

Southwestern Investment Group

Historical Project Summaries

SW Begold, LLC (Residential)

Summary

Located at 10101 Chambers Road in Commerce City, Colorado, the project was initially structured as a short-term first mortgage with a buy-out option by Southwestern Investment Group (“SWIG”) in 2004. The transaction enabled the borrower to buy out partners and ultimately allowed SWIG to purchase the parcel by court order. SWIG recognized the demand for affordable housing in a fast-growing corridor in north metro Denver, and executed a value-add strategy by re-platting the property to national builder standards. SWIG was able, through its entitlement expertise to increase the lot count from 110 lots to 140 lots on the 40.65 acre parcel. Additionally, SWIG formed and maintained control of the High Point Metropolitan district to fund certain aspects of the future horizontal development which produced additional investor returns. The transaction was capitalized by SWIG and an external equity investor. The total transaction size, including land acquisition and entitlement costs was \$2.8 million. The re-platted and engineered lots were ultimately sold to Centex Homes in January 2005 for \$3.38 million. Additionally, approximately \$1.1 million in bond proceeds from the metro district will accrue to SWIG in 2010.



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Financial Summary

Project P&L

The value-add from SWIG's re-entitlement of the parcel was significant and generated an overall profit of \$1.55 million (including metro district proceeds). SWIG was effectively able to recognize the value in the property by reducing lot sizes and marketing to well-capitalized public homebuilders.

Acquisition and Entitlement		Sales and Profit	
\$ 2,476,941	Land acquisition cost	\$ 3,382,069	Sale 1/31/2005
371,994	Development costs	1,026,858	Bond proceeds (2/10/2006)
\$ 2,848,935	Total cost		
(1,141,000)	Debt from Bank	(1,147,296)	Less debt and interest
\$ 1,707,935	Capital invested	(1,707,935)	Less Equity
		<u>\$ 1,553,696</u>	

Cash Flows and Returns

The project resulted in a 125% levered equity IRR, with a 65% IRR to SWIG's equity partner. The cash flows of the project are summarized below. The project was funded with \$1.7 million in equity capital by SWIG and an external equity investor, and \$1.14 million in bank debt.

	Total				External Equity					
	Equity Contributions	Loans from members	Distributions, Interest, etc.	Net (provided) received	Cumulative	Equity Contributions	Loans from members	Distributions, Interest, etc.	Net (provided) received	Cumulative
2004	(1,000)	(1,571,759)	-		(1,572,759)	(500)	(1,565,759)	-		(1,566,259)
2005	(1,039)	-	1,553,696	3,126,455	4,680,151	(500)	(1,589,311)	815,516		815,516
			IRR	125.10%				IRR		64.53%