

Pacific West Securities, Inc.

Pacific West Securities, Inc., is one of the nation's most active firms selling Tenant-In-Common ("TIC") interests.

Pacific West started a family of companies in 1967 that included a real estate firm. But to allow for the sale of larger and more sophisticated real estate products – securities -- it formed Pacific West Securities, Inc., in 1972 and was registered as an NASD member. Since then, Pacific West has grown from a regional firm to a nationally-recognized securities Broker/Dealer with tens of thousands of clients from coast to coast.

Over the decades, Pacific West has continued to develop its real estate expertise. In 2000, it recruited Shanon Ford from the largest commercial real estate appraisal firm on the West Coast, where he was a licensed appraiser and Senior Real Estate Analyst. Upon joining Pacific West, Ford developed the due diligence department using the skills and knowledge from his real estate background.

With its roots in real estate and commitment to due diligence, Pacific West has a strong belief in the effectiveness of Tenant-In-Common business. As people continue to exchange or sell property, there is the need to provide this investment vehicle for them. In offering this resource, there is responsibility and Pacific West has set the stage by providing the capital, technical and human resources it takes to run a top-tier Tenant-In-Common program.

Dedication to Customer Care

Duty to clients is the most fundamental concept that Broker/Dealers, Registered Representatives, Sponsors and any other participants in the Tenant-In-Common industry must embrace. The most significant reason the customer must be cared for and their interests put ahead of our own, is that we have a responsibility to them and a duty to care for the fiscal health of those that entrust us with their financial affairs.

At Pacific West, we embrace this philosophy in a number of ways. First, we select representatives that are of like mind. This is an important step in our efforts to care for the client. Next, we encourage our representatives to consider the client's entire financial situation. Rather than being "product pushers," we embrace the financial planning concept, which considers a far broader perspective than just the immediate need. Thus, we are able to provide a better overall solution for clients than if we only sold one product. Interestingly, sometimes the best solution for a client is not to do a 1031 or TIC investment.



Shanon Ford

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This care for the client does not end at the sale, but is ongoing. Pacific West advocates to its representatives that ongoing communication with clients is vital to the continued success and strength of their business relationship.

Ethics Are Mandatory

Regulators often refer to their mission to "ensure the confidence in the capital markets." We believe they are right on target. This statement is so broad that it includes everything from preventing bad deeds, ensuring equitable principals of fair trade are followed, policies and procedures are enforced, and ethical behavior is held. While procedures are great, ethics are mandatory. In every step of the process, clients are placing their trust in professionals. They seek advice and help in understanding a complex area, such as alternative investments. For these reasons, honesty and integrity are so crucial. Pacific West's tagline is "A Beacon of Integrity," which is why we support and adhere to the TICA Code of Ethics. In fact, we go beyond the "make a reasonable effort" language of the Code and subscribe to the letter and intent of the Code.

Due Diligence Overview

Pacific West has created a separate department focused solely on thorough and timely due diligence. The company conducts its own due diligence beyond what is performed by the lender, sponsor and attorneys prior to finalizing new relationships.

As well as the due diligence oversight provided by Shanon Ford, Pacific West's Shawn Smith manages the department, which also includes himself and other three analysts. We believe that this large commitment of resources to due diligence will allow Pacific West to select and approve only the best of qualified offerings.

It is our belief at Pacific West that due diligence has three key elements:

- Sponsor Character – What are the character and reputation of the sponsor? What is the experience and

track record of the sponsor? What is the adequacy of the business infrastructure of the sponsor organization? Does the sponsor employ qualified staff and attorneys?

- Structure and Disclosure – Is the program structured well in terms of fairness to the investor? Is the offering structured well from a legal and mechanical standpoint, and are the proper disclosures to the client in place? Does the disclosure document adequately state the risks associated with investing in the program? Do the agreements of the program accomplish the objectives stated in the disclosure document?
- Economics – What are the fundamental real estate characteristics of the property, such as location, tenant mix and lease terms, physical condition, etc.? What safeguards (such as reserves etc.) are in place? Are the projections of the offering reasonable in view of the facts?

At the end of the review, the determination of whether to sell the product is made. It is important to note that Pacific West Securities does not sign all offerings. Each offering must stand on its own merit and be reviewed individually.

Internal Processes and Procedures

Beyond the many procedures of the Due Diligence Department, Pacific West has numerous additional procedures related to TICs.

When NASD NTM 05-18 was issued in March 2005, the industry (including Pacific West) did significant research on the issues raised, particularly those related to marketing of TICs and the use of seminars. Immediately after the regulatory panel at the TICA event in Utah, Shanon Ford assembled and chaired a TICA task force to research the issue. The result was TICA Alert 05-02, issued in May of 2005. Immediately following, Ford began work on Best Practices issues, which eventually (with several twists and turns) resulted in TICA Alert 06-01, *Guide to Certain Best Practices*.

As a result of this significant research and analysis, Pacific West issued a six-page policy document to its

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Registered Reps detailing marketing practices for all private placements (including TICs and DSTs). Complete with a Q&A of various questions and scenarios, the policy made clear the process of what cannot be done, and more importantly, what can be done in terms of marketing TICs given the general solicitations issues. Pacific West Registered Representatives work with the Compliance Department on all marketing issues, which include the requirement of pre-approval for all sales and marketing materials and seminars.

Marketing Support and Resources

We at Pacific West understand the need to provide guidance on how to market TIC investments. We have developed clear and concise materials to support our representatives' efforts to grow their TIC business.

Pacific West's selection includes:

- A compliance-approved educational seminar
- Generic classified ads
- Direct mail pieces
- An investor kit, which includes a presentation folder, educational brochure, Pacific West expertise brochure and materials for client letter/representative bio

Pacific West Trainings & Educational Information

The complexity of a TIC investment, with the merging of two industries and three areas of law, requires a registered representative to be sophisticated and well-trained in order to best assist the client. Pacific West takes great pride in providing ongoing education to our registered reps via seminars, focus groups and classes. We believe that to properly explain the TIC product and process to a client in full detail, a representative requires a higher level of education and expertise than merely passing the NASD exams provides.

The most significant educational event for representatives new to the industry is our "TIC Boot Camp." This four-hour interactive presentation includes a reference guide of more than 200 pages. The guide is made up of text

written by Pacific West staff to provide context and education, as well as exhibits of primary documents, such as Revenue Procedure 2002-22 and NASD NTM 05-18. Topics addressed in the session and reference guide include: What is a 1031 Exchange? What is a TIC? Real Estate Versus Partnership, Security Versus Real Estate, Benefits of TIC, Negatives of TIC, DST, Pacific West Due Diligence Program, TICA Alert 06-01, and Doing Business in TIC, as well as a glossary of terms.

Pacific West holds a "TIC Day" at our annual conference, The Leadership Summit. This day features at least four segments of educational content, which has ranged in the past from on a presentation on "What is a Cap Rate?" to a panel of industry attorneys exploring the differences between the master lease versus management contract and DSTs versus TICs. We also provide break-out sessions hosted by our Home Office Due Diligence Department to provide specific educational content on TICs.

Newly added are our Business Development Days in which we present in-depth financial education on a host of various topics from TICs to Wealth Management. Each ongoing educational opportunity adds to the knowledge of our investment professionals.

We also host regular Focus Group presentations in which sponsors participate to educate the financial representatives on not only their own product, but the industry at large, including current events and issues. And we host conference calls with our representatives to discuss timely topics, such as the recent happenings in Washington, D.C.

The training we provide our representatives is only part of our program. We devote a significant amount of time and resources into preserving and training a top-notch Due Diligence Department and TIC services at Pacific West Securities, Inc. Shanon Ford's background as a Commercial Real Estate Appraiser provides in-depth knowledge of real estate issues and fundamentals. Shanon conducts thorough and ongoing training of the Due Diligence Department staff.

Industry Involvement and Efforts to Improve the Industry

As noted above, Pacific West has been involved in the Tenant-In-Common industry since 1999 and remains very active in industry events. This significant effort has been made because of the belief that the industry has the opportunity for something special. Not often does a product come along with the potential to affect an investor's quality of life, potentially produce current income, address an investor's tax issues and likely improve the quality of the assets they own. Collectively, the industry has an opportunity to grow responsibly and ensure that there are no premature "blackeyes" or worse.

For this reason and the acceptance of a share of this responsibility, Pacific West has worked hard to improve the industry. Listed below are just a few of the areas of involvement as well as some of the efforts made.

- 2002: Shanon Ford is a member of the IPA Committee on 1031 Exchanges (which was disbanded when TICA was formed)
- 2002: Shanon Ford involved in early stages of TICA prior to formation, including adhoc meetings at various IPA events and Utah symposiums etc.
- 2003: Pacific West is co-sponsor of Best Practices meeting in Chicago (Broker/Dealers gathered to discuss TIC issues)
- 2003: Shanon Ford is co-author of the *Best Practices Memorandum*, 2003
- 2003: Pacific West is first dues paying Broker/Dealer member of TICA
- 2003: Pacific West staff in attendance and active involvement in every TICA national conference or symposium ever held
- 2003-2006: Shanon Ford elected co-chair of the Due Diligence and Compliance Committee
- 2003-2006: Pacific West actively encouraged representatives force to join TICA

- 2003: Shanon Ford met with IRS and Treasury in Washington, DC about DSTs and Rev Proc
- 2004-2006: Shanon Ford attended meetings with Washington, DC office and local district office of NASD regarding TICs
- 2005: Shanon Ford elected to TICA Board in 2005 for two-year term
- 2005: Shanon Ford heads up task force to research general solicitations issues and is co-author of *TICA Alert* 05-02
- 2005: Shanon Ford appointed Co-chair of the TICA Best Practices committee and co-author of *TICA Alert* 06-01
- 2006: Shanon Ford met with SEC on TIC issues
- 2006: Pacific West completes 1000th TIC transaction
- 2006: Shanon Ford met with congressman in Washington, DC on budget reconciliation issue
- 2006: Pacific West Securities, Inc. wins TICA's ACE award
- 2007: Shanon Ford elected to second two-year term on TICA's Board of Directors

In summary, Pacific West has made great efforts to promote the well-being, improvement, education, maturation and perception of the industry in many different ways.

Conclusion

Pacific West Securities, Inc., embraces the responsibility required to manage a sophisticated Broker/Dealer offering Tenant-In-Common investments. Through years of efforts and behavior, we have demonstrated that we are in lock-step with the Tenant-In-Common Association's mission to "promote the highest ethical standards for its members and provide education and information to the entire TIC community."