

Southwestern Investment Group

Historical Project Summaries

SW Chambers, LLC (Temmer) (Commercial & Residential)

Summary

Located on the southeast corner of 104th Avenue and Landmark in Commerce City, Colorado, this 148-acre project capitalized on SWIG's ability to identify un-entitled raw acreage in the path of growth and add value via land-planning and entitlements while syndicating an exit strategy prior to closing. The parcel was put under option contract by SWIG in February 2002 with conditions precedent to allow the completion of annexation, zoning, platting and engineering. The purchase price was \$1.76 million (approximately \$11,900 per acre). SWIG was able to complete the entitlements for 252 residential lots, 25 acres of multi-family, and 10 acres of commercial. Additionally, SWIG formed and maintained control of the Buckley Ranch Metropolitan district to fund certain aspects of the future horizontal development, thereby providing a future revenue stream from bonds. The transaction was capitalized by SWIG and an external equity investor. The total transaction size, including land acquisition and entitlement costs was \$3.149 million, which closed in September 2003. The platted and engineered lots were ultimately sold to Beazer Homes/GMAC Financing in May of 2004 for \$5.61 million. The commercial parcel was sold to a local retail developer for \$2.01 million in July 2005. SWIG has retained the 17 acre multifamily parcel and is contemplated selling the site end users in 2007 – the estimated proceeds are \$3.0 million. Additionally, approximately \$1.8 million in bond proceeds from the metro district were sold and received by SWIG in February 2003.



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Financial Summary

Project P&L

The value-add from SWIG's entitlement of the parcel was significant and generated an overall profit of \$9.29 million (including metro district proceeds). 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 exit strategy for the residential parcel was in very shortly after closing, allowing the company to retain and maximize the value on the commercial parcel (sold 2 year after closing) and multifamily parcel (scheduled to be sold in 2007)..

Acquisition and Entitlement		Sales and Profit	
\$ 1,761,191	Land acquisition cost	\$ 5,616,550	Sale 5/28/2004
<u>1,387,967</u>	Development costs	2,010,748	Sale 7/7/2005
\$ 3,149,158	Total cost	1,848,378	Bond proceeds 2/10/2006
		3,000,000	Projected sale of 25 acres 11/2007
<u>(681,271)</u>	Debt from 3rd party	(722,764)	Less debt and interest
\$ <u>2,467,887</u>	Capital invested	<u>(2,467,887)</u>	Less Equity
		<u>\$ 9,285,025</u>	

Cash Flows and Returns

The transaction is projected to result in a 352% levered equity IRR, with a 353% IRR to SWIG's equity partner (pending sale of the multifamily parcel). 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 \$681,271 in senior bank financing.

	All Investors				External Equity Investors					
	Equity Contributions	Loans from members	Distributions, Interest, etc.	Net (provided) received	Cumulative	Equity Contributions	Loans from members	Distributions, Interest, etc.	Net (provided) received	Cumulative
2002	-	(33,400)	-		(33,400)	-	(2,925)	-		(2,925)
2003	-	(492,363)	(768,660)		(1,261,023)	-	(495,288)	(768,660)		(1,263,948)
2004	-	182,054	2,967,933		3,149,987	-	(305,049)	2,958,495		2,653,446
2005		147,229								
2006	-	147,229	1,848,378	1,995,607	6,958,018	-	-	927,189	927,189	4,504,203
2007	-	263,334	2,736,666	3,000,000	9,958,018	-	201,619	1,399,191	1,600,809	6,105,013
	-	410,563	9,400,225		9,810,788	-	(109,430)	6,214,443		6,105,013

IRR

353%

IRR

353%