

Case Summary



Lunsford Experience & Skill Set



Types of Entity to Use

- Managers share limited liability
- In LLC, if one partner affects the limited and general partners, entire the partnership agreement, no one value can be lost
- In LLC, if one partner acts as a taxpayer, the partner only all income, gains, are reported to the individual tax return
- It is a "pass-through" entity – it is not taxed once, rather just at the partner's level
- In LLC, there are no managers or no owner, the partner of the property is hold on the basis of the partnership and not on an owned or the partnership
- The management structure can be one of these: a manager assigned, no manager assigned, then providing flexibility for the property



- 1) **More Due Diligence**
 - **Tarant Analysis/Competitor Analysis**
 - More research on Market Trends and Sales Comparables
- 2) **Develop Business Plan with defined Exit Strategy**
 - Renew Leases
 - Sale Properly within 5 Years
- 3) **New Purchase Price - \$3.8 million (\$30/psf)**
 - In-line with Sales Comparables
 - 87% of Replacement Cost
 - 10% Purchase Cap Rate
 - Return Levee (15% of ARR) Meet Investor Criteria
- 4) **Keep Loan to Value < 65%**
- 5) **Profit Split Structure with Investors**



It's beautiful because control
power of the machine with
a single touch. And the
display is so clear and
bright. Beautiful, isn't it? It's
more than the 10,000,000,000
that you can't see. It's the
power of the machine.
It's the power of the machine.
It's the power of the machine.

	long and moderate	extreme scenario	possible scenario
Basic Price	\$8.50	\$8.50	\$8.25
Variable	100	100	100
Target Contribution	0.0001	0.0001	0.0001
Target Revenue	0	0	0
Target and Revenue	0	0.0001	0.0001
Target Investment	0	0	0.0001
Target Investment	0	0	0.0001

	Long and variable	medium scenario	probable scenario
Direct costs	27.50	27.50	27.50
Material	1.00	1.00	1.00
Transport and other costs	0.0001	0.0001	0.0001
General expenses	0	0	0
Structural investments	0	300,000	515,000
Transfer to investment in development of innovation	50	50	120,000
Investment in innovation	0	350	635,000

Portland Trail Blazers

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Case Summary



- Project: Shady Trail Distribution Center
- Price: \$4M
- Loan: \$2.8M
- Seller: Lonestar Bank
- Potential Buyer: Holt Lunsford
- Location: Dallas, TX (west side)
- Project Specs:
 - 5 years old
 - 120,000 sq. ft., industrial warehouse

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[Types of Entity to Use]

- Members have limited liability
- An LLC structure allows for limited and general partners within the partnership agreement, some who can be passive investors
- An LLC files a tax return as a reporting function only (all income, gains, are reported on individuals' tax returns)
- It is a "pass-through" entity - it is not taxed twice, rather just at the partners' level.
- An LLC files an informational tax return the title of the property is held on the name of partnership each partner owns an interest in the partnership
- Its management structure can be one of two: a member-managed, or a manager-managed, thus providing flexibility for the partners

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Lunsford Experience & Skill Set



- 15 years of experience at a large development firm
- One of the best leasing agents in Dallas
- Great interpersonal skills with a well-established network
- Extensive experience with investment analysis
- Genuine charm and a hard worker

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Underwriting Assumptions

	Original Scenario	Revised Scenario	Probable Scenario
Base Rent	\$3.90	\$3.90	\$3.23
Vacancy	0%	5%	8%
Terminal Cap Rate	9.00%	9.00%	9.00%
Lease Renewal	Y	Y	N
Structural Reserve	\$0	\$15,000	\$15,000
Tenant Improvements	\$0	\$0	\$120,000
Leasing Commissions	\$0	\$0	\$276,755

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Underwriting Issues



- 70% financial leverage carried potential downturn risk
- Lunsford puts both his and his friends' equity at risk
- Annual market rent levels were lower than the \$3.9 psf used, and \$3.25 was a more realistic number for assessment
- Revised NOI substantially lower due to the change in rental rate

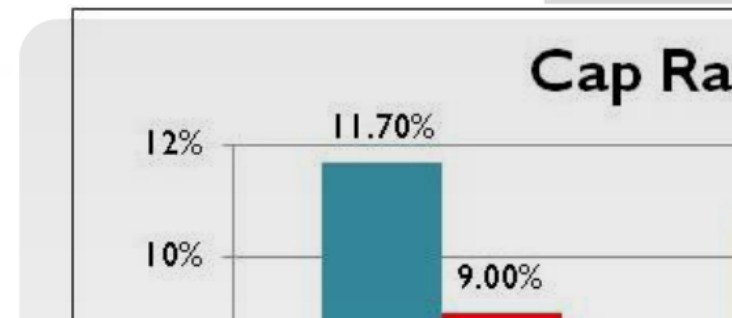


Financials

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(Levered) Comparison



managed, or a manager-managed, thus providing flexibility for the partners

Caseism.com Recommendation



1) More Due Diligence

- Tenant Analysis/Competitor Analysis
- More research on Market Rents and Sales Comparables

2) Develop Business Plan with defined Exit Strategy

- Renew Leases