

# Southwestern Investment Group

## *Historical Project Summaries*

### Quebec Riverdale, LLC (Commercial and Residential)

#### Summary

Located on the northwest corner of 128<sup>th</sup> Avenue and Quebec in Thornton, Colorado, this 146-acre project is another example in which Southwest was able to identify raw land in the path of growth, add value via entitlements and syndicate the residential parcel a bulk sale while retaining the commercial for future development. The parcel was put under option contract by SWIG in January 1998 with conditions precedent to allow the completion of annexation, zoning, platting and engineering. The purchase price was \$2.37 million (approximately \$16,217 per acre). SWIG was able to complete the entitlements for 304 residential lots, and 34 acres of commercial. SWIG subsequently rezoned the commercial acreage to fit a mix of pads and inline retail users. The transaction was capitalized by SWIG and an external equity investor. The total transaction size, including land acquisition and entitlement costs was \$3.211 million, which closed in August 1999. The platted and engineered lots were ultimately sold to Melody Homes/DR Horton in September 2003 for \$4.33 million. In October of 2007 SWIG sold a 25 acre parcel to Wal Mart for \$3.64 million. The remaining 9 acres consists of 4 fast food/financial pads and a parcel that will accommodate approximately 16,250 sf of inline space. SWIG currently plans to construct the vertical improvements and sell at stabilization while the remaining 4 pads will be sold or ground-leased as finished pads to ends users.



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#### Financial Summary

##### Project P&L

The value-add from SWIG's entitlement of the parcel is significant and is projected to generate an overall profit of \$8.0 million, assuming a \$850K residual value for the retained commercial parcel. SWIG was able to purchase the property at an outstanding basis, based on un-entitled values and recognized that the property was in a major north metro Denver corridor. SWIG's sale of the residential parcel resulted in proceeds in excess of the basis in the entire parcel, allowing the company to both return capital to partners retain and maximize the value on the commercial parcel. The sale of the 25 acre parcel to WalMart, subsequent sale of the bank/fast-food pads and build-out of the inline space will generate substantial additional returns.

<u>Acquisition and Entitlement</u>		<u>Sales and Profit</u>	
\$ 2,367,714	Land acquisition cost	\$ 4,330,798	Sale 9/16/2003
843,669	Development costs	400,000	Escrow refunded 10/2004
\$ 3,211,383	Total cost	3,642,294.00	Sale 10/31/07
(2,390,000)	Debt from bank	(282,889.16)	Closing costs
\$ 821,383	Initial Capital invested	(2,319,177.18)	Less debt and interest (paid 10/31/07)
2,047,948	Additional Capital Calls	1,050,000.00	Lot B (anticipate June 2009)
		1,500,000.00	Lot C (anticipate June 2009)
		1,700,000.00	Lot D & E (anticipate June 2009)
		850,000.00	Lot F (anticipate June 2009)
<u>\$ 2,869,331</u>	Total Capital invested	<u>(2,869,331)</u>	
		<u>\$ 8,001,695</u>	

##### Cash Flows and Returns

The transaction has resulted in a 29.46% levered equity IRR, with a 25.66% IRR to SWIG's equity partner. These returns are projected to increase as sales of commercial pads are realized. The cash flows of the project are summarized below. The project was funded with a mix of equity capital by SWIG and an external equity investor, and \$2.39 in senior bank financing.

	<u>Total</u>				Cumulative	<u>External Equity</u>				Cumulative
	Capital contrib	Loans from members	Other (dist, interest, etc.)	Net (provided) received		Capital contrib	Loans from members	Other (dist, interest, etc.)	Net (provided) received	
1999	(584,663)	(2,106,137)	328,364		(2,362,436)	(561,655)	(2,106,137)	229,855		(2,437,937)
2000	(779,418)	(2,106,137)	328,364		(2,557,191)	(696,627)	(2,106,137)	229,855		(2,572,909)
2001	(1,320,306)	(16,137)	658,700		(677,743)	(1,075,248)	(16,137)	560,191		(531,194)
2002	(1,320,306)	(791,420)	658,700		(1,453,026)	(1,075,248)	(558,835)	560,191		(1,073,892)
2003	(1,320,306)	(0)	2,995,562		1,675,256	(1,075,248)	0	2,233,516		1,158,268
2004	(1,320,306)	(0)	3,254,811		1,934,505	(1,075,248)	0	2,415,368		1,340,120
2005	(1,320,306)	(5,000)	3,254,811		1,929,505	(1,075,248)	0	2,415,368		1,340,120
2006	(1,320,306)	(5,000)	3,254,811		1,929,505	(1,075,248)	0	2,415,368	1,340,120	2,680,239
2007	(1,320,516)	(179,324)	4,401,535		2,901,695	(1,075,248)	0	3,285,683		2,210,435
2009	-	(179,324)	8,181,018		8,001,695	(0)	0	4,856,073		4,856,073
			<b>IRR:</b>	<b>29.64%</b>				<b>IRR:</b>	<b>25.66%</b>	