From: Thurber, David
Sent: Wednesday, July 12, 2006 12:26:40 PM
To: 'Sharon Vasvani'
Subject: RE: Shireen Advani

Good morning: See my answers below. Your questions or her questions are appropriate and always welcome. she has to be comfortable or we are not comfortable. If in the end she is not, and wants to pass not a problem. David

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Salem, Oregon 97302

-----Original Message-----
From: Sharon Vasvani [mailto:sharonvasvani@yahoo.com]
Sent: Wednesday, July 12, 2006 9:38 AM
To: Thurber, David
Subject: Re: Shireen Advani

Hello David

Thanks for taking the time to talk to me yesterday.

I guess since it is Shireen'e first time investing in a TIC, she has some concerns about how the investors will be guaranteed their 10% payout.

In looking at the Sources and Uses statement I found 2 reserves of $100k each, one for TIC and the other for Debt. So that will cover any shortfalls in income I assume.

On Page 1of the prospectus where it describes the risk factors it states in the last bullet that "If financial performance deteriorates.......the operator may be unable to pay its debts". This is what is concerning her. You had mentioned that the principals will bring in funds from other profitable projects to cover their obligations, is this mentioned somewhere? How does one know for sure that this is how it gets handled. The only way really is our past performance and operating plans. We are in each of our properties along with the investor. We have taken out the mortgage on each property and personally guarantee the loan. We have every interest in seeing that the property succeeds along with the investor. It is our objective to own the same property long term long after we repurchase the investors interest back, which we doat about the 36-42 month. We have never failed yet to honor our obligations to the lender or the investor, and we have never lost a property.

Re: Hawthorne Inn, it seems like this is being financed with a few other projects, is there any downside to this? Or benefit? Yes, it is being cross collateralized with about 6 other properties. Some investors see it as a good thing in that for the same reason above, we are not interested in allowing any one property to fail thereby jeopardizing several others. We have done this several times with lenders because it improves our interest rate and lowers other related costs and it provides one large loan to manage. Because of our past strong performance we have not been worried about any one property bringing all of them down. It has never happened. However, I recognize a person new to our business will have anxiety about a cross collateralized loan. It does not expose the investor to any more risk than they would have on a stand alone property. All investors are only at risk for what they have invested.

How many years has Canyon Creek been a TIC sponser? We have been in business 15 years, we have been a real estate sponsor mos of that time. We have recently switched over to the securitized real estate transaction environment. Our deals remain basically the same however, except the distribution process. .

Can u please provide a couple of referrals for her or me to talk to regarding their TIC experience, maybe people who have invested in projects that are not performing at their fullest. I will ask my staff to send this to you.

I am sorry to ask u so many questions but this is a learning experience or both her and me. If I can get a good handle on how all this works I will be able to send more investors your way.

Thanks once again.

Best Regards,

Sharon Vasvani
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Blue Ocean Realty & Mortgage
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Cell: 858-774-5204

From: Thurber, David
Sent: Sunday, March 11, 2007 04:32 PM
To: 'TheShpiel@aol.com'; Brody, Curtis; 'jeff.schumaker@sunwestmanagement.com'
Subject: Re: (no subject)

I will work to secure some of the answers tomorow on the numbers, I am on the road and do not have the PPM.
All of the issues and questions relating to Tutera are one time and unique to this deal. They brought the deal to us. They are not in any of our other deals.
We have been able to typically refinance at 36-48 months. We have been able to buy back all TIC interests so far. The sponsor does not necessarily target a Kcap rate" before refinancing. It does not sell the property. Refinancing is typically based on improved occupancy, lower expenses and rents - improved NOI. But basically yes to your question, often we acquire the property at a higher cap rate and refinance when it is lower, but we do not generally have a fixed target.
In the event the built in resrves for paying TIC payments and mortgage payments were exhausted, and the property was still not fully leased up as planned, which does happen, the sponsor through it's principals provides funds to the entity to meet those obligations. The sponsor has always met thee obligations. You are also correct that the sponsor will and does defer it's management fees when it needs to in situations like the one we are discussing.

----- Original Message -----
From: TheShpiel@aol.com <TheShpiel@aol.com>
To: Brody, Curtis; Thurber, David; jeff.schumaker@sunwestmanagement.com <jeff.schumaker@sunwestmanagement.com>
Sent: Sun Mar 11 13:58:52 2007
Subject: (no subject)
Gentlemen: Thanks for sending me the memorandum. I don't know if I have Jeff Schumaker's e-mail address so please make sure he gets a copy of this letter. Thank you.

I read the memorandum cover to cover....on the deal in Missouri, you have net revenue of $2,500,000 projected once fully rented...and debt of $1,300,000 ($18,600,000 X 7%) This leaves $1,200,000....to service $6,900,000 of equity.....did I get that right?...so how is the Tutera note getting paid off? From more financing?

Is the company buying these deals to produce about a 10 to 11 cap once re-worked?

The book says that after three years the guaranty goes away....so if there is a higher than projected occupancy, that calls of capital are possible....and Tutera would most likely not exercise his Call option. Is Tutera part of your entity structure on all your deals? Has the Call option ever not been exercised? Have there been deals that the yield goes away....and the fair market value is not enough to pay back some or all of our equity ? Have there been any deals which the refinance is insufficient to pay off the existing debt? What has the Master tenant done in these cases "if any"? Would they subordinate the management fee to accomplish the refinance?...would they use the remaining cash flow. if any, to service the debt?.

I noticed that this deal is in Missouri...Missouri has a 6% state tax on the gain.....I would need to go into deals in state that don't impose a state tax since the amount of my gain would be over $12.M and therefore could be cost prohibitive......choosing such states...would that pose a problem in matching me up?

Has my Ltd partnership already been accepted for suitability purposes?...I submitted the questionaire and all the backup documentation requested. ..How significant is the language on page 28 about the mortgage lender accepting or rejecting my TIC interest/

Page 40...how much does it cost for the fee interests title policy?
Page 45 Master Lease...after the three years, what determines how much rent will be paid under the Master Lease? are there escalations over the term? it's a fifty year lease...is it automatic that the Principals go out to secure refinancing for the members after the three years expire to be able to have the Tutera Option exercised?
Page 49...Responsible party for the assumed debt......how many of your deals in the past failed? and how many imposed costs to the TIC owners? Have TIC owners ever lost some or all of their investment?

Section C...page 4 it states that all cash flow goes to the Master Tenant ...what happens after the three years and the cash flow is needed to service the debt?

Section C page 9 Bankruptcy...the non breaching tenants can buy the breached tenants interest...what happens if no one elects to do that? At what price does the bankrupt tenant, or new trustee usually receive ? Their investment back at 100%....at 80%? Do you know? has it ever happened?

Has there ever been a case where the fair market value was asked for verses the Call option?
Has there ever been a case in past deals that the 2% a year increase was not paid to the exiting fee interest holders?

That's about all my questions so far.....please respond as soon as possible...you can also reach me by phone at 305-794-2213

Bob Spielman