

# QUARTERLY UPDATE

## CWS CAPITAL PARTNERS LLC

*CWS Capital Partners LLC*

# CWS

## CALENDAR OF EVENTS

**November 20, 2015**

CWS Capital Partners  
Semi-Annual Conference Call

**November 26 & 27, 2015**

Thanksgiving Day and Day After  
CWS Offices Closed

**December 24 & 25, 2015**

Christmas Eve and Christmas Day  
CWS Offices Closed

**January 1, 2016**

New Year's Day  
CWS Offices Closed

**January 15, 2016**

4th Quarter 2015 Est. Tax Payment Due

**January 29, 2016**

4th Quarter 2015  
Quarterly Distributions Mailed

**February 29, 2016**

Year 2015 K-1's Mailed

**April 15, 2016**

2015 Federal & State Tax Filing Deadline  
1st Quarter 2016 Est. Tax Payments Due

**April 19, 2016**

CWS Annual Partners Meeting  
Newport Beach Marriott Hotel and Spa  
Newport Beach, CA (Fashion Island)

**April 29, 2016**

1st Quarter 2016  
Quarterly Distributions Mailed



[www.cwscapital.com](http://www.cwscapital.com)

# LESSONS FROM ANDREW CARNEGIE

*By Gary Carmell*

Over the years I have written about individuals who have had a great influence on my thinking in business and life. Examples include Shakespeare, Charlie Munger, Warren Buffett, George Soros, and Arthur Schopenhauer, to name some of the notable ones. One newcomer to the party is Andrew Carnegie. I am not sure why it took me so long to



read his autobiography but in this case it is truly better late than never. Carnegie is a titanic figure in the history of American business and philanthropy. Until reading his book, however, I did not realize how deep a thinker he was and the magnitude of the impact he has left on the United States (and Scotland) in many positive ways. In this article I wanted to highlight what I think are some of his most important ideas and how we try to utilize some of them at CWS and how every serious investor and introspective human being can benefit from Carnegie's wisdom.

*Continued on Page 2*

Carnegie was born in 1835 and immigrated to the United States in his early teens. His family was quite poor and yet Carnegie was extremely happy as he loved his parents very much, especially his mother, and he was extremely motivated to do his share to contribute to the family financially. From an early age he showed great initiative, hard work, and ingenuity and was noticed by his superiors for promotion.

“It was Saturday night. I handed over to mother, who was the treasurer of the family, the eleven dollars and a quarter and said nothing about the remaining two dollars and a quarter in my pocket — worth more to me then than all the millions I have made since.”

Carnegie’s delight at contributing to his family’s well-being is something we can relate to at CWS. When it comes time for us to make our quarterly distributions or special distributions from a sale or refinance, I often times think about how the receipt of these funds might be positively impacting the lives of our investors. We derive a lot of satisfaction from knowing we are doing our small part to enhance the lives of those who invest with CWS.

### **The Arts, History, and Travel**

I have always believed that a liberal arts education encompassing many disciplines, combined with world travel, can be extremely beneficial for investors. Investment insights often come from connecting the seemingly unconnectable which can only come from having an open mind, broad thinking, and a global perspective. Carnegie was a great believer in the benefits of the arts on society and the soul of an individual. He loved books and said he had “a taste for literature which I would not exchange for all the millions that were ever amassed by man. Life would be quite intolerable without it.” His first trip to Europe opened his eyes to art and how to judge what was truly great. He believed everyone should see the world as it allows one to have a broader perspective.

“[Y]ou feel on your return that you have seen (of course only in the mass) all there is to be seen. The parts fit into one symmetrical whole and you see humanity wherever it is placed working out a destiny tending to one definite end.”

### **Optimism**

Most successful people have an optimistic streak in them and Carnegie was no different. In fact, Carnegie credited much of his success to his optimistic nature.

“True indeed; most of the troubles of humanity are imaginary and should be laughed out of court. It is folly to cross a bridge until you come to it, or to bid the Devil good-morning until you meet him — perfect folly. All is well until the stroke falls, and even then nine times out of ten it is not so bad as anticipated. A wise man is the confirmed optimist.”

At CWS and personally I have come to learn how important it is to always ask the question as to what could go wrong and deal with challenges as they arise without catastrophizing them. That is not to say we bury our head in the sand or see the world with rose colored glasses but we can't look too far ahead because that often only serves to create unnecessary fear and anxiety. As it's been said, "the only way out is through" so we might as well go through with an optimistic and realistic attitude.

### **Internal Judge**

Carnegie believed that we shouldn't rely on others to judge us since there is no more powerful judge than ourselves.

"The judge within sits in the Supreme Court and can never be cheated. Hence the grand rule of life which Burns gives: 'Thine own reproach alone do fear.'"

At CWS we are our most severe critic and hold ourselves to very high standards. Steve, Mike, and I have very large percentages of our net worth invested in CWS and our investments so we are "eating our own cooking" as they say. We feel a tremendous obligation to do our utmost to make the best decisions we can in terms of managing the hard-earned capital our investors have entrusted us with. We know there are times we may fall short and if and when this occurs, we do all we can to understand why this was the case and communicate openly with our investors. Charlie Munger said that envy is the worst of the seven sins because, unlike the other six, no pleasure comes with it. We try to stick to our core competencies, deliver returns we think compensate investors for the risk borne, and assess our performance honestly based on our own yardsticks. We try not to worry about how others are doing... only ourselves.

### **Focus**

Carnegie was a great believer in focusing all of one's capital, energy, and time in one's business versus outside ventures. I wrote extensively about this in a recent blog post at [www.garycarmell.com](http://www.garycarmell.com) that I suggest you read to learn more about how Carnegie came to this conclusion and why it worked for him. I would summarize it by saying that there is no better return on one's time than trying to become a master of one's enterprise and that the opportunities that can arise from knowing something so well and sticking to one's knitting offer a far more compelling risk-reward relationship and sense of satisfaction than speculating in areas one has no advantages in terms of information and skill.

### **Hire the Best & Know Human Nature**

Carnegie knew what his strengths were as well as his limitations. He shored up his weaknesses by hiring the best in those areas in which he fell short.

"I treasure the remembrance of this plan as the earliest evidence of organizing power upon the development of which my material success in life has hung— a success not to be attributed to what I have known or done myself, but to the faculty of knowing and choosing others who did know better than myself. Precious knowledge this for any man to possess. I did not understand steam machinery, but I tried to understand that much more complicated piece of mechanism — man."

"There is no way of making a business successful that can vie with the policy of promoting those who render exceptional service."

At CWS we always endeavor to hire from within as our people know our culture and values and have proven themselves. We also prefer practical experience over pedigree, which is something Carnegie espoused.

"It is not the rich man's son that the young struggler for advancement has to fear in the race of life, nor his nephew, nor his cousin. Let him look out for the 'dark horse' in the boy who begins by sweeping out the office."

We also know that real estate can be a very cyclical business and the ups and downs can create great strains on an organization. At CWS we strive to manage our growth and personnel decisions such that we may not be as successful as others during the expansion phase but hopefully manage the downturns with far less negative repercussions than our more aggressive competitors. The last thing we want to do is to let go of talented, committed people when times get tough because that is when the most opportunities arise. Carnegie shared a similar philosophy.

"The best men as men, and the best workmen, are not walking the streets looking for work. Only the inferior class as a rule is idle. The kind of men we desired are rarely allowed to lose their jobs, even in dull times. It is impossible to get new men to run successfully the complicated machinery of a modern steel plant."

Carnegie believed that people needed much more than money to derive satisfaction from their jobs.

"It is not solely, often it is not chiefly, a matter of dollars with workmen. Appreciation, kind treatment, a fair deal — these are often the potent forces with the American workmen."

He believed that all of his innovative programs generated employee goodwill which was extremely valuable to his enterprise.

"No expenditure returned such dividends as the friendship of our workmen."

How did Carnegie strive to be able to handle the tough times? By having a relentless focus on quality and building a financial fortress.

### **Quality**

Carnegie was a fanatic for focusing on quality versus price and by doing so he was convinced that profits would follow. He was proven right.

"The surest foundation of a manufacturing concern is quality. After that, and a long way after, comes cost."

Like Paul O'Neill in his approach to running Alcoa and having safety be the unifying principle of the entire organization, Carnegie's was quality and welcomed any feedback and measurement that could help the organization improve its standards, processes, and quality.

"Instead of objecting to inspectors they should be welcomed by all manufacturing establishments. A high standard of excellence is easily maintained, and men are educated in the effort to reach excellence. I have never known a concern to make a decided success that did not do good, honest work, and even in these days of the fiercest competition, when everything would seem to be matter of price, there lies still at the root of great business success the very much more important factor of quality. The effect of attention to quality, upon every man in the service, from the president of the concern down to the humblest laborer, cannot be overestimated."

Carnegie proved that profits followed quality.

"It sounds like a fairy tale to-day to record that in 1906 the one-hundred-dollar shares of this company sold for three thousand dollars — that is, thirty dollars for one. Large annual dividends had been paid regularly and the company had been very successful — sufficient proof of the policy: 'Make nothing but the very best.' "

At CWS we adhere to the same philosophy. We invest heavily in having the best people and systems to support our people so they can deliver outstanding service to our residents, investors, and CWS employees with the firm expectation that this focus will translate into compelling returns for our investors.

### **Financial Fortress**

Carnegie learned through some very challenging financial panics the importance of not overextending oneself by excessive borrowing, personal guarantees, or guaranteeing other people's or companies' debts.

"Mr. Drexel said he would like me to explain how I had been able to steer clear of these unfortunate troubles. I answered: by strict adherence to what I believed to be my duty never to put my name to anything which I knew I could not pay at maturity; or, to recall the familiar saying of a Western friend, never to go in where you couldn't wade."

Carnegie also realized that having a deep reserve of capital was crucial to provide a margin of safety when financial panics ensued.

"But in a critical period like this there was one thought uppermost with me, to gather more capital and keep it in our business so that come what would we should never again be called upon to endure such nights and days of racking anxiety."

The end result was a financial fortress that allowed Carnegie to access capital when others could not and to take advantage of opportunities when others were drowning financially.

"The fright which Pittsburgh financial institutions had with regard to myself and our enterprises rapidly gave place to perhaps somewhat unreasoning confidence. Our credit became unassailable, and thereafter in times of financial pressure the offerings of money to us increased rather than diminished, just as the deposits of the old Bank of Pittsburgh were never so great as when the deposits in other banks ran low."

During the Great Recession which started back in 2008, we were very fortunate that our credit worthiness provided us flexibility with our lenders and the ability to modify some of our loans that were maturing in a very difficult lending environment. Having strong relationships with our lenders and a history of never losing a property gave them the confidence to believe in CWS as well as our ability to turn around many of our properties' operations during a time of heightened vacancies and reduced cash flows.

One of our goals at CWS is to design a company that enables us to be on offense when everyone else is on defense. To do this requires that we buy good properties in excellent locations in growing markets with prudent leverage and investors who have staying power should difficulties emerge.

### **Giving Back**

"Steel had ascended the throne and was driving away all inferior material. It was clearly seen that there was a great future ahead; but so far as I was concerned I knew the task of distribution before me would tax me in my old age to the utmost. As usual, Shakespeare had placed his talismanic touch upon the thought and framed the sentence — 'So distribution should undo excess, And each man have enough.' "



Carnegie Hall, Carnegie Mellon, the Carnegie Institute of Peace, and hundreds of public libraries are just some of the most notable philanthropic commitments made by Carnegie that still exist today. By the time he died he gave away \$350 million, which is many billions in today's dollars. Carnegie loved literature so much as a child that a true Godsend to him was when

"Colonel James Anderson — I bless his name as I write — announced that he would open his library of four hundred volumes to boys, so that any young man could take out, each Saturday afternoon, a book which could be exchanged for another on the succeeding Saturday.

Later, when fortune smiled upon me, one of my first duties was the erection of a monument to my benefactor."

Carnegie believed that libraries were a great equalizer between rich and poor and offered an unlimited return on a child's time as long as they had a desire to learn and put in the effort.

"It was from my own early experience that I decided there was no use to which money could be applied so productive of good to boys and girls who have good within them and ability and ambition to develop it, as the founding of a public library in a community which is willing to support it as a municipal institution.

The fundamental advantage of a library is that it gives nothing for nothing. Youths must acquire knowledge themselves. There is no escape from this."

After Carnegie had climbed the highest mountain he looked down and determined that the sole purpose for that which he accumulated was to distribute it to improve society through the arts and learning and to those less fortunate but willing to improve themselves. And the more he gave away the more his faith in humanity grew.

Like Carnegie we too at CWS believe that giving back is central to human satisfaction and motivation. To work for something greater than oneself and to support others in doing so is something CWS has been doing for over 20 years with our BRIDGE program. We believe that supporting our employees in what they have great passion for results in a happier, more fulfilled person that can only have positive spillover effects to the workplace.

Carnegie truly left the world a better place than he found it, not only as a result of the institutions he endowed that remain to this day, but also because of his ideas that were far ahead of his time from which all deep thinking individuals and organizations can still benefit from, including CWS.



# Web Portal Corner 3QI5



## Your Voice Counts!

We hope you have had an opportunity to check out the new CWS Capital Partners website with expanded information about CWS as well as an enhanced experience on the Investor Portal. The new website is now responsive and will adapt to your mobile devices (i.e., smart phones and tablets) so you can access your CWS information on the go.

Not yet activated your portal account? Easy to follow instructions are included with every document notification we email you. Already activated but have forgotten your investor ID or password? Just click the helpful links in the green box at the top of the page. If you still require assistance or have questions or comments regarding the new website, please contact Susan Rayshell at [srayshell@cwscapital.com](mailto:srayshell@cwscapital.com).

Now that the new CWS website has gone live, we would love to hear from you. Watch your email for a special survey where you will have an opportunity to make your voice heard by telling us what you like and what else you would like to see on our website.



# SAVE THE DATE

## CWS 2015 Annual Partners Meeting

Tuesday – April 19, 2016

Our Annual Partners Meeting will be held, once again, at the Newport Beach Marriott Hotel and Spa at Fashion Island in Newport Beach, CA. The meeting will be held on Tuesday, April 19th, 2016. During this informative event investors will have the opportunity to receive updates on their respective CWS properties as well as hear from the principals on the state of the company, the real estate market, and our strategy going forward. Please mark your calendars.

## CWS 2015 Semi-Annual Conference Call

Friday – November 20, 2015 @ 12pm Pacific Standard Time

Please join us for our Semi-Annual Conference Call which will be on Friday, November 20, 2015 at 12pm. It's your opportunity to have all your questions answered on one call and is an ideal forum to hear about your investments and how they are performing. We will also give a brief outlook for the remainder of the coming year. Details for the dial-in call will be provided to investors soon.

# INVESTOR RELATIONS RECAP

*For more information on CWS investment opportunities, contact  
Marcus Lam at (800) 466-0020 ext. 1011 or [mlam@cwscapital.com](mailto:mlam@cwscapital.com)*

## SALES and/or ACQUISITIONS

**Marquis 5655 (San Antonio, TX)** – We recently closed on the sale of Marquis 5655 located in San Antonio, Texas on August 10, 2015. Investors can log into their Investor Portal Accounts to view the information regarding the sale by visiting [www.cwscapital.com](http://www.cwscapital.com) and clicking on “My Documents.”

**The 704 (Austin, TX)** – We recently acquired a 378-unit luxury apartment community called The 704 located in Austin, Texas. The 704 was recently constructed in 2014 and features four and five-story buildings consisting of 20,079 square feet of retail space on the ground floor and a rooftop terrace featuring an outdoor kitchen, a fire pit, outdoor sofas, and a pergola. Given a 200-foot elevation decline from The 704 to downtown Austin, the property offers picturesque downtown skyline views as well as views of the expansive Barton Creek Greenbelt. The close of escrow occurred on August 21, 2015.

**The Marquis at Stone Oak (San Antonio, TX)** – On August 31, 2015, we closed escrow on the sale of The Marquis at Stone Oak located in San Antonio, Texas. Investors can log into their Investor Portal Accounts to view the information regarding the sale by visiting [www.cwscapital.com](http://www.cwscapital.com) and clicking on “My Documents.”

**The Marquis at Tech Ridge (Austin, TX)** – We recently closed on the sale of The Marquis at Tech Ridge located in Austin, Texas on September 16, 2015. Investors can log into their Investor Portal Accounts to view the information regarding the sale by visiting [www.cwscapital.com](http://www.cwscapital.com) and clicking on “My Documents.”

**The Marquis at Center Ridge (Austin, TX)** – We recently closed on the sale of The Marquis at Center Ridge located in Austin, Texas on September 16, 2015. Investors can log into their Investor Portal Accounts to view the information regarding the sale by visiting [www.cwscapital.com](http://www.cwscapital.com) and clicking on “My Documents.”

**Marquis 2200 (Atlanta, GA)** – We are in the process of selling Marquis 2200 located in Atlanta, Georgia. At the time of this writing, the sale was projected to close in 4Q15.

**Elan at Desert Ridge (Phoenix, AZ)** – We are in the process of acquiring a brand new 370-unit luxury apartment community in the Desert Ridge area of Phoenix, Arizona. We are very excited about the future growth prospects of Elan. At the time of this writing, the close of escrow was scheduled to occur in 4Q15.

## REFINANCES and/or SUPPLEMENTAL LOANS

**Marquis at the Parkway (Denver, CO)** – The second supplemental loan was completed on August 26, 2015. With the addition of this supplemental loan, we were able to make a substantial one-time distribution to investors.

**The Marquis on Briar Forest (Houston, TX)** – The refinance of The Marquis on Briar Forest is scheduled to close in 4Q15. We are projecting the refinance should result in a significant one-time distribution to investors.

## OFFERINGS

At the time of this writing, CWS Capital Partners had open individual syndication (or security) offerings for investment. Please contact Marcus Lam if you are interested in investing in any of these opportunities by calling 800-466-0020 ext. 1011 or e-mailing [mlam@cwscapital.com](mailto:mlam@cwscapital.com).

### CWS Apartment Portfolio PERFORMANCE SUMMARY 1/1/2015 - 9/30/2015

<i>Number of Properties:</i>	<i>74</i>	<u><i>Actual</i></u>	<u><i>Budget</i></u>	<u><i>Variance</i></u>	<u><i>%</i></u>
Total Revenue		\$224,656,355	\$220,874,075	\$3,782,280	1.71%
Total Operating Expenses		\$100,301,451	\$103,455,254	\$3,153,803	3.05%
Net Operating Income/(Loss)		<u>\$124,354,904</u>	<u>\$117,418,821</u>	<u>\$6,936,083</u>	<u>5.91%</u>

Revenue - when actual is greater than budget result is positive variance  
Operating Exp. - when actual is greater than budget result is negative  
NOI - when actual is greater than budget result is positive

## CWS INVESTMENTS PRIVACY NOTICE

We provide this notice to our individual investors as required by regulations adopted under the federal Gramm-Leach-Bliley Act in order to inform you about our policies with respect to the non-public personal information we maintain about you. We have been sensitive about the personal information we have received regarding our investors and plan to continue that tradition.

In connection with our private investment activities, we collect and maintain non-public personal information from the following sources:

- Information we receive from you in subscription agreements, investor questionnaires, applications or other forms or in other communications; and
- Information about your transactions with us, any of our affiliates or others.

CWS may share nonpublic personal information to unaffiliated third parties only under the following circumstances: (i) disclosure of account and transaction data to other financial institutions, auditors, attorneys, or regulators to facilitate your investment or as required (or requested by law enforcement) and permitted by law or regulation (ii) disclosure of personal information in limited circumstances to perform background checks as required by law, (iii) disclosure of your personal contact information to companies that help us service your accounts or assist CWS in reaching out to investors for activities such as annual meetings, special votes, or new offerings. We have contracts with these companies that prohibit them from using your personal information for their own purposes. **Outside of these limited exceptions, CWS will not share your personal information with third parties unless you have specifically requested that information be released to them.**

We intend to maintain non-public personal information of our former investors and apply the same policies to that information that apply to current investors. We employ physical, electronic and procedural safeguards to protect your non-public personal information in our possession or under our control.

We reserve the right to change our privacy policies and this Privacy Notice at any time. The examples contained within this notice are illustrations only and are not intended to be exclusive. This notice complies with the privacy provisions of the Gramm-Leach-Bliley Act. You may have additional rights under other United States or non- United States laws that may apply to you.

Please contact Investor Relations at (949) 640-4200 or investorrelations@cwscapital.com if you have any questions.

Investment opportunities offered by CWS Capital Partners LLC are through an affiliated entity, CWS Investments. CWS Investments is a registered broker dealer, member FINRA, SIPC.

# CWS

## CAPITAL PARTNERS LLC

AN INVESTMENT MANAGEMENT COMPANY

### PURPOSE:

ENHANCING LIVES  
THE CWS WAY

### VALUES:

A DEMAND FOR EXCELLENCE WITH  
A SENSE OF URGENCY

A RESPECT FOR PEOPLE

REQUIREMENT FOR PROFITABILITY  
AND SUSTAINABILITY

HONORING OUR WORD

ETHICAL DEALINGS ARE PARAMOUNT

## CWS QUARTERLY UPDATE

PUBLISHED BY

CWS CAPITAL PARTNERS LLC  
14 CORPORATE PLAZA, SUITE 210  
NEWPORT BEACH, CA 92660

VICE PRESIDENT, INVESTOR RELATIONS

*Lauretta Anderson*

landerlo@cwscapital.com

INVESTOR RELATIONS TEAM

*Sunnie Juarez-Mills*

sjuarezmills@cwscapital.com

*Marcus Lam*

mlam@cwscapital.com

*Susan Raysbell*

srayshell@cwscapital.com

*Albert Stein*

astein@cwscapital.com

*Mark Ruggles*

mruggles@cwscapital.com

*Katie Jimenez*

kjimenez@cwscapital.com

*Barb Williams*

bwilliams@cwscapital.com

*Lisa Collins*

lcollins@cwscapital.com

*Vallie Myers*

vmyers@cwscapital.com

Telephone: (800) 466-0020 or (949) 640-4200  
Facsimile: (949) 640-4931