

# Mesa West Capital, LLC

## Part 2A of Form ADV

### Brochure

### 2014 Annual Update

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#### Item 1. Cover Page

**This brochure provides information about the qualifications and business practices of Mesa West Capital, LLC, IARD/CRD Number 158959. If you have any questions about the contents of this brochure, please contact us at 310-806-6300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Mesa West Capital, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 - Material Changes**

None. This Amended Part 2A of Form ADV is an updated annual filing.

## **Item 3 - Table of Contents**

Item 1 Cover Page	1
Item 2 Material Changes	2
Item 3 Table of Contents	2
Item 4 Advisory Business	3
Item 5 Fees and Compensation	4
Item 6 Performance Based Fees and Side-by-Side Management	6
Item 7 Types of Clients	7
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 Disciplinary Information	10
Item 10 Other Financial Industry Activities and Affiliations	10
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
Item 12 Brokerage Practices	12
Item 13 Review of Accounts	15
Item 14 Client Referrals and Other Compensation	16
Item 15 Custody	18
Item 16 Investment Discretion	18
Item 17 Voting Client Securities	18
Item 18 Financial Information	19

## Item 4 - Advisory Business

Mesa West Capital, LLC (“Mesa West”) was founded in 2004 and is primarily owned by its founders, Principals Jeff Friedman and Mark Zytke. As of December 31, 2014, affiliates (wholly-owned subsidiaries formed to be general partners or separate account advisors) of Mesa West had \$3,220,757,683 of assets under management. Affiliates of Mesa West manage assets on a discretionary basis on behalf of five clients: MWREIF II, L.P., MWREIF II PF-1, L.P., MWREIF II PF-2, L.P., MWREIF III, L.P. (collectively, the “Closed-end Funds”) and MWCLF, L.P. (“Core Fund” or the “Open-end Fund”), which are collectively, the “Funds” or singularly, a “Fund”. Assets under management on a discretionary basis total \$3,093,077,127 as of December 31, 2014. Additionally, affiliates of Mesa West manage assets on a non-discretionary basis on behalf of two clients: Mesa West DSA, LLC (“Mesa West DSA”) and Mesa West UTG, LLC (“Mesa West UTG”), which, collectively, are the “Separate Accounts” or singularly, a “Separate Account”. Assets under management on a non-discretionary basis total \$127,680,556 as of December 31, 2014.

Mesa West provides discretionary investment advisory services to private investment funds (the Funds) and non-discretionary investment advisory services to the Separate Accounts. The Funds and Separate Accounts primarily invest in debt interests in commercial real estate related assets located in the U.S. with a substantial current income component. Wholly owned affiliates of Mesa West serve as the General Partner each to MWREIF II, L.P./MWREIF II PF-1, L.P./MWREIF II PF-2, L.P., MWREIF III, L.P., and the MWCLF, L.P. Each Fund will be managed by its respective General Partner. Additionally, two wholly owned affiliates of Mesa West serve as the Separate Account Advisor each under respective agreements with single institutional investors. For ease of reference, Mesa West and any General Partner to a Fund or Advisor to a Separate Account are referred to, collectively, throughout this Brochure as “Mesa West.” Mesa West is responsible for identifying investment opportunities for the Funds and Separate Accounts, as well as facilitating the acquisitions, monitoring, and disposition of each of the investments. Mesa West provides investment advice to the Funds and Separate Accounts, or “clients”. Mesa West tailors its investment advisory services to the individual needs of each Fund or Separate Account, in accordance with the investment objectives, strategies and limitations (if any) described in each Fund’s respective offering documents and limited partnership agreement and in each Separate Account’s advisory agreements.

Each of the Funds is organized as a Delaware limited partnership and certain wholly-owned affiliates of the Funds that may consummate or hold investments are organized as Delaware limited liability companies. Certain Funds are organized into a structure comprised of parallel funds, which generally invest in assets side-by-side on a pro-rata basis (based upon capital commitments) with other Funds. Generally parallel funds are established to accommodate specific tax issues impacting certain types of investors. Each of the Separate Account Advisors is organized as a Delaware limited liability company.

### Fund Sidecars

Mesa West may provide to Fund investors that make a specified minimum capital commitment the right to participate in a separate pooled investment vehicle (“Fund Sidecar”) for the purpose of participating on a levered or unlevered basis in certain co-investment opportunities with a particular Fund. The minimum capital commitment amount required to participate in a Fund Sidecar varies. Investors may make a commitment to the Fund Sidecar, when made available, and the amount of which will be determined in Mesa West’s discretion.

## Item 5 - Fees and Compensation

Fees are determined and assessed in a manner specific to each Fund or Separate Account. For the specific fees charged by any Fund or Separate Account, please refer to the offering documents and limited partnership agreement for that Fund or the Separate Account advisory agreements. The fees paid by the Funds are typically not negotiable. Certain fees may be deferred or waived from time to time at the discretion of Mesa West.

### 1. *Management Fees*

The Closed-end Funds' limited partners currently pay annual management fees equal to a percentage of their respective total commitment amount during the investment period and a percentage of their respective net invested capital thereafter; depending on the size of an investor's commitment to a specific fund, the fee may be reduced. The Open-end Fund's limited partners currently pay annual management fees equal to a percentage of the net asset value allocable to their respective investment interests held. Investors in unlevered Sidecars pay annual management fees based on a percentage of the total commitment to each Sidecar investment. The management fees are deducted and charged quarterly in advance.

### 2. *Collateral Management and Advancing Agent Fees*

Mesa West charges an affiliate of MWREIF II, L.P./MWREIF II PF-1, L.P. senior and subordinate collateral management fees and advancing agent fees for services related to the collateral oversight of the affiliate's management of Mesa West CDO 2007-1 collateralized debt obligation ("CDO") securities, as more fully described in the Collateral Manager Agreement between Mesa West and the affiliate entity. The affiliate is a wholly-owned subsidiary of MWREIF II, L.P./MWREIF II PF-1, L.P. formed to act as the CDO manager. The annual collateral management fees are payable monthly in arrears as a percentage of the net outstanding portfolio balance of the CDO collateral. The annual advancing agent fee is payable monthly in arrears as a percentage of the aggregate outstanding balance of the Class A-1, Class A-2, and Class B CDO notes. Both the collateral management fees and advancing agent fees are treated as an offset to the Management Fee charged to MWREIF II, L.P./MWREIF II PF-1, L.P.

### 3. *Disposition Fees*

Investors in the unlevered Sidecar, MWREIF II PF-2, L.P., pay disposition fees equal to a stated percentage multiplied by the proceeds with respect to the sale, repayment, or redemption or other disposition of an asset, net of liabilities, costs, and expenses relating to the transaction.

### 4. *Incentive Compensation*

Mesa West receives from the Closed-end Funds, with the exception of MWREIF II PF-2, L.P., a portion of the distribution of income and proceeds as incentive profits interest compensation, which is deducted from the respective Closed-end Fund's distributable proceeds. The incentive compensation is generally, depending on portfolio performance, a percentage of the amount of profits otherwise

disbursable to each limited partner. Each Closed-end Fund has established a distribution waterfall describing how distributions will be paid to the underlying investors and Mesa West. Investors receive a preferred return on their investments plus a full return of invested capital prior to the distribution of any incentive compensation paid to Mesa West.

To the extent Mesa West is entitled to certain distributions to fund uncovered tax liabilities it may incur as a result of its interest in any respective Closed-end Funds' profits, any amounts distributed as such will be considered an advance against the next profits interest distribution payable to Mesa West.

The distribution waterfalls are further described in the governing documents for each Closed-end Fund.

An investor in the Closed-end Funds may not withdraw, redeem, or transfer its interest without the consent of Mesa West.

Mesa West generally does not reinvest capital of a Closed-end Fund in new assets (i.e. new originations/acquisitions) other than during the commitment period for such Closed-end Fund. However, distributable net proceeds may be reinvested in existing investments of the Closed-end Funds and used for operating expenses.

Performance-based compensation received by Mesa West is structured to comply with Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act"), to the extent applicable.

Mesa West does not receive distribution of income, proceeds, incentive compensation, or tax liability distributions from the Open-end Fund. Investors in the Open-end Fund are entitled to distributions of net cash flow and have the option also of reinvesting their share of distributions.

An investor in the Open-end Fund may redeem its interest or increase its commitment amount without the consent of Mesa West, but cannot transfer its interest without the consent of Mesa West. New investors are admitted into the Open-end Fund on a quarterly basis subject to the suitability and other requirements as described in the Open-end Fund's offering documents.

Mesa West generally reinvests realized capital proceeds from investments in the Open-end Fund into new assets (i.e. new originations/acquisitions), but also can use such capital proceeds to redeem investors choosing to exit the vehicle and to fund expenses, reserves and working capital balances. Redemption requests are honored sequentially and may be fully or partially redeemed subject to available funded capital and capital proceeds balances.

## *5. Organizational and Offering Fees and Expenses*

The Funds will bear all organizational and offering fees and expenses incurred in the formation of the Funds, up to a specified amount, as disclosed in the Funds' offering documents. The Funds pay all third-party costs and expenses relating to the Fund business, including originating, evaluating, acquiring, owning, hedging, financing, operating, reviewing, managing and disposing of any Fund asset or potential Fund asset (and shall reimburse Mesa West for any such costs and expenses paid or incurred by Mesa West and its affiliated persons), including, without limitation, fees and expenses of legal counsel, accountants, appraisers, investment bankers and other third party consultants and advisors, premiums for insurance protecting the Fund, the General Partner, Investor Committee, and the Advisory Committee, travel expenses of Mesa West and its affiliates and the members of the

Advisory Board, any out-of-pocket expenses incurred by Mesa West and its affiliates in connection with potential investments and any costs and expenses incurred in connection with any potential purchase of an asset by the Fund that is not purchased by the Fund.

Please see Item 12 for a description of Mesa West's trading practices.

#### *6. Travel Expenses*

The Funds will be responsible for incurring the cost of travel expenses related to Fund business. Such expenses include Mesa West and its affiliated persons' business or economy class airfare for domestic travel and for international destinations or other longer duration flights, business or first class airfare.

#### *7. Side Letters*

Mesa West will enter into side letter or other similar arrangements with Fund investors that have the effect of establishing or otherwise benefiting such investor in a manner more favorable than the rights and benefits described in the Fund(s) offering documents and agreements. Rights and benefits that are more favorable in any material respect may be afforded to a limited partner based upon its commitment level, and the same favorable rights and benefits may be extended to other limited partners in accordance with each respective Fund's limited partnership agreement. These rights and benefits may include most favored nation status (i.e., lowest fee charged to similar investors), advisory committee designations, and specific reporting requirements, tax considerations, and other terms and conditions.

#### *8. Separate Account Advisory Fees*

Mesa West will enter into negotiated advisory agreements with each Separate Account investor. The investors pay annual advisory fees equal to a percentage of the outstanding principal balance or fair value of its loan investments. From the advisory fee, annual loan servicing fees are typically deducted and paid to Mesa West's loan servicing venture described in Item 10 on page 10. Other fee arrangements, including, but not limited to, special servicing fees or sharing of investment extension, origination, modification, prepayment or exit fees also may be negotiated. Additionally, reimbursement by the investor of certain Mesa West set-up costs and ongoing expenses may be negotiated.

## **Item 6 - Performance Based Fees and Side-by-Side Management**

Please see the section titled "Incentive Compensation" under Item 5.4 above for a complete description of the performance based fees allocable to the Closed-end Funds' General Partners. Mesa West is entitled to receive a portion of the distribution of income and proceeds as incentive compensation as set forth in each of the Closed-end Funds' limited partnership agreement. The method of calculating the incentive compensation (i.e., "waterfall") is the same for MWREIF II, L.P. and MWREIF II PF-1, L.P. Although MWREIF III, L.P. has a slightly different waterfall that is comprised of three different incentive structures depending on the size of certain investor's commitments to the Fund, it did not commence investment activity until MWREIF II, L.P./MWREIF II PF-1, L.P. had concluded its investment activity. Therefore, Mesa West does not have conflicts of interest related to the side-by-side management of Funds with different fee structures. It should be noted, however, that certain

Sidecar vehicles do not pay incentive compensation, but these vehicles invest in the same pool of assets as the Funds to which they are affiliated. Subscription opportunities in Sidecar vehicles are only made available to existing investors in the Funds to which the actual investment opportunities stem. While the Sidecar investment opportunities come only from the investments made by the affiliated Funds, they are equity-only investments and the Funds' consummate debt-leveraged investments. Therefore the affiliated Sidecar and Fund would never compete for the same limited investment opportunities.

## **Item 7 - Types of Clients**

Mesa West provides investment advisory services to the Funds and Separate Accounts that invest in debt interests in commercial real estate related assets. Investors in the Funds and Separate Accounts may include, but are not limited to, pension plans, endowments, corporate and business entities, foundations, trusts, and high net worth individuals. Investors may be either domestic or non-U.S. entities. The Funds have minimum capital commitments for investors, as specified in the offering documents for each respective Fund, which are negotiable by Mesa West. Both Fund and Separate Account investors are required to meet certain suitability qualifications, such as being an "accredited investor" or a "qualified purchaser" within the meaning set forth under the federal securities laws.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

### Investment Analysis

Mesa West identifies potential investment opportunities for the Funds and Separate Accounts through a variety of sources and bases a portion of its investment analyses on information obtained from working with industry professionals such as industry consultants, property management and leasing professionals, other investors, brokers, and other real estate specialists.

The screening process for potential investments involves several steps, which vary depending on the type of asset being proposed for origination/acquisition. A written Investment Committee Memo is prepared describing the due diligence conducted on the proposed origination/acquisition, and this summary is provided to the Investment Committee. The Investment Committee is comprised of: the founders of the firm, Principals Jeff Friedman and Mark Zytke; Principal Ryan Krauch; and a representative designated by Walton Street, but only with regards to matters pertaining to MWREIF II, L.P./MWREIF II PF-1, L.P./MWREIF II PF-2, L.P.

A private fund sponsored by Walton Street has committed capital to MWREIF II, L.P., which ceased investment activity in 2013. Walton Street sponsors private funds that, through a value-added and opportunistic investment and management strategy, invest in equity and debt interests in real estate related assets and real estate operating companies and therefore have a different primary investment focus than private funds sponsored by Mesa West. Due to the different primary investment strategies of the Mesa West and Walton Street private funds, Mesa West did not pursue investments or investment

opportunities in the same real estate related assets or real estate operating companies as the Walton Street private funds. Nevertheless, Mesa West and Walton Street each adopted procedures to identify and mitigate conflicts arising from such potential situations. In no cases will Walton Street personnel be involved in Investment Committee matters pertaining to MWREIF III, L.P. or the Core Fund.

Subject to the foregoing, Mesa West's Investment Committee will meet as necessary to review prospective investments, existing holdings, potential dispositions, material events regarding existing investments, and to assess real estate market activities. Members of the Investment Committee will vote, and unanimous approval of all members entitled to vote (i.e., exclusive of a member that is recused from participating) is required for the origination, acquisition, or disposition of an asset.

The Investment Committee reviews and makes all of the investment decisions for the Funds and makes investment recommendations for each of the Separate Accounts. As part of this process, and as required, the Investment Committee reviews the allocation of limited investment opportunities among the Funds. It is unusual based on the life and investment cycle of the Funds for an allocation to be appropriate for more than one Closed-end Fund. This is because each Closed-end Fund has exclusive rights to appropriate investments during its respective Commitment Period. However, there could be situations where an opportunity could be a suitable investment for either a Closed-end Fund or the Open-end Fund. Subject to the exclusivity rights contained in each Fund's limited partnership agreement, and subscription and other commitment agreements, as applicable, if this should occur, the Investment Committee will generally allocate the investment to each Fund on a rotational basis. The allocation decisions may also be based on investment considerations regarding diversification, size of the position, and available committed capital. See Item 12, Brokerage Practices, Allocation of Investment Opportunities.

### Investment Strategies

Mesa West provides advice to the Funds and Separate Accounts to invest in commercial real estate debt investments. The Funds and Separate Accounts are generally investing their assets in limited partnerships, private real estate investment trusts ("REITs"), and limited liability companies that were structured for the purpose of holding the underlying real estate collateral assets (i.e., physical property). In certain cases Mesa West also may invest in limited partnerships or other pooled investment vehicles that specialize in real estate related debt investments and CDOs.

### Risk of Loss

Investments in the Funds involve a degree of risk and are generally illiquid. Similarly, the investments made by the Funds involve certain risks and are often illiquid. A Fund investor should not invest in a Fund unless the investor is able to withstand a total loss of its investment in the Fund. There is no assurance that any Fund will achieve its investment objective. Investing in securities and other investments involves a risk of loss that the Funds and Fund investors should be prepared to bear. The Separate Accounts present similar risks.

Mesa West will cause the Funds to use leverage from time to time, in the form of debt financing to originate, acquire, and refinance investments. Each Fund has established a limit with regard to the amount of leverage that can be used, as described in the offering documents for such Fund. Debt service requirements may deplete or restrict a Fund's cash flows. Further, relatively small changes in the overall value of Fund investments may have a magnified impact on the equity value of the Fund. If a particular Fund investment was unable to generate sufficient cash flow to meet interest and principal



payments on the indebtedness incurred by the Fund relative to that investment, the value of the Fund's investment in such portfolio investment would be significantly reduced or even eliminated. In addition, the amount of debt financing may restrict the amount of funds available for distribution to Fund investors.

In certain cases Mesa West may invest assets of the Funds in fixed income commercial real estate-related securities including notes, CMBS, and CDOs. Mesa West also actively reviews opportunities to invest in debt and loan portfolios. During periods of falling interest rates, the values of outstanding fixed income securities generally rise. Conversely, during periods of rising interest rates, the values of such securities generally decline. Moreover, while securities with longer maturities tend to produce higher yields, the prices of longer maturity securities are subject to greater market fluctuations as a result of changes in interest rates over time. Fixed income securities are also subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to risks associated with market perception of the creditworthiness of the issuer and general market liquidity.

Mesa West may participate in interest rate hedging strategies on behalf of the Funds. The Funds may enter into forward contracts, future contracts, swaps, caps, and collars. Investing in these instruments can increase the risk to Funds. Generally, only a small amount of the full value of these instruments (the "notional amount") is necessary to enter into these transactions. As such, a change in the value of the instrument will magnify the amount of gains and losses experienced. Such hedging arrangements may also cause the Funds to be exposed to the creditworthiness of the selected hedging provider(s) from time to time. If the hedging arrangements are terminated at any time in accordance with their terms, the Fund may be liable to make a payment to or receive a payment from the hedging provider in connection with such termination reflecting the market value of the transactions comprising such hedging arrangements. If a Fund is required to make such a payment, it may be required to liquidate investments to do so. Mesa West may also temporarily invest the Funds' assets in money market funds and/or other liquid, short term securities for cash management purposes.

While Mesa West intends to originate, or acquire, and manage diversified portfolios of commercial real estate debt investments on a discretionary basis behalf of the Funds, it may not be able to achieve that goal. While diversification is an objective of the Funds, there is no assurance as to the degree of diversification that will actually be achieved in the Funds' investments, either by geographic region, concentration, or asset type. The Funds may participate in a limited number of investments and as a consequence, the aggregate return of the Funds may be materially and adversely affected by the unfavorable performance of a single investment.

Investors should also refer to the risks described in the Private Placement Memorandum for each respective Fund.

## **Item 9 - Disciplinary Information**

Mesa West and its employees have not been involved in any legal or disciplinary events in the past 10 years that Mesa West believes would be material to a client's evaluation of Mesa West's advisory business or the integrity of its management.

## **Item 10 - Other Financial Industry Activities and Affiliations**

See the section titled “Advisory Business” above for a description of Mesa West’s role in providing advisory services to the Funds and Separate Accounts.

Employees of Mesa West may have family members and/or friends that are employed with, or are otherwise affiliated with, entities that provide services or engage in business transactions with Mesa West and/or the Funds or Separate Accounts. Examples of such relationships may include entities that are the Funds’ or Separate Accounts’ investors, borrowers, joint venture partners, operating partners, real estate or securities brokers, lenders, and/or tenants in buildings owned by the Funds or Separate Accounts. Employees are required to report certain relationships to the Compliance Department, which monitors such relationships and any related conflicts.

### Loan Servicing Venture

In August 2011, Mesa West Capital, LLC formed MWAS Holdco, LLC which has a controlling member interest in Mesa West Asset Services, LLC (“Asset Services”). Cohen Financial, LLC (“Cohen”) is the other member. Asset Services was formed to provide loan servicing functions and services on the loan investments made by the Funds and Separate Accounts. Cohen is a national real estate capital services provider with a substantial loan servicing platform. Under the terms of Asset Services, Cohen will provide the loan servicing systems, infrastructure, and employees to service the loans on the Funds’ behalf out of its offices in Chicago and servicing center in Leawood, KS.

Mesa West entered into this joint venture with Cohen because it believed Cohen provided excellent loan services and by being its joint venture partner, Mesa West could obtain, for the Funds and Separate Accounts, reduced costs associated with these necessary services. However, Mesa West has a continuing obligation to ensure that Cohen continues to provide high quality services to the Funds and Separate Accounts. Because of its joint venture interest with Cohen, Mesa West may have a conflict of interest in objectively evaluating Cohen’s services over time. To address this, Mesa West has certain rights associated with its joint venture interest and will obtain information from time to time about other unrelated loan service providers to ensure that the quality and cost of Cohen’s services remain better or comparable for the Funds.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### Code of Ethics

Mesa West has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 under the Advisers Act.

This Rule requires Mesa West to adopt a Code of Ethics that sets forth a standard of business conduct and compliance with federal securities laws by all of our employees. Our Code of Ethics contains policies and procedures that require the following: (i) pre-clearance before purchasing real estate related securities, or any securities in initial public offerings or private placements; (ii) periodic reporting of employees' personal securities transactions and holdings; and (iii) prompt internal reporting of any violations of the Code of Ethics. Additionally, political and charitable donations as well as gifting, whether given or received, are subject to annual limits and approvals.

Mesa West will provide a copy of our Code of Ethics to clients or prospective clients, upon request. Please contact Thomas Hester by telephone at (310) 806-6322 should you have any questions concerning our Code of Ethics or wish to obtain a copy.

### Personal Investments

Mesa West's founders, Principals Jeff Friedman and Mark Zytco, have personally made limited partner investments in the Funds. In addition, Mesa West Principals Ryan Krauch, Ronnie Gul, Steve Fried, Raphael Fishbach and Matt Cohen have personally made limited partner investments in MWREIF III, L.P. and MWCLF, L.P. As previously described, Mesa West receives incentive compensation from the Closed-end Funds.

Employees of Mesa West may make personal investments in real estate related securities subject to the restrictions of Mesa West's Code of Ethics, as described above.

### The Mesa West Foundation

On December 27, 2011, Mesa West formed The Mesa West Foundation ("Foundation"). The Foundation is organized as a 501(c)(3) private foundation and its directors include Principals of Mesa West. The Foundation's purpose is to distribute, on a discretionary basis, a share of its assets annually to a variety of 501(c)(3) public charities whose mission and purpose are consistent with the values of Mesa West. A portion of the annual allocation for distribution is available to all Mesa West employees, whereby the Foundation in its sole discretion will contribute or match an amount to a qualifying public charity in which the employee has also contributed. In the course of allocating distributions throughout the year, the Foundation considers any proposal or contribution request from Mesa West employees or its Principals, including those contributions that may be to public charities involved with or associated in any manner with an existing Fund investor or Separate Account client or their respective consultant, if any. Such consultant may also represent prospective Fund or Separate Account investors and the Foundation considers contribution requests without regard to whether the contribution enhances the consultant's reputation or may otherwise influence its actions, including recommending to its clients that they invest with Mesa West. In addition, on a case-by-case basis, and solely in its discretion, the Foundation may also consider proposals for charitable contributions that have been submitted to the Foundation by Fund investors or Separate Account clients. Mesa West recognizes that these contributions may give the appearance of a conflict of interest in connection with a particular contribution as such a contribution could be viewed to have been made in order to make the investor/client beholden to Mesa West for continued or future commitment of assets. However, the Foundation approves or denies any contribution request on the basis of many factors and aligns its contributions with its stated purpose.

## Item 12 Brokerage Practices

### Client Referrals

Mesa West engages placement agents from time to time. However, such placement agents do not effect transactions in real estate or publicly traded securities on behalf of the Funds or Separate Accounts.

### Best Execution

When selecting a real estate broker, in cases where a Fund or Separate Account may hold a real estate asset, Mesa West will consider numerous factors and criteria with the overall objective of selecting a broker who will efficiently and effectively market the asset for sale and maximum returns. Examples of the criteria used include the following: the broker was helpful or instrumental during the loan origination and/or consulting process during the asset management phase; the broker represented the borrower during the purchase of the asset and is already familiar with the property; access to decision makers for a likely capital source; ability to run the bidding process to maximize the return on investment; knowledge and experience with the local market, type of asset and/or structure; complexity and size of the transaction; past performance in representing Mesa West or others on similar deals; presence of a strong local investment sales team assigned to the engagement; predisposition to use a particular broker; the broker's efficiency and professionalism in the preparation and distribution of marketing materials relevant to the engagement; overall allocation of business to a variety of qualified brokers that can meet Mesa West's needs; and the fee structure for the engagement.

Transactions in publicly traded commercial real estate securities are rare since it is not the objective of the Funds or Separate Accounts to engage in these transactions. However, in the rare circumstances when such securities transaction will be placed, Mesa West will select broker-dealers based on its fiduciary duty to seek best execution. Numerous factors and criteria will be used when evaluating brokers. Examples of the criteria used include the following: overall price; availability and liquidity of a security (e.g. for a fixed income security, the use of a broker-dealer that makes a market in a particular issuer); quality of research provided; trading expertise; reliability; maintaining confidentiality; and reputation.

Mesa West is responsible for the placement of Fund and Separate Account transactions and the negotiation of any commissions paid on such transactions. Securities are normally purchased through brokers on securities' exchanges or may be purchased directly from the issuer or from an underwriter or market maker for the securities. Purchases of securities through brokers involve a commission to the broker. Purchases of securities from dealers serving as market makers include the spread between the bid and the asked price. The Funds and Separate Accounts are responsible for paying any commissions or other fees with regard to any security transactions effected on behalf of the respective Fund or Separate Account.

When participating in interest rate hedging transactions, Mesa West uses a third party vendor to provide quotes from multiple counterparties. Transactions are executed with the broker-dealer, bank, or other counterparty with the intent of seeking "best execution" for the Funds or Separate Accounts. Brokers, banks, or other counterparties are generally selected on the basis of price and transaction expertise.

The Funds and Separate Accounts are responsible for paying all expenses associated with executing transactions in securities and hedging transactions. While the use of a third party vendor to obtain quotes and negotiate transactions will increase the cost of the transaction in excess of the amount that the Funds or Separate Accounts might be able to achieve directly, these services along with other account-related, accounting, or fair valuation assistance services are considered by Mesa West to be a valuable service for the Funds or Separate Accounts.

#### Research Reports

Mesa West receives real estate market data research from real estate brokers. Mesa West may also use the services of those real estate brokers to sell real estate investments for the Funds and Separate Accounts. Mesa West does not have any formal or informal arrangements to compensate the brokers for the research that is provided. Mesa West also may acquire real estate-related research and market data from third party service providers. Some examples of such third party research providers include, but are not limited to, Real Capital Analytics, REIS, and Co-Star. The Funds and Separate Accounts may bear the expense for the research obtained from such third parties and these payments will likely be made in hard dollars.

#### Trade Aggregation

The Funds and Separate Accounts rarely invest in any publicly traded securities. If a Fund or Separate Account transacts in a publicly traded security, due to exclusivity provisions and the fact that Mesa West only invests the assets of a Fund during its respective Commitment Period, it generally would not be practicable to aggregate transactions with another Fund or Separate Account.

#### Allocation of Investment Opportunities

Mesa West recognizes its fiduciary duty to act in the best interests of the Funds and Separate Accounts. In certain instances, when Mesa West may be in a position to allocate investment opportunities to more than one Fund or Separate Account at a time, it will do so on a rotational basis but always use reasonable efforts to ensure that each Fund is treated in a fair and equitable manner. These allocations will continue to be subject to the sole discretion of Mesa West and the Funds' or Separate Accounts' specific strategy, investment limitations, availability of capital and/or any applicable legal, tax, and regulatory considerations. Based on the exclusivity provisions noted above, it is unlikely that an investment opportunity will be available to more than one Closed-end Fund at the same time.

#### Trade Errors

In the event that the Funds or Separate Account incur a trade error solely as a result of Mesa West's gross negligence, willful misconduct, or fraud, such errors are to be corrected by Mesa West as soon as practicable and in a manner such that the Fund or Separate Account incurs no loss. Trade errors that result other than by breach of care stated above will be borne by the relevant Fund or Separate Account. To the extent that any gains arise from trading errors and as such are received by the Fund or Separate Accounts, then such gains will be retained by the relevant Fund or Separate Account.

#### Cross Investment Transactions

Mesa West generally does not cause the Funds or Separate Accounts to engage in any cross investment transactions. In the event that Mesa West does so, Mesa West will first consider and determine that the

transaction is in the best interests of both participating Fund(s) and/or Separate Account(s) and is consistent with disclosed policies in each constituents' documents, as applicable. To the extent deemed necessary or appropriate, Mesa West will obtain consent from the Investor Committees, in the case of the Funds, and from the Separate Account investor, in the case of Separate Accounts.

#### Transactions with Limited Partners and Affiliates

The Funds and Separate Accounts may enter into separate transactions with a Fund limited partner or Separate Account investor, or with their respective affiliates (whether as a buyer, seller, lessor, lessee, manager, broker, agent, trustee, provider of services, or otherwise). Neither the Funds, nor any limited partner, or a Separate Account investor shall have, as a consequence of this relationship, any rights in or to any income or profits derived from such transaction or relationship.

#### Advisory Committee

Each Fund has an Advisory Committee. The Advisory Committees are established to review and resolve certain issues of concern to the respective Fund. A majority of the members serving on each Advisory Committee must not be affiliated with Mesa West. For MWREIF II, L.P./MWREIF II PF-1, L.P./MWREIF II PF-2, L.P., Advisory Committee recommendations are non-binding.

For MWREIF III, L.P. and the MWCLF, L.P., the Advisory Committees are established to (i) review and resolve conflicts of interest between Mesa West and the respective Fund presented to it by Mesa West or as otherwise required by the documents governing each respective Fund; (ii) the terms and conditions of any loan by the General Partner to a respective Fund; (iii) the waiver of a respective Fund's investment limitations; (iv) waiver of a respective Fund's leverage limitations; (v) approval of an extension of the term of the respective Fund; and (vi) approval of changes to the valuation policy of the respective Fund.

#### Investor Committee

MWREIF II, L.P./MWREIF II PF-1, L.P./MWREIF II PF-2, L.P. has an Investor Committee. The Investor Committees are established to: (i) review and resolve conflicts of interest between Mesa West and the respective Fund presented to it by Mesa West or as otherwise required by the documents governing each Fund; (ii) the terms and conditions of any loan by the General Partner to a respective Fund; (iii) the waiver of a respective Fund's investment limitations; (iv) waiver of a respective Fund's leverage limitations; (v) approval of an extension of the term of the respective Fund; (vi) approval in the size of a respective Fund's credit facility; and (vii) approval of changes to the valuation policy of the respective Fund. No member of an Investor Committee may be affiliated with Mesa West.

## **Item 13 Review of Accounts**

#### Review of Fund Portfolios

The accounts managed by Mesa West are the Funds, Separate Accounts and Mesa West CDO 2007-1, a multi class Rule 144A offering of rated CDO debt securities issued in 2007 by a jointly-owned subsidiary of Mesa West Real Estate Income Fund, L.P. and Mesa West Real Estate Income Fund PF-1, L.P. (collectively, "Issuers"). The Issuers retained the unrated security and equity interests in Mesa

West CDO 2007-1 and on June 6, 2012 sold the unrated security and equity interests to MWREIF II, L.P./MWREIF II PF-1, L.P. As of March 31, 2014, the Issuers had been fully realized then dissolved effective December 31, 2014.

Mesa West's Originations Group meets on a periodic basis to discuss new investment opportunities that should be presented to the Investment Committee. The Investment Committee meets whenever needed to review and approve of new investment opportunities or the divestment of existing assets.

The investment positions and assets within the Funds' and Separate Accounts' portfolios are monitored and reviewed by personnel of Mesa West's Asset Management group on a daily and/or weekly basis. Each calendar quarter, a quarterly asset review ("QAR") meeting takes place by which each of the respective investments is presented by personnel in the Asset Management Group to Mesa West's senior management for review of credit conditions, performance and business plan updates, and valuation.

Walton Street investment professionals also participate in such meetings with regards to matters pertaining to MWREIF II, L.P./MWREIF II PF-1, L.P./MWREIF II PF-2, L.P. investments. As discussed under Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss, a private fund sponsored by Walton Street has committed capital to MWREIF II, L.P. Since formation, Mesa West has allowed representatives of Walton Street to attend QARs on a regular basis primarily due to its prior ownership interest in the firm. The type of information that would typically be disclosed during QAR would not give rise to conflicts of interest between Mesa West and Walton Street and the information would be available to any MWREIF II, L.P./MWREIF II PF-1, L.P./MWREIF II PF-2, L.P. investor in a quarterly report, upon request, or during an annual investor meeting. Nevertheless, Mesa West has procedures in place to make sure investments, and by extension, the QAR disclosures, are focused on investment information that would not give rise to a conflict of interest.

### Reporting

Mesa West provides Fund investors with quarterly reports, generally within 60 days after the end of each calendar quarter, that contain the following information: (i) a schedule and summary description of each Fund asset; (ii) a description of the performance of each asset; (iii) unaudited financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), including a balance sheet, income statement, statement of partners' capital, and statement of cash flows; and, (iv) a transmittal letter describing performance highlights. Investors also receive a capital account statement to show the estimated value of their interest in the respective Fund.

Within 120 days of the end of the fiscal year, investors in the Funds will also receive copies of annual audited financial statements prepared in accordance with U.S. GAAP that include the following information: (i) auditors opinion; (ii) balance sheet; (iii) statement of income or loss; (iv) statement of partners' capital; (v) statement of cash flows; and (vi) notes to the financial statements.

Mesa West provides Separate Account investors with monthly servicing statements at or around the time of monthly interest payment remittance. Additionally, depending on the specific terms of each Separate Account agreement, monthly or quarterly property and borrower financial statements, quarterly valuation reports and comprehensive asset updates and summaries are provided, as applicable.

Mesa West also distributes special reports to investors, upon specific request. The special reporting varies by the format in which an investor would prefer to receive our information (e.g., using a proprietary template or questionnaire, or a Mesa West schedule).

## **Item 14 Client Referrals and Other Compensation**

### Additional Compensation

The Funds and Separate Accounts may act in conjunction with developers, operating partners, or outside investors for competitive or strategic reasons or for other reasons intended to benefit the Funds or Separate Accounts, including forming joint ventures or other arrangements. Such third parties may venture with the Fund, Separate Account or Mesa West and may receive compensation in connection with arranging and managing such ventures. Any incentive compensation received by Mesa West in connection with joint ventures between the Funds or Separate Accounts and such third parties will be distributed to the Funds or Separate Accounts. Mesa West will retain any origination/acquisition, financing and management fees received in connection with joint ventures between the Funds and such third parties and offset management fees payable by a respective Fund by such amounts; these arrangements with regards to Separate Accounts are typically individually negotiated.

Employees of Mesa West may obtain discounted rates while staying at properties (i.e., hotels or resorts) financed or owned by the Funds or Separate Accounts, while traveling on personal time. Employees may accept the “Friends and Family” rates offered by the properties, subject to availability. Employees, while traveling on personal time, are prohibited from requesting and/or accepting accommodations by Fund/Separate Account-financed or owned properties that are free of charge to the employee.

### Client Referrals

Mesa West may periodically engage third party placement agents and/or solicitors to introduce prospective investors for the Funds or Separate Accounts. The fees and expenses of any third-party placement agents and/or solicitors will be paid by the respective Fund or Separate Account, but will be offset against future fees payable to Mesa West by the respective Fund or Separate Account.

### Business Entertainment

#### *Sponsorship of and Participation in Events*

In order to provide the quality of services that the Fund limited partners and Separate Account investors expect, it is necessary for Mesa West to establish, maintain, and enhance relationships with existing and prospective limited partners and investors, as well as various professionals in the real estate investment and management business such as attorneys, consultants, investment brokers, investment bankers, leasing agents and tenant representatives, lenders, developers, equity fund sponsors, venture and operating partners and other service providers and investment professionals (together, the “Real Estate Industry”). Establishing meaningful and long-term relationships in these and other areas within the Real Estate Industry are critical to Mesa West in identifying diverse strategies and sourcing investment opportunities for the Funds and Separate Accounts, as well as effectively underwriting, financing, operating, managing and disposing of Fund and Separate Account assets. Mesa West and



the Real Estate Industry value important and long-standing relationships, and as such, Mesa West and its employees may invite those within, and are frequently invited to participate in activities sponsored by, the Real Estate Industry that could be considered lavish entertainment, such as sporting events, concerts, golf and other outdoor outings and other recreational activities (collectively, “Events”). Mesa West recognizes that many in the Real Estate Industry similarly put efforts forth to establish, maintain and enhance their relationships with organizations competitive to Mesa West.

The meals, travel, and accommodations for many, but not all, Events may also be paid by Mesa West or such Real Estate Industry third-parties including private airfare and accommodations at upscale locations. In addition, from time to time properties owned by the Funds or Separate Accounts may also sponsor Events, in which employees of Mesa West may attend in an effort to generate marketing opportunities for renting / leasing available space in such properties or otherwise. The primary benefits Mesa West and the Funds or Separate Accounts receive from Mesa West’s sponsorship and participation in these Events is to originate and further strengthen our relationships within the Real Estate Industry. Mesa West believes that working to have such relationships is important towards ensuring that Mesa West is provided with the opportunity to capitalize upon active sources of dealflow and investment opportunities, as well as to receive critical and reliable services and information. While Mesa West believes employee sponsorship and participation in these Events is beneficial to the Funds and Separate Accounts for the reasons described above, Mesa West’s subsequent selection and retention of such Real Estate Industry service providers could be viewed as a form of reimbursement for attending such Events. Mesa West recognizes and acknowledges our fiduciary duty to the Funds and Separate Accounts. As such, no such Events or activities sponsored or received by Mesa West are permitted to influence our due diligence process in the originating, acquiring, underwriting, financing, managing, leasing, and selling of real estate investments or fulfilling our fiduciary duty to the Funds and Separate Accounts. Mesa West requires its employees to report their planned sponsorship of and participation in Events to its Chief Compliance Officer (“CCO”) for review. The CCO monitors such reporting and alerts members of Mesa West’s senior management (e.g., Messrs Friedman, Zytka and Krauch, collectively, “Senior Management”) to any concerns related to the frequency, lavishness or benefit of the sponsorship of or participation in such Events. At such time, Senior Management will determine on a case-by-case basis whether an employee’s sponsorship of or participation in an Event is warranted and the expenses may be paid by third parties, or warranted but the expenses must be paid by Mesa West or the participating Employee, or the sponsorship of or participation in the Event is not warranted.

#### Property Incentive Programs

Mesa West and/or entities hired by Mesa West (such as property management or leasing service providers, as applicable) may periodically sponsor incentive programs for unaffiliated third parties, primarily for real estate brokers and leasing agents. The programs are designed to incentivize the brokers and/or leasing agents to generate interest in obtaining tenants to occupy vacant space in properties owned by the Funds or Separate Accounts. The incentive programs are designed primarily to benefit the Funds and Separate Accounts by securing leases as quickly as possible to generate revenue at the properties owned by the Funds. The incentive programs may include items such as meals, gifts, gift cards, vacation accommodations, and other items. The incentive programs are paid for as part of the marketing budget for each property. Since these expenses are paid by the individual property, the Funds or Separate Accounts will indirectly bear the cost of these expenses.

## **Item 15 Custody**

Mesa West, or a wholly-owned affiliate, serves as the General Partner of each Fund and therefore is considered to have custody of client assets. The Funds are audited annually and the audited financial statements, which are prepared in accordance with generally accepted accounting principles, are distributed to the Funds' investors within 120 days of the Funds' fiscal year end. Fund investors should carefully review the Funds' audited financial statements.

## **Item 16 Investment Discretion**

Mesa West, or a wholly-owned affiliate, as General Partner, has investment discretion over the Funds' assets, in accordance with each Fund's respective offering documents and limited partnership agreement.

Each Fund's limited partnership agreement and offering documents generally set forth certain limitations with respect to the management of the Fund and the activities of Mesa West, among others. Fund investors may enter into side letter agreements with Mesa West, as described under Item 5 above. These agreements may have the effect of limiting certain of Mesa West's activities.

Mesa West does not have investment discretion under its advised Separate Accounts.

## **Item 17 Voting Client Securities**

Currently, Mesa West does not have proxy voting authority under any of its sponsored Fund investment agreements (limited partnership or limited liability company agreements) or Separate Account advisory agreements. If in the future the responsibility becomes applicable to Mesa West's business practices, and in accordance with its fiduciary duty to the Funds and Rule 206(4)-6 of the Investment Advisers Act, Mesa West will adopt and implement written policies and procedures governing the voting of Fund portfolio securities.

## **Item 18 Financial Information**

Mesa West is not aware of any financial condition that it believes is expected to affect its ability to meet contractual commitments to the Funds or Separate Accounts.