

Greenwood & McKenzie

REAL ESTATE INVESTMENTS

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TO ALL INVESTORS:

Your Investment Summary detailing the 2017 cash and tax consequences for each of your partnership or L.L.C. investments is enclosed. We have excluded your investments in the Arizona loans as we feel the worksheets that you receive are sufficient.

In the last year's recap letter, we advised you of several staff changes, one of which was that Patti, under the supervision of Jill, was handling the property management of our commercial projects. Patti is leaving us, and Bette is also leaving us to move back to Durango, CO, where most of her family resides. Bette has been assisting Jim with overseeing our transactions and has been involved with the property management of many of our Phoenix projects. We have just hired Torrey Chacon to be responsible for the property management of all of our commercial projects, including all of our Arizona properties and Texas LA Fitness sports clubs. Torrey has fourteen years of experience and we feel that she will be able to handle both the projects Patti has been managing and the property management portion of what Bette did. Over the next few months we plan on focusing on what the duties of Bette's replacement will look like before hiring someone to replace her.

We are currently responsible for the asset and property management of 77 properties, 37 in California, 31 in Arizona and 9 in Texas. The total square footage of all the buildings is 4,219,319. We are also involved in one 10.88 acre Phoenix land development project, one in Prescott totaling 800 acres and three in California totaling 103 acres. In addition, we are involved in nine loans totaling \$21,792,582 in the Phoenix area, Prescott and Texas. The estimated fair market value of all the projects is about \$1,000,000,000 with an estimated net equity of about \$550,000,000.

We manage four multi-tenant office buildings in Orange County, one in San Bernardino and three single-tenant and two multi-tenant office buildings in Indian Wells. The Orange County buildings total 60,050 square feet ("sq.ft."), of which suites totaling 1,300 sq.ft., or 2.2%, are vacant. The San Bernardino building contains 70,585 sq.ft., of which 6,883 sq.ft., or 9.75%, is vacant. The five Indian Wells buildings total 74,869 sq.ft., of which 1,675 sq.ft., or 2.2%, is vacant.

Pat Cadigan's apartment portfolio includes 2,070 units in 13 complexes. The average occupancy was 97.5%. We manage two retail projects, two single-tenant industrial and six industrial/office projects totaling 134,839 sq.ft. that are all leased. We also manage one self-storage facility which averaged 92.6% occupancy and we are invested in two more which averaged 95% occupancy. Excluding the apartment complexes and self-storage projects, the total square footage for the California portfolio is 340,343 with 9,858 sq.ft. vacant, or 2.9%.

The Phoenix market continued to improve in 2017. We sold the last two Sky Harbor lots and a single-tenant office building owned by one of our investors. We completed the lease up of the Willis multi-tenant industrial project and made good progress on leasing up the Cave Creek 101 multi-tenant industrial project.

We manage six single-tenant industrial, three single-tenant industrial/office, two multi-tenant industrial/office and four multi-tenant industrial projects totaling 953,626 sq.ft., of which 10,272 sq.ft., or 1%, is vacant. We manage four single-tenant office buildings totaling 160,580 sq.ft. that are all leased. We manage three multi-tenant office buildings totaling 342,259 sq.ft. that are all leased. We manage four single-tenant commercial buildings totaling 50,641 sq.ft. that are all leased. The total square footage of this portfolio is 1,507,106 sq.ft. with only 10,272 sq.ft. vacant, or less than 1%. We manage three LA FITNESS Sports Clubs and we are involved in two land joint ventures with Jim Chamberlain.

As for Texas, we manage nine LA FITNESS Sport Clubs, three in Dallas, five in Houston, and one in San Antonio.

For 2018, we completed the lease up of Cave Creek 101 and will be funding the permanent loan this month. We raised investor funds in January for our new 61,992 square foot Cave Creek II multi-tenant industrial project which is just down the street from Cave Creek 101. Our primary focus will be to get this project leased up as soon as possible. We have already leased six of the ten suites totaling 36,540 sq.ft., or 59%. We are working with Jim Chamberlain ("JC") to develop a third multi-tenant industrial project containing 57,300 sq.ft. that is located just to the north of Cave Creek 101. Construction just started and the project should be completed by the end of the year. JC and his team continue to make good progress on the development of our three Prescott properties.

The budgeted distributions this year remain the same as last year for 14 of our partnerships/L.L.C.'s, have increased for 17 and have decreased for 9.

Thank you again for your continued support, confidence, loyalty and referrals.

Cordially,

