

## Pacific West Land, LLC

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7/1/2013

July 2013 Update

We hope your summer is off to a great start. My daughter, Veronica, just finished the fourth grade. We took a long weekend in Vancouver, Canada just after school ended. It was Veronica's first time there, and she had a great time.

We have now deployed all the funds from the Pacific West Real Estate Opportunity Fund (PWREO) with two final acquisitions. We acquired a loan secured by **Fort Apache Shopping Center**, a multi-tenant retail building in Las Vegas, NV. The purchase price was \$1,850,000 for a loan worth ~\$2.708M. The building is 9,819 square feet and tenants include Sago's Tavern, Papa John's, and a dance studio.

Our 23<sup>rd</sup> and final acquisition for PWREO is **Highlands Shopping Center** in Clearwater, FL. At 19,020 square feet, this two-building property is shadow-anchored by a Walmart. The shopping center is situated on a major artery in an area where there is very little retail competition serving the population of 100,169 residents.

We are very happy to have reached 23 distinct properties for the Real Estate Opportunity Fund. When we began raising capital we expected to invest in at least 10 properties and ideally 15 or more. With 23 investments, even if we have less than ideal results with one or two, the diversification will dilute any potential negative effect. The Real Estate Opportunity Fund may no longer make any new investments. Returns from sales and net operating capital will now become distributable funds so long as our reserve accounts for tenant and capital improvements are flush.

Along with diversity of holdings, another goal we had when raising money for the Real Estate Opportunity Fund was to invest at least \$1 for every dollar we received in funding. As you know, we pay no commissions or placement fees, because we haven't figured out how anyone makes a market return if they only invest 91 cents of every dollar

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raised. We are happy to report that by rolling in the first year's profits from rents and from the early sales, our total investment is \$46,201,503 or \$1.16 for every \$1 in original funding.

The obvious and appropriate question on every Real Estate Opportunity Fund investor's mind today is, "*When can we expect our first distribution?*" We currently have two properties under contract to sell: Eastern & St. Rose and the Safeway pad at Vistancia. We currently expect our first distribution to investors to take place when these sales become final. Please keep in mind that there is no guarantee buyers will complete their purchases, so the exact date on which this will happen is not in our control. The Real Estate Opportunity Fund's cash as of 5/31/2013 was ~\$3,188,478 spread through the management accounts for the 23 properties. The Real Estate Opportunity Fund's current debt is ~\$3.7M. Most of the debt will be repaid out of proceeds from the Safeway sale. There is really no better day in our business than sending out that first distribution check. We are looking forward to it.

I was recently asked via email from an investor about the final total for the Real Estate Opportunity Fund's O&O Fee. As you may recall the Organization & Offering Expense is simply the cost of getting the Real Estate Opportunity Fund organized and funded by investors. The single biggest O&O expense was the legal review of the offering documents. Pacific West was only allowed to charge off third-party expenses, there was no allocation to cover the general expense of salaries or office overhead. The Fund's offering materials stated that total O&O reimbursed expenses could not exceed \$300,000. The total we spent on O&O was \$186,235.07, or less than ½ of 1% of the total amount raised. In the world of private equity and real estate funds, this is very low, meaning we were very efficient.

Construction is complete on the new building at the **Plaza in Scottsdale**. Starbucks and Potbelly Sandwiches are now open there and business looks strong. Pictured below is the newly constructed building with a line of cars lined up for the drive-through Starbucks on the other side.



New monument signs at the property are also complete and ready for signage. Overall the property looks great and we are attracting many prospective tenants.



We're still busy signing leases, and we have a lot to report this month. The **Plaza in Scottsdale** will be joined by Foosia, a new Pan-Asian quick-serve restaurant. This is a brand new business, and they will lease 2,415 square feet for 5 years.

La Mexicana Yerberia San Juan, a new specialty shop featuring herbs and gifts, will open in **Cave Creek Plaza**. They have signed a 5-year lease in a 1,525-foot space. There will be no Tenant Improvement (TI) costs.

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**Foothills Park Plaza** welcomes Ateliere de ELLA, a daycare and language-immersion school. They will lease 5,012 square feet for 5-years.

Also at Foothills, The Perfect Pear is a restaurant bringing a wine bar and tapas to this upscale neighborhood. Their 5-year lease is for a 1,800-square-foot space.

**Shoppes of Maitland** welcomes Raleigh Design, a commercial interior design studio. Their leased space is 1,187 square feet and they currently have a 3-year lease. Their rent commenced in May.

Endurance House will join **Westminster Crossings** with a 5-year lease in 2,648 square feet. This specialty franchise that caters to triathlon athletes will be the first of its kind in Denver.

And finally, **Northlake Promenade** will be joined by Land of Flyy, a retail store specializing in skateboard attire. They will lease 2,350 square feet of space and have signed a 3-year lease.

Things are busy here in our office as we gear up for our new offering, the **Pacific West Real Estate Income Fund, LLC**. We hope to open the fund to investors beginning in September. Watch our monthly updates for more details.

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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**Distressed Asset Fund Scorecard**  
**(approximate investment by the Fund)**  
**all data as of 5/31/2013**

**San Diego County Loan—REPAID** \$1M hard money loan at 18% interest. Borrower paid in full and Fund profit amounted to ~\$130.4k.

**Oasis at the Islands—SOLD** The Fund sold this 7,200-square-foot commercial property located in Gilbert, AZ for \$1,255,000 in April 2012.

The property was purchased in April 2010, with an original purchase price of \$546k.

Fund Net Investment	Profit	Multiple	IRR
\$610,078	\$541,817	1.9x	30.79%

**Village at Surprise —SOLD** The sale of this property was completed in April 2013 for \$6.01M. The property was purchased in March 2011 for \$3.108M, and was 30% owned by the Fund.

Fund Net Investment	Fund Profit	Multiple	IRR
\$939,139	\$781,492	1.89x	36.71%

**Foothills Park Plaza** — This commercial center is located in the Ahwatukee neighborhood of Phoenix, AZ, with 20,173 leasable square feet purchased in April 2011. The Fund owns 50% of this property. Lease signed with Ella Early Language and Learning center for 5,012 square feet.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,120,722	\$1,120,722	69%	\$2,983	\$3,282

**Desert Bloom Plaza** — The Fund acquired this 5,099-square-foot Las Vegas retail property through a trustee’s sale in August 2010. The note had a face value of \$800k.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$376,620	\$376,620	100%	\$1,545	\$13,019

**Sunset Commons** — This 10,742-square-foot retail property is located on Sunset Road in Las Vegas, NV, purchased in September 2010. The Popeye’s lease sold in February 2011 for ~\$605k. Lease signed with Nevada Life Services to expand suite to 4,770 square feet.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,273,458	\$627,458	100%	\$6,555	\$26,808

**Siena Canyon** — The Fund purchased this 15,074-square-foot property

on Tropicana Ave in Las Vegas, NV in August 2010. The Jack in the Box pad sold for \$1.747M and the Arby's pad sold for \$1.374M. Remaining space is 8,990 square feet. Kaizaid's Hookah unexpectedly closed. Landlord to pursue tenant and guarantor.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$3,219,290	\$162,554	33%	\$6,445	\$30,226

**Laveen Village** — This property is 20% owned by the Fund and was purchased in August 2010 for a total purchase price of \$8M. The Jack in the Box pad sold in December 2010 for \$1.225M. Remaining space has 47,106 leaseable square feet. Lease signed with Rainbow Clothing to take an additional 3,000 square feet and renew their existing lease for 5 years.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,600,000	\$715,000	66%	\$8,005	\$43,397

**Pepper Ridge Plaza** — This 19,818-square-foot property in Phoenix was acquired in September 2010 for \$1,939M. It is 50% owned by the Fund.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$969,730	\$969,730	29%	\$5,698	\$9,463

**Shops at Warm Springs** — The Fund owns 20% of a 35,242-square-foot property in Las Vegas purchased November 2010 for \$6.75M. A Wells Fargo ground lease sold for \$3.38M, Sinclair's gas station sold for \$1.4M, and Putter's restaurant sold for \$700k, all in July 2011. We sold the SBA cell phone tower September 2011 for \$260,000, and completed the sale of the South Building in April 2013 for \$3.195M. Remaining building has 15,760 leasable square feet. Occupancy reflects remaining building. Fund Net Investment is zero because we have earned back more than our capital investment.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,350,000	\$0	40%	\$1,980	\$22,720

**Walmart Country Club Shops** — This Retail property is 44.9% owned by the Fund. It is located in Mesa, AZ with 17,597 square feet of retail

space, purchased in December 2010 for \$2.5M. Negative NOI reflects payment of Second Half 2012 property taxes.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,123,362	\$1,123,362	18%	\$-14,503	\$-4,568

**Ahwatukee Hills Plaza** — This note was purchased by the Fund in December 2010 collateralized by retail property with 7,040 square feet in Phoenix, AZ. Negative NOI reflects payment of Second Half 2012 property taxes.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$732,073	\$732,073	71%	\$-8,281	\$21,045

**Shops at Tatum & Dynamite** — This 8,725-square-foot retail property was purchased by the Fund in January 2011. Pieh Tools is open in their permanent location in the center.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,252,078	\$1,252,078	58%	\$8,647	\$18,224

**Safeway Plaza** — The Fund purchased this 6,039-square-foot retail end cap at Safeway Plaza at the southwest corner of Elliot & McClintock in Tempe, AZ in March 2011.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$661,670	\$661,670	72%	\$64	\$-4,545

**Plaza in Scottsdale** — This shopping center with 67,441 leasable square feet is 20% owned by the Fund, and is located at the intersection of Scottsdale & Thunderbird in Scottsdale, AZ. It was purchased for \$6.44M in May 2011. Negative NOI reflects payment of Second Half 2012 property taxes. New lease signed with Foosia Restaurant for 2,415-square-foot endcap near the Starbucks building. Good Feet lease signed for 1,200 square feet in the middle space of the Starbucks/Potbelly building. Another new lease signed with Dancer's Domain to take 3,444 square feet in the main shops building.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
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Investment	Investment			
\$1,300,000	\$1,020,000	61%	\$-6,783	\$16,094

**Cave Creek Plaza** — This shopping center with 21,595 leasable square feet is located at the intersection of Bell & Cave Creek in north Phoenix, AZ. It was purchased in June 2011.

Fund Initial Investment	Fund Net Investment	Occupancy	MTD NOI	YTD NOI
\$1,584,035	\$1,584,035	63%	\$9,874	\$43,259

**Note: MTD and YTD numbers reflect Distressed Asset 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.*