

## Pacific West Land, LLC

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June 2013 Update

By now investors in our Distressed Asset Fund have received distribution checks reflecting the returns from the Oasis, Warm Springs, and Village at Surprise sales in the mail. On average, Pacific West Distressed Asset Fund investors have received over 42% of their capital back.

As we mentioned last month, we sold **Palm Bay Commons** for \$1.35M in April. The property was purchased in May 2012 for \$923k. The sale created a multiple of 1.51x and an IRR of 48.42%. Proceeds went into a 1031-exchange account, which was used in May to make a new acquisition.

Our Safeway pad at our **Vistancia Marketplace** property is now under contract for sale for \$14,360,000 and the buyer's deposit has gone nonrefundable. We plan to hold onto the property for tax purposes for at least one year, so the final close is expected in October. If Safeway closes as expected, along with the sale of Walgreen and Chase at Vistancia we will have received 99.26% of our original investment back while retaining 53,421 square feet of high quality commercial space, along with pads where two additional buildings may be built.

It was announced last week that our long-time accounting firm **Clothier & Head is merging with Peterson Sullivan**. Peterson Sullivan is another highly regarded Seattle-based accounting firm. The combined firm will be known as Peterson Sullivan LLP. I thought they should go with the name CPHS CPAS because graphic designers could do interesting things with the letter combinations, but they already invested in stationary before they received my suggestion. All of the professionals we work with from Clothier & Head's business advisory, audit, and tax practices will continue in their roles under the Peterson Sullivan banner.

It is quite often that a phone call or email from an investor leads me to give a full answer in this email. If one person is willing to call or write with a question, I predict there are 10 people with the same question on their minds. I was recently asked about the variance between the value of the Fund's real estate as expressed in the annual audit report compared to the

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first quarter's report that we emailed about one month ago. The annual report uses the **Fair Value Method**, projecting what each property is worth based on its cash flow. The Fair Value Method also takes into account cash on hand, debt, and projected costs of operations. The quarterly report uses the simpler **Assessed Value Method**, which uses the most recently assessed value from the local taxing authority, plus cash, minus debt. Because the two reports use two different methods, they should not match. I prefer the Assessed Value method, as it's not as volatile and is generally a more conservative valuation. Accountants prefer the Fair Value Method and Generally Accepted Accounting Practices (GAAP) requires it. The value that really matters is the sale price of each property, so when looking at either valuation method it's best to think of them as estimates, but do not mistake these signposts for the destination.

The brand new Starbucks drive-through at **The Plaza at Scottsdale** is officially open for business. Adjacent Potbelly Sandwiches is putting the finishing touches on their construction and is scheduled to open in June.

We have three new acquisitions to report. The Pacific West Real Estate Opportunity Fund purchased **Village Shoppes** in Altamonte Springs, Florida, for \$2,900,000. This 35,506-square-foot shopping center is 36% occupied. Neighboring businesses include TGIFriday's and CVS. This property was purchased with funds from the 1031-exchange account created with proceeds from the Palm Bay Commons sale.

The Pacific West Real Estate Opportunity Fund also purchased **Buenaventura Lakes**, a property in Kissimmee, FL, with 23,625 square feet and a Bank of America ground lease, acquired for \$2,800,000. It is 80% occupied with local tenants such as BVL Pediatrics, Lou's Pizza, and Ace Cash Express. This purchase was also made with funds from the 1031-exchange account with the proceeds from the Vistancia pad sales. It is 91% owned by the Fund.

The Pacific West Real Estate Opportunity Fund's third acquisition in May was **The Shoppes at Princeton Lakes** in Atlanta, Georgia. These shops include 13,264 feet of space with no vacancies. Escrow closed on May 28<sup>th</sup> and the final purchase price was \$3,100,000. It is 25% owned by the Fund.

Leasing across the portfolio remains robust. **The Plaza at Scottsdale**

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welcomed two new tenants in May. Dancer’s Domain is a 3,444-square-foot dance studio with a 5-year lease. Good Feet is a national franchise that specializes in orthotics, specialty athletic shoes, and footwear for unique sizes. They’ve leased a 1,201-square-foot space next to Starbucks.

At **Laveen Village** our existing tenant Rainbow Clothing will expand from 5,000 square feet to 8,000 square feet. They also extended their lease to 2018.

**Vistancia Marketplace** welcomes Stevie’s New York Style Pizza in the former Grande Pizza space. Firehouse Subs will open in **Towne Crest Village**, leasing 1,600 square feet.

Allstate Insurance just signed a lease at **King’s Crossing** in Atlanta.

We’re hammering out the details for our next fund, the Pacific West Real Estate Income Fund, LLC. We will keep you posted on our progress. We are aiming for a September launch. Knock on wood.

Please remember that if you’d like to visit our office for an in-person update, you are always welcome.

Best --

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**Real Estate Opportunity Fund Scorecard**  
**(approximate investment by the Fund)**  
**all data as of 4/30/13**

**Palm Bay Commons — SOLD** The Fund sold this 9,000-square-foot property in April 2013 for \$1.35M. Original purchase price was \$923,000.

Fund Net Investment	Profit	Multiple	IRR
\$923,000	\$468,900	1.51x	48.42%

**Eastern and St. Rose** —The PWREO Fund owns 22% of this property. Purchased for \$3.21M, this 20,180-square-foot commercial property is located at the northwest corner of Eastern Ave and St. Rose Parkway in Henderson, NV. Great Clips is now open. Align Chiropractic signed lease for

remaining vacancy. Landlord working on build-out. The property is currently under contract to sell.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$709,000	100%	\$5,370	\$18,636

**Arrowhead Festival** — The PWREO Fund purchased this property for \$1.73M. The 12,611-square-foot commercial property is located at the northeast corner of Bell Road and 73rd Ave. in Glendale. Negative NOI reflects 2<sup>nd</sup> Half 2012 property tax payments.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,732,500	68%	\$-3,349	\$46,060

**International Promenade** —PWREO purchased this property for \$3.15M in April, this 35,296-square-foot commercial property is located at the corner of US Highway 192 and Vineland Road in Kissimmee, FL. Tenants include Taco Bell, Kissimmee Dental, and T&C Spa.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$3,150,000	92%	\$39,259	\$116,321

**Jonesboro-Towne Crest** —The PWREO Fund purchased this property for \$1.55M in May 2012, this 24,966-square-foot commercial property is located at the corner of Jonesboro Road and Vinings Drive in McDonough, GA. Lease signed with Firehouse Subs to fill old Quiznos space.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,548,750	54%	\$11,497	\$43,452

**91<sup>st</sup> and Northern** —The PWREO Fund purchased this property for \$1.06M in June, this 7,900-square-foot commercial building is located in the popular Peoria Crossings shopping center just off Arizona Loop 101. The building is anchored by 2,700 sq. ft. Streets of New York restaurant. Signed lease with State Farm for 1,100 sq. ft.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,055,000	66%	\$4,133	\$18,566

**Bell West Ranch Shops** —The PWREO Fund purchased this property for \$4.34M with an assumed loan in August 2012. The 7,000-square-foot

O'Reilly auto parts pad sold in October for \$2.07M, which was used to pay down the loan. The remaining shop space is 20,225 square feet. The center is located on Bell Road near the growing Loop 303 corridor in Surprise, AZ.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$4,340,000	94%	\$449	\$57,644

**Westminster Crossings** —The PWREO Fund owns 50% of this property located in Westminster, CO. The property was purchased for \$4.05M in August 2012. The property boasts a drive-thru Starbucks, Subway, and several local tenants. The total property is 28,713 square feet and is shadow-anchored by Lowe's Home Improvement.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$2,090,263	76%	\$16,753	\$29,364

**Shoppes of Andover** —This property in Orlando, FL was purchased in August 2012 for \$2.89M. The property consists of 21,599 square feet. Tenants include a local pizza restaurant and TrustCo Bank. The location is easily accessible from the interstate and benefits from Publix as a shadow-anchor. Citi-Boys restaurant is under construction.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$2,887,500	82%	\$14,204	\$55,510

**Shoppes at Summerlin** —The PWREO Fund owns 50% of this property located in the affluent Summerlin area of Las Vegas, NV. The property was purchased in August 2012 for \$2.86M. Tenants include Sprint, Nationwide Insurance, and many popular local businesses. The center consists of 16,147 square feet. It is shadow-anchored by K-Mart, Lowe's and Trader Joe's. Sport Shax backed out of signed lease. Working on settlement with Tenant.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,480,794	79%	\$15,022	\$65,105

**Stonebridge Shops** —This property is located in Mesa, AZ and is 50% owned by the fund. The purchase price was \$2.65M and was completed in August 2012. The property consists of 30,235 square feet of shops, shadow-anchored by Safeway. Tenants include Moki's Hawaiian Grill, Hungry Howie's Pizza, and Edward Jones.

Fund Net	Occupancy	MTD NOI	YTD NOI
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Investment			
\$1,289,293	41%	\$6,848	\$34,931

**King's Crossing** —This property is located in Kennesaw, GA, just outside of Atlanta. The property was purchased in September 2012 for \$850,000. The property is located next to a busy Bank of America branch and has excellent visibility from the street. It provides easy access to I-75 and is a tremendous lease-up opportunity. Cross Fit tenant is open.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$850,000	48%	\$2,136	\$12,891

**Northlake Promenade** —This property, located in Atlanta, GA, was purchased in September 2012 for \$3.4M. The property is 80% owned by the PWREO Fund. Tenants include AT&T, FedEx Office, and Coast Dental. The property is located on a busy intersection across from the Northlake Mall and has easy access. AT&T portion of the building sold in April for \$1.825M.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$2,589,411	86%	\$26,415	\$115,558

**Vistancia Marketplace** —This property, located in Peoria, AZ, was purchased in October 2012 and is 25% owned by the Fund. The center is located in the master planned community of Vistancia which will have over 17,000 homes at final build-out. Chase pad and Walgreens pad sold in March 2013. Safeway pad currently under contract for sale. Lease signed with Stevie's Pizza to replace Grande Pizza. Please note: occupancy % does not include Safeway.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$3,237,500	65%	\$18,613	\$112,341

**Fairway Park Plaza** —This property is located in Phoenix, AZ at the hard corner of 59<sup>th</sup> Ave and W. Indian School Rd, a high-volume, stabilized intersection. The property consists of 31,955 square feet of shops space, shadow-anchored by a CVS Pharmacy. Negative NOI reflects payment of Second Half 2012 property taxes.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$925,000	66%	\$-14,613	\$-4,759

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**Hickory Flats** —This property is located in Holly Springs, GA within the greater Atlanta metropolitan area. The center includes 19,285 square feet of retail space in two separate buildings. Tenants include a freestanding Wendy’s, a 6,000-square-foot liquor store, and Papa John’s Pizza.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$2,273,756	70%	\$16,759	\$68,923

**Shoppes at Maitland** —This property is located in Maitland, FL, a suburb of Orlando. The property consists of a 3,820 sq. ft. Regions Bank with drive-thru and a 16,441 sq. ft. retail shops building with second story office spaces. Tenants include Francesco Pizza and Jimmy John’s. Working with replacement tenant for Qdoba space and a new office user.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$4,109,872	63%	\$31,210	\$122,512

**Crabapple Station** —This property is located in Milton, GA, a suburb of Atlanta. The property consists of 18,943 square feet of retail space in three buildings. Tenants include Just for Giggles, Sip Wine, and a CrossFit studio.

Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$2,625,000	78%	\$24,380	\$47,853

**Note: MTD and YTD numbers reflect Real Estate Opportunity Fund portion of the totals.**

*Due to the length of these messages, our monthly updates will now alternate scorecards of our Real Estate Opportunity Fund and our Distressed Asset Fund.*