

## Pacific West Land, LLC

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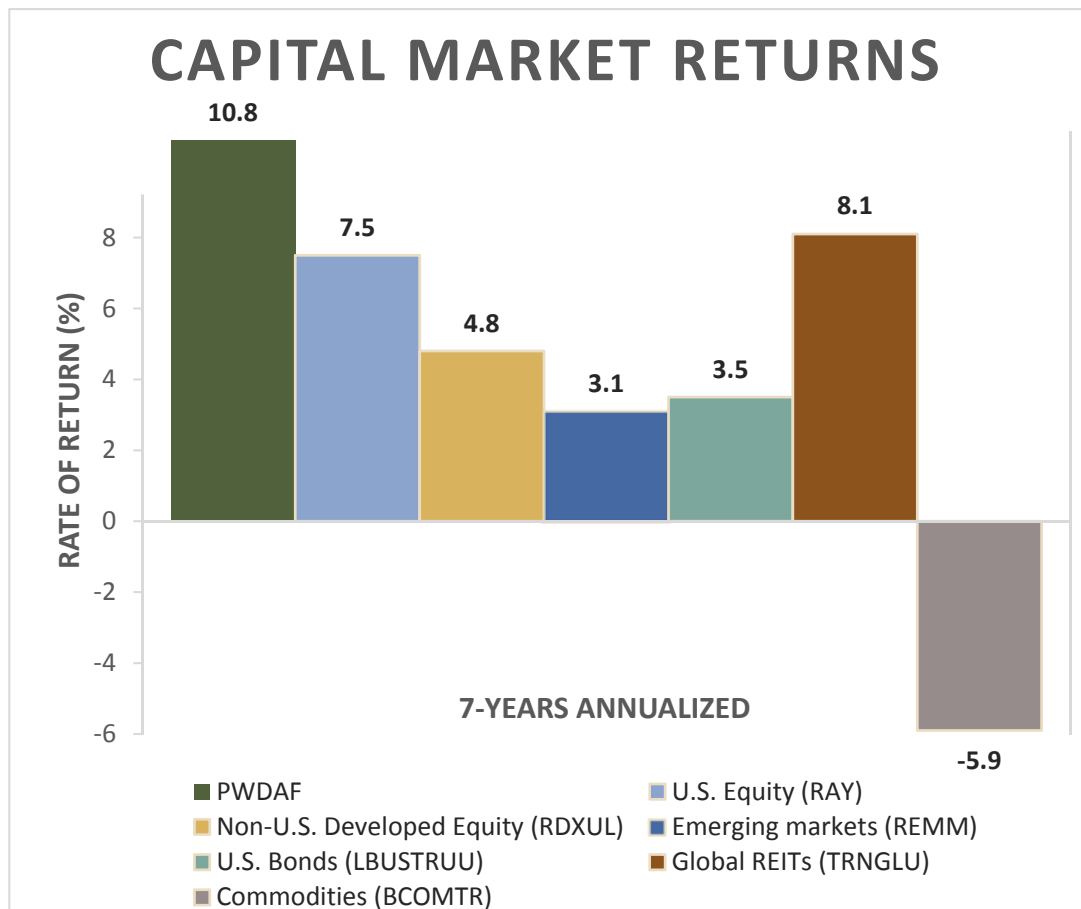
7/7/2017

July 2017 Update

We are just wrapping up our first blind pool, Pacific West Distressed Asset Fund, LLC. We raised most of the money for this pool in 2010, and the final distribution to investors will be going out within the next month.

The obvious question now is *"How did we do?"*

**The final IRR for Members is ~11%.** A PWDAF Member emailed me last week and wrote, *"11% is great, but it would be nice to know how that stacks up."* Later that same day I attended a Financial Planning Association economic outlook breakfast hosted by Russell Investments here in Seattle. Russell provided a nice chart; so, after some quick borrowing of formatting and sources, and adjusting to 7 years, here's what we came up with (thanks to Sally & David).

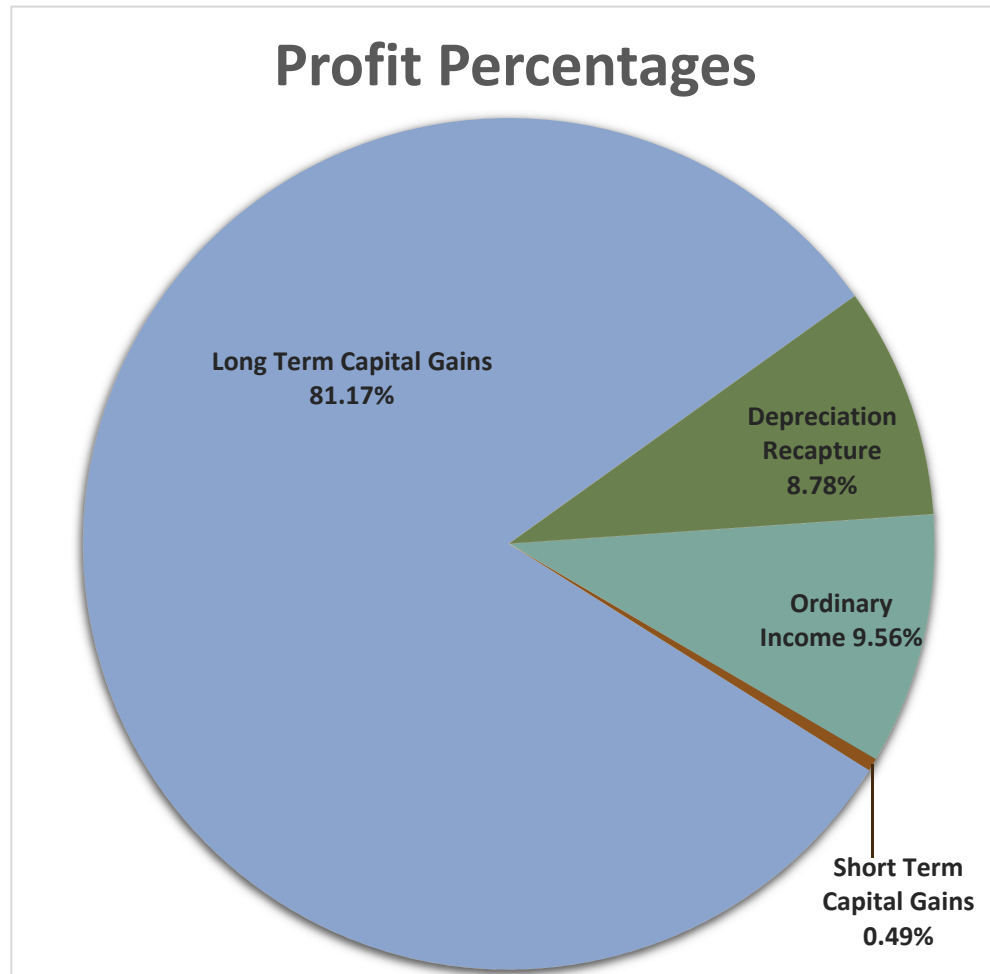


**PWDAF stacks up great!**

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**The final net Multiple**, often called net ROIC, to PWDAF investors will be **~1.58x**.

We put together another chart showing how gains were characterized. While these efforts are behind the scenes, we do our best to manage the business to maximize after-tax returns. As you can see in the Profit Percentages chart below, we should all be pleased with the result. When we were raising the money for PWDAF, we often said, *“We expect Long Term Capital Gains to be about 80% of the upside,”* and that prediction was quite accurate.



The other question I’ve been asked a few times is, *“Looking back what do you wish you’d done differently?”*

PWDAF was Pacific West Land’s first blind pool. We learned many things, but three things in particular stick out for me:

— We should have called the capital as needed, rather than take it all in one slug. In 2009 and 2010, the papers were full of stories about investors not responding to capital calls. That scared us, as we’d never done a capital call structure. Looking back, we made a mistake. The IRR would be closer to 15% if we’d called the capital

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as needed. I have a friend who works at a hedge fund. He told me that hedge funds who find themselves in this situation stress their “*At-risk IRR*,” which counts only the deployed capital that isn’t sitting in the Wells Fargo account. Damn, those hedge fund guys are clever. Let me stress to you that PWDAF’s At-Risk IRR was ~15%!

— We should have opened a credit line and kept it fully deployed throughout PWDAF’s life. PWDAF was formed to take advantage of other investors borrowing too much money. We saw firms we knew and respected going out of business because they could not refinance their debt. Telling investors that we were not going to borrow much helped raise the money to form PWDAF. However, returns would have been higher if we’d borrowed another \$6M, even if it was money used to speed up the return of investor capital.

— Writing a PPM should not be outsourced to an attorney. PWDAF’s first PPM, which we never published, was prepared by an attorney who cranks out a lot of these types of documents. It was an excellent read for any attorney who reads offering documents for a living. While getting attorney input on a PPM is important to make sure it is legally sound, understandable PPMs are written by people who know the business and who will be carrying out the agreement.

Offering materials for **Pacific West Real Estate Income II, LLC (PWRE2)** are available. PWRE2 now has over \$25M in commitments. If you’d like to receive the offering materials, please let me know. If you’d like to schedule a call or meeting to discuss potentially investing in PWRE2, please let me know.

As always, please don’t hesitate to call with questions, and we always welcome visitors. Enjoy a summer ferry ride; I’ll buy lunch.

Best –

Martin A. Stever

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**PWREI Scorecard**  
**(approximate investment by PWREI)**  
**all data as of 5/31/17**

**Willow Hill Center** — PWREI purchased this property in May 2014. The 21,082 sq. ft. center is located in Puyallup, WA. Tenants include Money Tree, Kumon Learning, and Rainier Growler. PWREI owns 83% of this property. Starbucks parcel sold for ~\$2.35M net on October 15, 2014. Ivar’s pad sold for ~\$1.27M net on April 28, 2015.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$5,625,000	\$2,701,930	74%	\$289,358

**Benjamin Square** — PWREI purchased this property in May 2014. The 9,950 sq. ft. center is located in Woodland, WA and is just off I-5. Tenants include Starbucks, Subway, Papa Murphy's, H&R Block, and Verizon Wireless.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$1,900,000	\$1,967,475	86%	\$191,701

**Shoppes at Buford** — PWREI purchased this 20,844 sq. ft. property in May 2014. The property is located in Buford, GA and is located across from the Mall of Georgia. The tenants include Edible Arrangements, a hair salon, and a Vietnamese restaurant.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$2,740,600	\$2,836,181	83%	\$150,976

**Auburn Road** — PWREI purchased this property in August 2014. The 8,400 sq. ft. property is located in Dacula, GA. The tenants include a medical care facility and a veterinarian who recently expanded his practice.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$1,000,000	\$1,005,400	86%	\$53,061

**Roosevelt Place** — PWREI purchased this property in August 2014. The 14,000 sq. ft. center is located in Phoenix, AZ off of busy I-10. The tenants include Port of Subs, Teramar Staffing, and a drive-thru Filiberto's Mexican restaurant. The Jack in the Box pad sold on May 2, 2016 for ~\$1.08M net.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$2,960,000	\$1,936,898	80%	\$276,035

**Little Corona** — PWREI purchased this property in December 2014. The property consists of 6,074 sq. ft. of leasable space located at the busy intersection of Rural Rd and Ray Rd in Chandler, AZ. Current tenants include a Greek restaurant and Fullers Bar & Grill.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$1,010,000	\$1,019,850	59%	\$85,200

**Dail Center** — This property was purchased in December 2014. The 16,145 sq. ft. strip is located along US Route 17 in Myrtle Beach, SC, which boasts over 14 million visitors a year. Current tenants include Batteries Plus, Coastal Beds, Atlantic Kitchens, State Farm, and Tao Wellness Spa.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$1,522,500	\$1,526,877	74%	\$138,988

**Gulf Breeze** — PWREI purchased this 27,736 sq. ft. property in January 2015. The property is located in Port Arthur, TX and is shadow anchored by H-E-B, a major grocery chain based out of San Antonio, with great visibility from both Hwy 365 and 347. Current tenants include Edward Jones, Sprint, Fancy Nails, Supercuts, and Pizza Hut.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$2,677,500	\$2,726,890	71%	\$255,722

**Log Pond Plaza** — PWREI purchased this 27,368 sq. ft. property in March 2015. This property, located in Newark, OH, is shadow anchored by a Walmart Super Center and across the street from a Home Depot, in a dense residential area just north of SR-16. The center boasts a healthy mix of local and national tenants including Cheng's Chinese, Fiesta Salon, Buckin Burger, and CATO. *(With a new lease signed in June, occupancy is now 96%.)*

Initial Investment	Net Investment	Occupancy	2016 NOI
\$1,850,000	\$1,934,078	90%	\$159,215

**Massard Farms** — PWREI purchased this large shopping complex in April 2015, located in Ft Smith, AR. This 100% occupied center totals 133,709 sq. ft. of leasable space, consisting of Kohl's, Savers, IHOP, and an 8,000 sq. ft. mixed tenant building including Catherine's, Sport Clips, Firehouse Subs, and Pad Thai Cuisine.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$13,415,287	\$13,776,366	100%	\$1,028,147

**Oak Creek Commons** — PWREI purchased this small strip center in May 2015. Located south of Milwaukee, the population growth and average household income of Oak Creek, WI are projected to outpace the national average over the next five years. The 10,462 sq. ft. property has a healthy mix of tenants including Express Cleaners, Fantastic Sam's, Yen Hwa Chinese Restaurant, and Dunkin' Donuts.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$1,191,750	\$1,256,205	88%	\$129,785

**Massillon Commons** — PWREI is 66.7% owner of this shopping center purchased in June 2015. It is located along the busy Lincoln Way corridor in Massillon, OH. In

addition to a 50,503 sq. ft. Dunham's Sports, this property boasts 63,048 sq. ft. of leasable shop space. Home Depot sold on June 30, 2016 for ~\$9.36M net and proceeds were used to pay off debt.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$8,618,667	\$2,393,457	72%	\$440,150

**Greensburg Commons** — This property was purchased in July 2015 and is 66.7% owned by PWREI. The large shopping center is located at the intersection of I-74 and State Rd 3 in Greensburg, IN. It currently consists of 88,953 sq. ft. of leasable retail space and boasts a healthy mix of tenants including Jimmy Johns, Great Clips, GameStop, GNC, Rent A Center, Goody's, Cricket Wireless and Bath and Body Works. The Walmart parcel sold on December 2, 2016 for ~\$13.9M net, with most of the proceeds used to pay off debt.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$12,512,000	\$3,298,935	68%	\$872,784

**Gateway Center** — PWREI purchased this center in October 2015. It consists of 28,240 sq. ft. of mixed retail space located at the intersection of US 76 and Main St in Newberry, SC. It is shadow anchored by a Walmart. Current tenants include GameStop, Sally Beauty, Newberry Nails & Spa, CATO, It's Fashion, Shoe Show, Groucho's Deli, Boost Mobile, and China Town Restaurant.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$2,030,055	\$2,124,811	93%	\$178,445

**Powder Springs** — This property was purchased by PWREI in October 2015. It is located on Richard D Sailors Pkwy in Powder Springs, GA and is shadow anchored by a Home Depot. The small strip center has a total of 15,050 sq. ft. and has Allen Chiropractic, Johnny's Pizza, and Nail TLC as tenants. The vacant pad we bought with the building was sold on February 12, 2016 for ~\$280k net.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$1,100,000	\$821,003	37%	\$14,328

**Sugarcreek Crossing** — PWREI is 66.7% owner of this shopping center in Centerville, OH, purchased in October 2015. The property at purchase included three parcels – a ground leased Cracker Barrel pad, a Tire Discounters pad and a multi-tenant retail building containing a UPS Store, Godfather's Pizza, and Mattress Firm, among others. The Cracker Barrel parcel was sold on May 6, 2016 for ~\$2.28M net. The Tire Discounter's parcel sold on December 23, 2016 for ~\$2.96M net.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$5,117,333	\$1,668,708	100%	\$286,010

**Castleberry Promenade** — PWREI purchased this property as a joint deal with East West Market in February 2016. It consists of 26,452 sq. ft. of leasable space with two small developable pads, and is located at the busy intersection of Bethelview Rd and Castleberry Rd in Cumming, GA. Current tenants include Castleberry Ale House, My Running Store, Fitness Foundation, Kumon Learning, and i4Food.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$2,906,000	\$2,906,000	75%	\$173,963

**East West Market** — PWREI purchased this property as a joint deal with Castleberry Promenade in February 2016. This center is located along East West Connector in Austell, GA and consists of 17,017 sq. ft. of leasable space and a 1.09-acre developable pad. Current tenants include 100% Chiropractic, WellStar, and American Health Imaging.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$2,660,000	\$2,663,245	88%	\$135,982

**Village at Las Sendas** — PWREI purchased a 33.4% stake in this property in June 2016. The shopping center is located in Mesa, AZ at the intersection of McDowell Rd and Power Rd and consists of 39,144 sq. ft. of leasable space. Current tenancy is a diverse mix of local and national tenants including Sunnyside Breakfast, Jimmy Johns, Pacino's Italian, D'Vine Wine, Smashburger, Coco Milanos, Royal Tobacco, Chipotle, and Echo 5 Sports Pub.

Initial Investment	Net Investment	Occupancy	2016 NOI
\$2,922,500	\$2,930,757	84%	\$139,457

**Note: 2016 NOI numbers reflect the PWREI's portion of the total. All profit, NOI, Gross IRR, and Multiple calculations presented are unaudited gross estimates.**

**All numbers within this report are unaudited and should be considered as close approximations. Members receive the audited results on an annual basis.**