sheets**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Assets</b>											
Investments in undivided interests in land, at FV	\$13,365,000	\$52,500,000	\$54,850,000	\$57,265,000	\$57,718,000	\$79,125,000	\$82,610,500	\$85,541,250	\$103,730,734	\$114,447,392	\$118,722,466
Cash	\$4,350,132	\$0							\$0	\$806,051	\$2,953,136
Restricted cash	\$4,900,185	\$18,331,566	\$15,901,559	\$14,139,913	\$11,676,608	\$9,126,286	\$6,596,638	\$4,686,924	\$3,553,717	\$1,794,115	\$203,384
Due from affiliates	\$1,856	\$0			\$0	\$595,294	\$375,000	\$893,306	\$719,526	\$691,201	\$697,461
Accounts receivable			\$27,360	\$29,216	\$36,015	\$369,680	\$325,000	\$325,000	\$1,707,250	\$4,340,650	\$6,698,295
Prepaid expenses		\$4,220	\$4,460								
<b>Total assets</b>	<b>\$22,617,173</b>	<b>\$70,835,786</b>	<b>\$70,783,379</b>	<b>\$71,434,129</b>	<b>\$69,430,623</b>	<b>\$89,216,260</b>	<b>\$89,907,138</b>	<b>\$91,446,480</b>	<b>\$109,711,227</b>	<b>\$122,079,409</b>	<b>\$129,274,742</b>
<b>Liabilities and Partners' Capital</b>											
Accounts payable and accrued liabilities	\$25,360	\$70,278	\$93,158	\$441,626	\$242,749	\$319,130	\$249,968	\$40,002	\$459,262	\$485,245	\$458,819
Deferred revenue				\$1,608	\$80,675	\$4,409	\$4,409	\$2,738	\$175,845	\$266,095	\$203,384
Due to affiliate	\$15,696	\$3,786							\$41,468	\$117,573	\$0
<b>Total liabilities</b>	<b>\$41,056</b>	<b>\$74,064</b>	<b>\$93,158</b>	<b>\$443,234</b>	<b>\$323,424</b>	<b>\$323,539</b>	<b>\$254,377</b>	<b>\$42,740</b>	<b>\$676,575</b>	<b>\$868,913</b>	<b>\$662,203</b>
Commitments and contingencies											
Partners' capital	\$22,576,117	\$70,761,722	\$70,690,221	\$70,990,895	\$69,107,199	\$88,892,721	\$89,652,761	\$91,403,740	\$109,034,652	\$121,210,496	\$128,612,539
<b>Total liabilities and partners' capital</b>	<b>\$22,617,173</b>	<b>\$70,835,786</b>	<b>\$70,783,379</b>	<b>\$71,434,129</b>	<b>\$69,430,623</b>	<b>\$89,216,260</b>	<b>\$89,907,138</b>	<b>\$91,446,480</b>	<b>\$109,711,227</b>	<b>\$122,079,409</b>	<b>\$129,274,742</b>

WLF4's true financial condition was much worse than the financial statements reflect. The land was not worth \$52,500,000. It had recently been purchased for \$46,054,931 and nearly coincidental with the purchases of the six properties WLF4 paid Walton \$18,000,000 in Sponsor/Acquisition Fees and for Walton Group USA' general operating expenses unrelated to the specific properties, all of it laundered through the property records.

PWC audited the WLF4 financial statements from 2013-2016; EY audited the WLF4 financial statements from 2016-2023. It is unclear what work, if any, PWC did to verify the \$64 million fair value assigned to properties which had changed hands in arms-length transactions for \$46 million, on average 48 days earlier. The \$64 million valuation was based on the simultaneous non-arms-length transactions between entities controlled by Walton which included an \$18 million markup unrelated to any improvement in the six properties bought for \$46 million.

Truthful financial statements would have shown the December 31, 2014 property fair value to be \$46,000,000 or less and the total assets, \$64,000,000 or less. Even this would overstate the value of investors' interest in WLF4 since \$18,331,566 is pledged to Walton and segregated in a non-interest bearing account to be drawn out over time. When Walton was done fleecing investors in 2014, there was really only \$43,654,220 in assets

available for investors who paid \$94,469,210 in 2013 and 2014 for their interests. That is, WLF4 investors immediately lost 54% of their invested capital.

**Table 9 Consolidated Statements of Operations**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>											
Interest income				\$31,170	\$19,071	\$0	\$3,438	\$11,518			
Land sales									\$1,843,000	\$3,507,400	\$5,250,650
<b>Total revenue</b>									\$1,843,000	\$3,507,400	\$5,250,650
Cost of sales									\$2,941,436	\$3,562,196	\$6,245,953
<b>Gross loss</b>									<b>(\$1,098,436)</b>	<b>(\$54,796)</b>	<b>(\$995,303)</b>
<b>Other Income</b>											
Interest income											\$81,491
Miscellaneous revenue											\$95
<b>Total other income</b>											<b>\$81,586</b>
<b>Operating expenses</b>											
Organizational costs	\$257,205	\$595,732	\$0								
Professional fees	\$38,046	\$56,628	\$43,797	\$57,225	\$119,125	\$114,675	\$172,033	\$114,613	\$228,111	\$274,279	\$289,517
Management fees	\$74,612	\$1,162,876	\$1,488,831	\$1,488,831	\$1,488,831	\$1,192,317	\$1,776,741	\$650,313			
Other fees									\$55,290	\$105,222	\$95,960
Other expenses	\$0	\$2,074	\$33,844	\$26,736	\$39,421	\$34,201	\$80,143	\$57,347	\$30,669	\$33,010	\$22,683
<b>Total operating expenses</b>	<b>\$369,863</b>	<b>\$1,817,310</b>	<b>\$1,566,472</b>	<b>\$1,572,792</b>	<b>\$1,647,377</b>	<b>\$1,341,193</b>	<b>\$2,028,917</b>	<b>\$822,273</b>	<b>\$314,070</b>	<b>\$412,511</b>	<b>\$408,160</b>
Gain on sale of investment							(\$139,774)	\$0			
Net investment loss	(\$369,863)	(\$1,817,310)	(\$1,566,472)	(\$1,541,622)	(\$1,628,306)	(\$1,201,419)	(\$2,025,479)	(\$810,755)	(\$1,412,506)	(\$467,307)	(\$1,321,877)
Unrealized (depreciation) appreciation on investments	(\$2,692,734)	(\$9,380,930)	\$1,494,971	\$1,842,296	(\$255,390)	\$20,986,941	\$2,785,519	\$2,561,734	\$19,515,766	\$12,643,151	\$8,723,920
<b>Net (decrease) increase in partners' capital resulting from operations</b>	<b>(\$3,062,597)</b>	<b>(\$11,198,240)</b>	<b>(\$71,501)</b>	<b>\$300,674</b>	<b>(\$1,883,696)</b>	<b>\$19,785,522</b>	<b>\$760,040</b>	<b>\$1,750,979</b>	<b>\$18,103,260</b>	<b>\$12,175,844</b>	<b>\$7,402,043</b>

**Table 10 Partnership Accounts**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Beginning Balance		\$22,576,117	\$70,761,722	\$70,690,221	\$70,990,895	\$69,107,199	\$88,892,721	\$89,652,761	\$91,403,740	\$109,034,652	\$121,210,496
Partnership Contributions	\$25,638,714	\$59,383,845									
Net investment loss	(\$369,863)	(\$1,817,310)	(\$1,566,472)	(\$1,541,622)	(\$1,628,306)	(\$1,201,419)	(\$2,025,479)	(\$810,755)	(\$1,412,506)	(\$467,307)	(\$1,321,877)
Distribution to partners									(\$472,348)		
Unrealized (depreciation) appreciation	(\$2,692,734)	(\$9,380,930)	\$1,494,971	\$1,842,296	(\$255,390)	\$20,986,941	\$2,785,519	\$2,561,734	\$19,515,766	\$12,643,151	\$8,723,920
<b>Ending Balance</b>	<b>\$22,576,117</b>	<b>\$70,761,722</b>	<b>\$70,690,221</b>	<b>\$70,990,895</b>	<b>\$69,107,199</b>	<b>\$88,892,721</b>	<b>\$89,652,761</b>	<b>\$91,403,740</b>	<b>\$109,034,652</b>	<b>\$121,210,496</b>	<b>\$128,612,539</b>

## Conclusion

Walton has set up at least 24 Reg D issuers. Walton's website touts a superficially impressive breath of experience and claims decades of profitable real estate management on behalf of its clients.<sup>2</sup> Actual investor experience with Walton's Reg D offerings seems dramatically at odds with Walton's representations.

We previously analyzed Walton Land Fund 3, LP and found that its purpose was to aggressively fleece uninformed investors, laundering half of Walton's expropriation through inflated related party real estate transactions. Walton Land Fund 4, LP is a near carbon copy of WLF3. Walton bought undeveloped land, held it for 48 days on average and sold it to LF4 investors at 47% markups. Walton also set aside 20.2% of investors' capital for Walton to draw on for unaccounted services in non-arms-length transactions.

<sup>2</sup> [www.walton.com](http://www.walton.com)

In an upcoming post, we will compare returns investors experienced in LF3 and LF4 with the nearly \$100 million Walton and the brokerage industry kept of investors' contributed capital.

Table 11 contains a listing of Walton's Reg D issuers. Please let us know if you, or someone you know, invested in one of these issues.

**Table 11 Walton Group Reg D Issuers**

Issuer	Filing Date	Offering Amount
<a href="#"><u>Walton Bluff Springs Land, LP</u></a>	10/30/2008	\$5,628,910
<a href="#"><u>Walton West Palmilla, LP</u></a>	12/8/2008	\$8,800,000
<a href="#"><u>Walton Arcade Meadows, LLC</u></a>	4/3/2009	\$14,400,000
<a href="#"><u>Walton Caldwell Ranch, LP</u></a>	8/5/2009	\$14,255,000
<a href="#"><u>Walton Sunshine Industrial, LP</u></a>	10/6/2009	\$23,250,000
<a href="#"><u>Walton Elm Creek Ranch, LP</u></a>	12/9/2009	\$28,650,000
<a href="#"><u>Walton Pecan Woods, LP</u></a>	4/27/2010	\$20,100,000
<a href="#"><u>Walton Barrow Landing, LP</u></a>	6/25/2010	\$21,000,000
<a href="#"><u>Walton Kimberlin Heights, LP</u></a>	7/6/2010	\$24,375,000
<a href="#"><u>Walton Land Opportunity Fund, LP</u></a>	11/2/2010	\$50,000,000
<a href="#"><u>Walton Sherwood Acres, LP</u></a>	11/17/2010	\$27,425,000
<a href="#"><u>Walton Heritage Woods, LP</u></a>	3/21/2011	\$24,450,000
<a href="#"><u>Walton U.S. Land Fund 1, LP</u></a>	3/21/2011	\$50,000,000
<a href="#"><u>Walton U.S. Land Fund 2, LP</u></a>	1/25/2012	\$50,000,000
<a href="#"><u>Walton Canter Creek 1, LLC</u></a>	4/4/2012	\$12,200,000
<a href="#"><u>Walton U.S. Land Fund 3, LP</u></a>	3/27/2013	\$100,000,000
<a href="#"><u>Walton U.S. Land Fund 4, LP</u></a>	4/11/2014	\$100,000,000
<a href="#"><u>Walton U.S. Land Fund 6, LP</u></a>	2/19/2015	\$100,000,000
<a href="#"><u>Walton U.S. Land Fund 7, LP</u></a>	2/19/2015	\$100,000,000
<a href="#"><u>Walton U. S. Land Fund 5, LP</u></a>	3/9/2015	\$100,000,000
<a href="#"><u>Walton U.S. Development Fund, LP</u></a>	7/27/2016	\$100,000,000
<a href="#"><u>BOLD Fund 1, LLC</u></a>	7/24/2020	\$300,000,000
<a href="#"><u>U.S. Residential Growth Fund, LLC</u></a>	8/9/2022	\$50,000,000
<a href="#"><u>U.S. Builder Identified Land Target Fund, LLC</u></a>	8/9/2022	\$50,000,000

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